



UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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Bismarck, ND 58501
(701) 222-7900

May 6, 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 (TCRR) Rate 59
Docket No. EL19-009

Montana-Dakota Utilities Co., (Montana-Dakota), herewith electronically submits the Company's proposed TCRR changes reflecting the correction of the Bowdle Substation allocation to South Dakota as explained in Montana-Dakota's response to Data Request No. 1.1 issued by Commission Staff on March 15, 2019.

Sincerely,

A handwritten signature in black ink that reads 'Tamie A. Aberle'.

Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: B. Koenecke

**MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
1ST SET OF DATA REQUESTS
ISSUED MARCH 15, 2019
DOCKET NO. EL19-009**

Question 1-1

Provide a description of any transmission projects along with all new and previously included regionally cost-allocated projects included for recovery in this TCR and provide justification as to how each project meets the TCR requirements as set forth in 49-34A-25.1.

Response:

By the virtue of taking service in MISO, Montana-Dakota is required to pay Schedule 26 and 26a charges. These charges are associated with regionally cost allocated transmission projects of 115 kV and above that have been deemed by MISO to have benefits to Montana-Dakota on a regional or systemwide basis. There are numerous projects that make up the total charges for each schedule and each project's associated revenue requirement becomes a component of the total charges under the respective schedule.

Montana-Dakota also takes transmission service in SPP. Similar to MISO, SPP's regionally cost allocated projects are included in Schedule 11 and the Company receives facility credits for its owned assets used to provide service in SPP's footprint.

Each schedule is described in further detail on pages 9 through 11 of Attachment B of the Company's filing. In addition, the regionally cost allocated transmission projects provide Montana-Dakota's customers the benefit of access to available, low cost energy.

The Company also proposed to include two projects in the Transmission Rider as identified on pages 2 and 3 of the filing. The Leola Transmission Project includes the installation of 45 miles of 115 kV line as well as an associated 115 kV transmission substation. The project is further described on page 3 of the filing.

The Bowdle East Transmission Substation project replaces an existing substation that has been inundated from surrounding water sources with a 115/41.6 kV transmission substation along with the routing of all existing area transmission lines to this new substation. The project is further described on pages 2 and 3 of the filing.

Upon further review of the Bowdle project, it was discovered that the project should have been accounted for in two separate components: the 41.6 kV portion of the substation should remain a direct South Dakota project similar to the existing substation. The substation currently provides direct support to the towns of Eureka, Hillsvew, Hosmer, Bowdle, Java, Roscoe, Ipswitch, Hoven, Tolstoy, Onaka, and surrounding areas including the areas served by the local cooperatives. The 115 kV portion of the substation will provide additional support and reliability for the Company's integrated electrical system. As filed, the entire cost was considered part of the integrated system allocable to customers in South Dakota, Montana and North Dakota and the revenue requirement was

**MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
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calculated as such. This is incorrect, as the 41.6 kV portion of the project (determined to be 45% of the project) should be directly assigned to South Dakota. A revised Attachment A and Attachment C have been included as Response No. 1-1-Attachment A that corrects the revenue requirement calculation to reflect the Bowdle substation and lines as properly allocated.

The Bowdle project is similar to the Leola substation that will be completed in two phases. The first phase, directly assigned to South Dakota, was completed and placed in service in the fall of 2018 and included in the Company's TCJA filing, and the integrated system allocable portion that is included in this filing.

Montana-Dakota asserts that the projects included in this filing, both those included in the MISO and SPP schedules and the two projects described above, meet the TCR requirements as set forth in 49-34A-25.1. Each of the projects has a design capacity that exceeds thirty-four and one-half kilovolts and is greater than or supports transmission facilities of greater than five miles in length. The projects are designed to enhance reliability and resiliency of Montana-Dakota's electric system directly and provide access to low costs energy.

The Company will resubmit the updated schedules into the docket upon completion of the Staff's review of the filing.

MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
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Response No. 1-1 Attachment A

**Montana-Dakota Utilities Co.
 Electric Utility - South Dakota
 Transmission Cost Recovery Rider Rate
 Proposed Rate to be Effective May 1, 2019**

	Total
Projected 2019 Costs to be Recovered	
Net Expense	\$798,386 1/
Transmission Projects' Revenue Requirement	239,639 2/
Total Projected 2019 Costs to be Recovered	\$1,038,025
(Over) Recovery as of December 31, 2018	(52,182) 3/
True-Up of Schedule 26A Return Credit - 2017	42 4/
True-Up of Other O&M Revenue Credit - 2017	105 5/
Net (Over) Recovery as of December 31, 2018	(52,035)
Projected 2019 Credits	
Other O&M Revenue Credit	(862) 5/
Schedule 26A Return Credit	(462) 6/
Net SD Allocated Transmission Costs	\$984,666
Projected Kwh	151,203,000
Projected \$/Kwh	\$0.00651
Current \$/Kwh 7/	0.00545
\$ Change	0.00106

- 1/ Attachment B, Page 2.
- 2/ Attachment C.
- 3/ Attachment F.
- 4/ Attachment E, Page 1.
- 5/ Attachment E, Page 3
- 6/ Attachment E, Page 2.
- 7/ Rate effective May 1, 2018.

Montana-Dakota Utilities Co.
Electric Utility - South Dakota
Transmission Rider
Revenue Requirement - Bowdle Substation & Lines
Projected 2019

	Projected												Average Balance
	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	
Rate Base													
Plant Balance 1/					\$2,955,680	\$2,955,680	\$2,955,680	\$2,955,680	\$2,955,680	\$2,955,680	\$2,955,680	\$2,955,680	\$2,955,680
Accumulated Depreciation						3,977	7,954	11,931	15,908	19,885	23,862	27,839	
Net Plant in Service	\$0	\$0	\$0	\$0	\$2,955,680	\$2,951,703	\$2,947,726	\$2,943,749	\$2,939,772	\$2,935,795	\$2,931,818	\$2,927,841	\$1,961,174
Accum Def Income Taxes 3/	\$1,334	\$2,556	\$3,655	\$4,634	\$5,490	\$6,226	\$6,839	\$7,329	\$7,699	\$7,946	\$8,073	\$8,077	
Total Rate Base	(\$1,334)	(\$2,556)	(\$3,655)	(\$4,634)	\$2,950,190	\$2,945,477	\$2,940,887	\$2,936,420	\$2,932,073	\$2,927,849	\$2,923,745	\$2,919,764	\$1,955,352
Return on Rate Base 5/	(\$8)	(\$15)	(\$22)	(\$28)	\$17,740	\$17,712	\$17,685	\$17,658	\$17,632	\$17,606	\$17,581	\$17,558	\$141,099
Expenses													Year End
Depreciation 2/						\$3,977	\$3,977	\$3,977	\$3,977	\$3,977	\$3,977	\$3,977	\$27,839
Taxes Other Than Income 4/	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,008	12,118
Total Expenses	\$1,010	\$1,010	\$1,010	\$1,010	\$1,010	\$4,987	\$4,987	\$4,987	\$4,987	\$4,987	\$4,987	\$4,985	\$39,957
Income before Taxes	(\$1,010)	(\$1,010)	(\$1,010)	(\$1,010)	(\$1,010)	(\$4,987)	(\$4,987)	(\$4,987)	(\$4,987)	(\$4,987)	(\$4,987)	(\$4,985)	(\$39,957)
Interest Expense	(3)	(5)	(8)	(10)	6,340	6,330	6,320	6,311	6,302	6,292	6,284	6,275	50,428
Taxable income	(\$1,007)	(\$1,005)	(\$1,002)	(\$1,000)	(\$7,350)	(\$11,317)	(\$11,307)	(\$11,298)	(\$11,289)	(\$11,279)	(\$11,271)	(\$11,260)	(\$90,385)
Income Taxes 6/	(\$211)	(\$211)	(\$210)	(\$210)	(\$1,544)	(\$2,377)	(\$2,374)	(\$2,373)	(\$2,371)	(\$2,369)	(\$2,367)	(\$2,365)	(\$18,982)
Operating Income	(\$799)	(\$799)	(\$800)	(\$800)	\$534	(\$2,610)	(\$2,613)	(\$2,614)	(\$2,616)	(\$2,618)	(\$2,620)	(\$2,620)	(\$20,975)
Increase in Operating Income Required	\$791	\$784	\$778	\$772	\$17,206	\$20,322	\$20,298	\$20,272	\$20,248	\$20,224	\$20,201	\$20,178	\$162,074
Gross Revenue Conversion Factor 6/	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582
Revenue Increase	\$1,001	\$992	\$985	\$977	\$21,780	\$25,724	\$25,694	\$25,661	\$25,630	\$25,600	\$25,571	\$25,542	\$205,157
Gross Receipts Tax 7/	2	1	1	1	33	39	39	38	38	38	38	38	306
Required Revenue Increase	\$1,003	\$993	\$986	\$978	\$21,813	\$25,763	\$25,733	\$25,699	\$25,668	\$25,638	\$25,609	\$25,580	\$205,463

