



UTILITIES CO.

*A Subsidiary of MDU Resources Group, Inc.*

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

March 1, 2019

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

Re: Annual Update to Transmission Cost  
Recovery Rider Rate 59  
Docket No. EL19-\_\_\_\_

Montana-Dakota Utilities Co., a Subsidiary of MDU Resources Group Inc. (Montana-Dakota), herewith electronically submits for Commission approval the annual update to its Transmission Cost Recovery Rider (TCRR) rate, pursuant to the terms of the Company's Transmission Cost Recovery Rider Rate 59 tariff. Montana-Dakota is requesting approval of 3<sup>rd</sup> Revised Sheet No. 28.1 of its electric tariffs to be effective with service rendered on and after May 1, 2019.

The tariff change is necessary to reflect the projected 2019 charges assessed Montana-Dakota for transmission-related services provided by the Midcontinent Independent System Operator (MISO) and Southwest Power Pool (SPP), along with the projected revenues and/or credits received by Montana-Dakota for transmission-related services. In addition, Montana-Dakota is including the projected 2019 revenue requirements for two transmission projects in its projected 2019 TCRR update. The total projected 2019 transmission-related costs as allocated to South Dakota are \$855,260, along with a net over-recovery of 2018 costs of \$52,035 and projected 2019 credits of \$1,324 results in a transmission revenue requirement of \$801,901. The proposed TCRR rate of \$0.00530 per Kwh is applicable to all electric retail rate schedules and reflects a decrease of \$0.00015 per Kwh from that currently authorized. The decrease is primarily due to an over-recovery of 2018 costs, offset by an increase in net transmission expense and the revenue requirements of the two transmission projects.

### **Background**

On June 15, 2016, the South Dakota Public Utilities Commission (Commission) approved a Settlement Stipulation in Docket No. EL15-024, the Company's last general electric rate case. As part of the Settlement Agreement approved, a Transmission Cost

Recovery Rider Rate 59 tariff was established allowing for the recovery of transmission related revenues and costs eligible for recovery under SDCL 49-34A-25.1 through a Transmission Cost Rider on customers' bills. Specifically, the Rate 59 tariff provides for the recovery of new or modified transmission facilities constructed to improve the power delivery capability or reliability of the transmission system as well as federally regulated costs charged to or incurred by Montana-Dakota to increase regional transmission capacity or reliability that are not reflected in the Company's currently authorized rates. The first TCRR rate was implemented with service rendered on and after July 1, 2016. The Company's currently authorized TCRR rate of \$0.00545 per Kwh reflects the projected 2018 net transmission-related expenses as authorized in Docket No. EL18-011.

### **2019 TCRR Rate Update**

Montana-Dakota is now requesting to update its TCRR rate to reflect actual costs incurred through December 31, 2018 and the projected costs through December 31, 2019. The net transmission costs, as allocated to South Dakota, are \$801,901 which includes projected 2019 costs of \$855,260, a net over-recovery of 2018 costs of \$52,035 and projected 2019 credits of \$1,324 as shown in Attachment A.

The MISO and SPP costs are offset through the inclusion of two credits: (1) Other O&M Revenue Credit in the amount of \$862 to reflect the credit due South Dakota customers for the recovery of other O&M costs associated with MISO Schedule 26A costs also included in South Dakota electric rates today and (2) Schedule 26A Return Credit in the amount of \$462 to reflect the application of the Company's actual 2018 capital structure and authorized return on equity, established in Docket No. EL15-024, in the FERC rate templates used in the determination of the MISO Schedule 26A charges for 2019.

Included in the over recovery of the 2018 costs is a true-up of the projected 2017 Other O&M Revenue Credit and Schedule 26A Return Credit described above. At the time of the Company's 2018 TCRR rate update, the actual 2017 Other O&M Revenue Credit and Schedule 26A Return credit were not available to include in the adjustment. In lieu of the actual credits, the Company included the projected 2017 credits. As 2017 actuals are now available, the Company is providing a true-up of the Schedule 26A Other O&M and Return credits. The 2017 credit true-ups and projected 2019 credits are provided in Attachment E.

