



UTILITIES CO.

*A Division of MDU Resources Group, Inc.*

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March 1, 2018

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

Re: Annual Update to Infrastructure Rider  
(IR) Rate 56  
Docket No. EL18-\_\_\_\_

Montana-Dakota Utilities Co., a Division of MDU Resources Group Inc. (Montana-Dakota), herewith electronically submits for Commission approval the annual update to its Infrastructure Rider (IR) rate, pursuant to the terms of the Company's Infrastructure Rider Rate 56 tariff. Montana-Dakota requests approval of 1<sup>st</sup> Revised Sheet No. 25.1 of its electric tariffs to be effective with service rendered on and after May 1, 2018.

The proposed IR rate of \$0.00432 per Kwh is applicable to all electric retail rate schedules and reflects a decrease of \$0.00065 per Kwh from the current authorized rate.

### **Background**

On June 15, 2016, the Commission approved a Settlement Stipulation in Docket No. EL15-024, to establish an Infrastructure Rider Rate 56 tariff, allowing for the recovery of infrastructure related charges eligible for recovery under SDCL 49-34A-73. On July 1, 2016 Montana-Dakota implemented an IR rate of \$0.00497 per Kwh for the recovery of significant infrastructure related costs not otherwise included in the Company's currently authorized rates as set forth in Exhibit C of the Settlement Stipulation approved by the Commission in Docket No. EL15-024. This reflected the annual revenue requirement for the Thunder Spirit Wind Facility (Thunder Spirit), net of the estimated revenue collected through interim rates in effect for the months of January through June 2016, attributable to the costs to be recovered through the IR prior to the implementation of the IR rate. As part of the Settlement Stipulation, Montana-Dakota agreed to defer a portion of costs incurred in the early years of the IR to provide a smoothing effect. Both parties agreed that would result in an under recovered balance which would be offset by



lower per unit charges in the later periods covered by the IR. On March 1, 2017, Montana-Dakota filed an annual update to the IR tariff but did not request a change to the tariff rate. The Commission approved the annual update, as revised, in Docket No. EL17-010 on April 28, 2017 with no change in the rate.

### **2018 IR Rate Update**

Montana-Dakota has prepared an update its IR rate to reflect actual costs incurred through December 31, 2017 and the projected costs through December 31, 2018. The projected 2018 costs for Thunder Spirit, as allocated to South Dakota, are \$644,935, which includes projected 2018 costs of \$575,584, an under recovery of \$64,009 for 2017 actual costs, and carrying charges based on the overall Rate of Return authorized in Docket No. EL15-024 as shown in Attachment A. Montana-Dakota is requesting to change the rate effective May 1, 2018 because the amounts previously deferred have been recovered and a decrease is appropriate at this time.

The 2017 costs to be recovered through the IR are based on South Dakota's share of the monthly plant in service balances, net of accumulated depreciation and associated deferred taxes, and operating expenses related to Thunder Spirit. The operating expenses include labor and benefits, easement charges and a maintenance agreement. Thunder Spirit depreciation, generation taxes, and 2017 expenses assessed by the South Dakota Public Utilities Commission have also been included. The production tax credits associated with the generation provided by Thunder Spirit have been included as a credit within the overall revenue requirement. The under collected balance includes a carrying charge which is based on the authorized Rate of Return applied to the prior month's ending deferred balance, net of tax. For the Projected 2018 costs, each of the items described above has been included based on the Company's most recent estimates, including the 2017 Tax Cuts and Jobs Act (TCJA).

The TCJA changes the corporate income tax rate from 35% to 21% for 2018. The TCJA also requires the re-measurement of the accumulated deferred income tax balance to determine the amount of excess deferred income tax to be returned to the customers over the remaining life of the asset. Excess deferred income taxes on the Thunder Spirit assets were calculated as of December 31, 2017, however, tax depreciation still exceeds book depreciation. Therefore, the amortization of the excess deferred income tax balance will take place in future periods when book depreciation exceeds tax depreciation.

An electronic file supporting the attached schedules has been provided to Commission Staff.



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

Attachment A - Summary of the Infrastructure Costs and proposed IR rate.

Attachment B - Projected 2018 revenue requirement calculation.

Attachment C - Actual 2017 revenue requirement calculation.

Attachment D - Calculation of the under-recovered balance from 2017 based on the actual revenue requirement calculation and 2017 revenue collected under the tariff.

The above noted costs are to be recovered through the IR rate effective May 1, 2018 through April 30, 2019. The decrease to a typical residential customer using 853 Kwh would see a decrease of \$0.55 per month, or \$6.60 annually.

Pursuant to the Settlement Stipulation in Docket No. EL15-024, Montana-Dakota agreed to report annual performance of the Thunder Spirit facility. The 2017 average annual capacity factor, transmission curtailments and economic curtailments are as follows:

- A. The actual Thunder Spirit capacity factor for calendar year 2017 was 45.3% representing 428,528 MWh of generation as compared to 425,648 MWh included in Montana-Dakota's initial 2017 estimate.
- B. Thunder Spirit did not experience transmission curtailments during 2017.
- C. There were economic curtailments of 7,380 MWh for Thunder Spirit in 2017.

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.

Included as Attachment E 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 F in a conspicuous place in each business office in its affected electric service territory in South Dakota. In addition, a copy of the customer notice bill insert has been provided in Attachment F.

The Company will pay the deposit amount required pursuant to SDCL §49-34A-75 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,



Tamie A. Aberle  
Director of Regulatory Affairs

Attachments

cc: B. Koenecke