**Montana-Dakota Utilities Co.
 Electric Utility - South Dakota
 Transmission Rider
 Revenue Requirement - Bowdle Substation & Lines
 Projected 2019**

South Dakota Factor #15: 5.292291%

1/ Plant in Service, estimated in service date May 2019. 45% of the project is direct to South Dakota, 55% is for the integrated system :

<u>Direct SD</u>		<u>Integrated</u>	
Substation:	\$2,562,182	Substation:	\$3,131,555
Lines:	213,929	Lines:	261,468
	<u>2,776,111</u>	Total:	<u>\$3,393,023</u>
		SD Factor #15:	5.292291%
		Total Integrated:	\$179,569
		Total Direct SD:	<u>2,776,111</u>
		Total Plant to SD:	\$2,955,680

2/ Depreciation: (Depreciation booked on prior month plant balance, starts booking in June)

	<u>Substation</u>		<u>Lines</u>
Plant (SD Direct & Alloc.):	\$2,727,913	Plant (SD Direct & Alloc.):	\$227,767
Depreciation Rate:	1.58%	Depreciation Rate:	2.03%
Annual Depreciation:	<u>\$43,101</u>	Annual Depreciation:	<u>\$4,624</u>
Monthly:	\$3,592	Monthly:	\$385

3/ Deferred income tax, based on Half Year Convention, 20-year asset.

2019 year end plant balance:	2,955,680
Tax Depreciation Rate:	3.75%
Tax Depreciation:	110,838
Book Depreciation:	27,839
Remainder:	82,999
Income Tax Rate:	21.00%
Deferred Income Tax:	17,430
Monthly:	1,453

Proration of Monthly DIT:

January	February	March	April	May	June	
91.78%	84.11%	75.62%	67.40%	58.90%	50.68%	
1,334	1,222	1,099	979	856	736	
July	August	September	October	November	December	Total
42.19%	33.70%	25.48%	16.99%	8.77%	0.27%	
613	490	370	247	127	4	8,077

4/ Property Tax:

Year End Plant Balance:	2,955,680
South Dakota Effective Rate	0.41% (Ad Valorem - Transmission)
Annual Property Tax:	12,118
Monthly:	1,010

5/ Authorized ROR per Docket No. EL15-024. 7.216%

6/ Tax Rate 21.0000% (Federal Tax Rate = 21%, SD State Tax Rate = 0%)
 1- tax rate 79.0000%
 Gross Revenue Conversion Factor 1.26582

7/ Gross Receipts tax - 2019 0.0015

**Montana-Dakota Utilities Co.
Electric Utility - South Dakota
Transmission Rider
Revenue Requirement - Leola Substation
Projected 2019**