### **2019 Transmission Projects**

Montana-Dakota is requesting to include two projects in its 2019 TCRR rate update. The projects are:

Bowdle East Transmission Substation – Montana-Dakota has a 115/41.6 kilovolt transmission substation near Bowdle, South Dakota that serves the area. This substation location has experienced an inundation from surrounding water sources

causing the concrete foundations to heave and move. The substation was built in 1958, most of the equipment is at the end of its useful life. The project consists of constructing a new substation on a new piece of property and routing all existing transmission lines to this new substation. The new substation will include a new larger transformer with improved voltage regulation, new gas insulated circuit breakers, and new protection and control equipment. This project is estimated to cost \$6.2 million and expected to be completed and placed into service in May 2019. This transmission substation provides a benefit to South Dakota customers as well as the integrated system with South Dakota's allocated cost share at approximately \$326,000.

Ellendale to Leola Transmission Project – Montana-Dakota performed a South Dakota steady state planning study that determined a need for an additional source into the 41.6 kilovolt transmission system near Leola, South Dakota. After analysis of available options, the decision was made to construct a 45-mile 115 kilovolt line from Ellendale, North Dakota to Leola, South Dakota and construct a 115/41.6 kilovolt substation near Leola, South Dakota that would interconnect to the existing 41.6 kilovolt transmission system. The 41.6 kilovolt side of this substation was placed into service in 2018 and was included as a rate base addition in the electric rates authorized in Docket No. GE17-003. This project will benefit the existing transmission system by increasing reliability and reducing line exposure. The project is estimated at \$14 million and expected to be placed into service in August 2019. This project provides a benefit to South Dakota customers as well as the integrated system with South Dakota's allocated cost share at approximately \$749,000.

The following attachments are provided in support of the rate update:

Attachment A - Summary of the Transmission Costs and proposed TCRR rate.

Attachment B - Projected 2019 costs and revenues/credits. Pages 1 and 2 provide a summary of the projected costs and revenues/credits by MISO and SPP schedules and as allocated to South Dakota. Pages 3 through 8 provide the support for the projected costs and revenues and credits. Pages 9 through 11 provide a brief description of the MISO and SPP revenue, credits, and charges included.

Attachment C – Projected 2019 revenue requirements for the two transmission projects projected to be in service in 2019 – the Bowdle Substation, Leola Substation and 115 kV line between Ellendale and Leola.

Attachment D – Actual 2018 costs and revenues by MISO and SPP schedules and as allocated to South Dakota are provided.

Attachment E – The calculation of the MISO Schedule 26A Return Credit and Other O&M Credit for the 2017 True-Up and Projected 2019. Pages 1 and 2 reflect the calculation of the Return Credits. Page 3 reflects the calculation of the Other O&M Return Credits.

Attachment F – Calculation of the over recovered balance from 2018 based on the actual net expenses and the revenues collected.

Attachment G – Customer Notice of Filing bill insert to be included with customers' bills.

An electronic copy of Attachments A through F and supporting workpapers will be provided to Commission Staff no later than March 15, 2019.

The above noted costs are to be recovered through the TCRR rate effective May 1, 2019 through April 30, 2020. A typical residential customer using 853 Kwh would see a decrease of \$0.13 per month or \$1.56 annually.

Included herein is a second set of the affected tariff on which Montana-Dakota has indicated the revision requested by lining through the existing language which the Company proposes to delete and clearly highlighting the new language proposed. Please note the headers in the attached tariffs have also been updated to reflect that effective January 1, 2019 Montana-Dakota became a wholly-owned subsidiary of MDU Resources Group, Inc. pursuant to a corporate reorganization approved by the Commission on February 28, 2018 in Docket No. GE18-001.

Included as Attachment H is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Attachment I in a conspicuous place in each business office in its affected electric service territory in South Dakota.

The Company will pay the deposit amount required pursuant to SDCL §49-1A-8 upon the Commission's Order assessing such fee.

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  
Tamie.aberle@mdu.com

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 black ink, appearing to read "Tamie A. Aberle". The signature is fluid and cursive, with the first name "Tamie" being more prominent.

Tamie A. Aberle  
Director of Regulatory Affairs

Attachments

cc: B. Koenecke