	Projected												Average Balance
	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	
Rate Base													
Plant Balance 1/								\$115,870	\$115,870	\$115,870	\$115,870	\$115,870	
Accumulated Depreciation								153	306	459	612		
Net Plant in Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$115,870	\$115,717	\$115,564	\$115,411	\$115,258	\$48,152
Accum Def Income Taxes 3/	\$60	\$115	\$164	\$208	\$246	\$279	\$306	\$328	\$345	\$356	\$362	\$362	
Total Rate Base	(\$60)	(\$115)	(\$164)	(\$208)	(\$246)	(\$279)	(\$306)	\$115,542	\$115,372	\$115,208	\$115,049	\$114,896	\$47,891
Return on Rate Base 5/	\$0	(\$1)	(\$1)	(\$1)	(\$1)	(\$2)	(\$2)	\$695	\$694	\$693	\$692	\$691	\$3,457
Expenses													Year End
Depreciation 2/									\$153	\$153	\$153	\$153	\$612
Taxes Other Than Income 4/	40	40	40	40	40	40	40	40	40	40	40	35	475
Total Expenses	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$193	\$193	\$193	\$188	\$1,087
Income before Taxes	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)	(\$193)	(\$193)	(\$193)	(\$188)	(\$1,087)
Interest Expense	0	0	0	0	(1)	(1)	(1)	248	248	248	247	247	1,235
Taxable income	(\$40)	(\$40)	(\$40)	(\$40)	(\$39)	(\$39)	(\$39)	(\$288)	(\$441)	(\$441)	(\$440)	(\$435)	(\$2,322)
Income Taxes 6/	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$60)	(\$93)	(\$93)	(\$92)	(\$91)	(\$485)
Operating Income	(\$32)	(\$32)	(\$32)	(\$32)	(\$32)	(\$32)	(\$32)	\$20	(\$100)	(\$100)	(\$101)	(\$97)	(\$602)
Increase in Operating Income Required	\$32	\$31	\$31	\$31	\$31	\$30	\$30	\$675	\$794	\$793	\$793	\$788	\$4,059
Gross Revenue Conversion Factor 6/	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582
Revenue Increase	\$41	\$39	\$39	\$39	\$39	\$38	\$38	\$854	\$1,005	\$1,004	\$1,004	\$997	\$5,137
Gross Receipts Tax 7/	0	0	0	0	0	0	0	1	2	2	2	1	8
Required Revenue Increase	\$41	\$39	\$39	\$39	\$39	\$38	\$38	\$855	\$1,007	\$1,006	\$1,006	\$998	\$5,145

**Montana-Dakota Utilities Co.
 Electric Utility - South Dakota
 Transmission Rider
 Revenue Requirement - Leola Substation
 Projected 2019**

South Dakota Factor #15: 5.292291%

1/ Plant in Service, estimated in service date August 2019:

Substation: \$2,160,427
 Node: 28,977
 Total: \$2,189,404
 SD Factor #15: 5.292291%
\$115,870

2/ Depreciation: (Depreciation booked on prior month plant balance, starts booking in September)

Plant (SD Alloc.): \$115,870
 Depreciation Rate: 1.58%
 Annual Depreciation: \$1,831
 Monthly: \$153

3/ Deferred income tax, based on Half Year Convention, 20-year asset.

2019 year end plant balance: 115,870
 Tax Depreciation Rate: 3.75%
 Tax Depreciation: 4,345
 Book Depreciation: 612
 Remainder: 3,733
 Income Tax Rate: 21.00%
 Deferred Income Tax: 784
 Monthly: 65

Proration of Monthly DIT:

January	February	March	April	May	June	
91.78%	84.11%	75.62%	67.40%	58.90%	50.68%	
60	55	49	44	38	33	
July	August	September	October	November	December	Total
42.19%	33.70%	25.48%	16.99%	8.77%	0.27%	
27	22	17	11	6	0	362

4/ Property Tax:

Year End Plant Balance: 115,870
 South Dakota Effective Rate 0.41% (Ad Valorem - Transmission)
 Annual Property Tax: 475
 Monthly: 40

5/ Authorized ROR per Docket No. EL15-024. 7.216%

6/ Tax Rate 21.0000% (Federal Tax Rate = 21%, SD State Tax Rate = 0%)

1- tax rate 79.0000%

Gross Revenue Conversion Factor 1.26582

7/ Gross Receipts tax - 2019 0.0015

**Montana-Dakota Utilities Co.
Electric Utility - South Dakota
Transmission Rider
Revenue Requirement - Leola Lines
Projected 2019**

	Projected												Average Balance	
	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019		
Rate Base														
Plant Balance 1/								\$633,403	\$633,403	\$633,403	\$633,403	\$633,403	\$633,403	
Accumulated Depreciation									1,072	2,144	3,216	4,288		
Net Plant in Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$633,403	\$632,331	\$631,259	\$630,187	\$629,115	\$263,025	
Accum Def Income Taxes 3/	\$313	\$600	\$858	\$1,088	\$1,289	\$1,462	\$1,606	\$1,721	\$1,808	\$1,866	\$1,896	\$1,897		
Total Rate Base	(\$313)	(\$600)	(\$858)	(\$1,088)	(\$1,289)	(\$1,462)	(\$1,606)	\$631,682	\$630,523	\$629,393	\$628,291	\$627,218	\$261,658	
Return on Rate Base 5/	(\$2)	(\$4)	(\$5)	(\$7)	(\$8)	(\$9)	(\$10)	\$3,799	\$3,792	\$3,785	\$3,778	\$3,772	\$18,881	
Expenses													Year End	
Depreciation 2/										\$1,072	\$1,072	\$1,072	\$1,072	\$4,288
Taxes Other Than Income 4/	216	216	216	216	216	216	216	216	216	216	216	221	2,597	
Total Expenses	\$216	\$216	\$216	\$216	\$216	\$216	\$216	\$216	\$1,288	\$1,288	\$1,288	\$1,293	\$6,885	
Income before Taxes	(\$216)	(\$216)	(\$216)	(\$216)	(\$216)	(\$216)	(\$216)	(\$216)	(\$1,288)	(\$1,288)	(\$1,288)	(\$1,293)	(\$6,885)	
Interest Expense	(1)	(1)	(2)	(2)	(3)	(3)	(3)	1,358	1,355	1,353	1,350	1,348	6,749	
Taxable income	(\$215)	(\$215)	(\$214)	(\$214)	(\$213)	(\$213)	(\$213)	(\$1,574)	(\$2,643)	(\$2,641)	(\$2,638)	(\$2,641)	(\$13,634)	
Income Taxes 6/	(\$45)	(\$45)	(\$45)	(\$45)	(\$45)	(\$45)	(\$45)	(\$331)	(\$555)	(\$555)	(\$554)	(\$555)	(\$2,865)	
Operating Income	(\$171)	(\$171)	(\$171)	(\$171)	(\$171)	(\$171)	(\$171)	\$115	(\$733)	(\$733)	(\$734)	(\$738)	(\$4,020)	
Increase in Operating Income Required	\$169	\$167	\$166	\$164	\$163	\$162	\$161	\$3,684	\$4,525	\$4,518	\$4,512	\$4,510	\$22,901	
Gross Revenue Conversion Factor 6/	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	1.26582	
Revenue Increase	\$214	\$211	\$210	\$208	\$206	\$205	\$204	\$4,663	\$5,728	\$5,719	\$5,711	\$5,709	\$28,988	
Gross Receipts Tax 7/	0	0	0	0	0	0	0	7	9	9	9	9	43	
Required Revenue Increase	\$214	\$211	\$210	\$208	\$206	\$205	\$204	\$4,670	\$5,737	\$5,728	\$5,720	\$5,718	\$29,031	

**Montana-Dakota Utilities Co.
 Electric Utility - South Dakota
 Transmission Rider
 Revenue Requirement - Leola Lines
 Projected 2019**

South Dakota Factor #15: 5.292291%

1/ Plant in Service, estimated in service date August 2019:

Lines	11,968,410
SD Factor #15:	<u>5.292291%</u>
	\$633,403

2/ Depreciation: (Depreciation booked on prior month plant balance, starts booking in September)

Plant (SD Alloc.):	\$633,403
Depreciation Rate:	<u>2.03%</u>
Annual Depreciation:	\$12,858
Monthly:	\$1,072

3/ Deferred income tax, based on Half Year Convention, 20-year asset.

2019 year end plant balance:	633,403
Tax Depreciation Rate:	<u>3.75%</u>
Tax Depreciation:	23,753
Book Depreciation:	<u>4,288</u>
Remainder:	19,465
Income Tax Rate:	<u>21.00%</u>
Deferred Income Tax:	4,088
Monthly:	341

Proration of Monthly DIT:

January	February	March	April	May	June	
91.78%	84.11%	75.62%	67.40%	58.90%	50.68%	
313	287	258	230	201	173	
July	August	September	October	November	December	Total
42.19%	33.70%	25.48%	16.99%	8.77%	0.27%	
144	115	87	58	30	1	1,897

4/ Property Tax:

Year End Plant Balance:	633,403
South Dakota Effective Rate	<u>0.41%</u> (Ad Valorem - Transmission)
Annual Property Tax:	2,597
Monthly:	216

5/ Authorized ROR per Docket No. EL15-024. 7.216%

6/ Tax Rate 21.0000% (Federal Tax Rate = 21%, SD State Tax Rate = 0%)

1- tax rate 79.0000%

Gross Revenue Conversion Factor 1.26582

7/ Gross Receipts tax - 2019 0.0015