



UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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

May 22, 2019

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

Re: Revision to Infrastructure Rider (IR)
Rate 56 Docket No. EL19-____

Montana-Dakota Utilities Co., a Subsidiary of MDU Resources Group Inc. (Montana-Dakota), herewith electronically submits for Commission approval a revision to its Infrastructure Rider (IR) rate and modifications to the Infrastructure Rider Rate 56 tariff to reflect the Company's investment in a new transmission substation located near Bowdle, South Dakota. Montana-Dakota requests approval of 2nd Revised Sheet No. 25 and 3rd Revised Sheet No. 25.1 of its electric tariffs to be effective with service rendered on and after July 1, 2019.

On March 1, 2019, Montana-Dakota filed the annual update to the Infrastructure Rider (IR) rate, which was approved by the Commission on May 2, 2019, Docket No. EL19-10. Montana-Dakota also filed the annual update to its Transmission Cost Recovery Rider (TCRR) rate on March 1, 2019, assigned to Docket No. EL19-009. The update filing included the projected revenue requirement for two transmission related projects to be placed in service in 2019. Commission Staff determined that the Bowdle substation project does not meet the requirements as set forth in Statute 49-34A-25.1, specifically the project did not include new or modified transmission lines of more than five miles in length. At the Commission meeting on May 14, 2019, the Commission ordered the TCRR rate to be approved exclusive of the Bowdle substation project. However, the Commission suggested the Company's Infrastructure Rider be amended to include the projected Bowdle Substation project.

The revised total projected 2019 infrastructure related costs as allocated to South Dakota are \$1,087,670. This includes the net projected 2019 costs for the Thunder Spirit Wind Facility of \$882,207, approved in Docket No. EL19-10, and projected 2019 costs for the Bowdle substation project of \$205,463 as shown on Attachment A. The proposed IR rate of \$0.00719 per Kwh is applicable to all electric retail rate schedules and reflects an increase of \$0.00136 per Kwh from that currently authorized.

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 2019 revenue requirement calculation.

Attachment C - Report of Tariff Schedule Change

Attachment D - Customer Notice of Filing, including bill insert to be included with customers' bills

The above noted costs are to be recovered through the IR rate effective July 1, 2019 through April 30, 2020. A typical residential customer using 853 Kwh would see an increase of \$1.16 per month, or \$13.92 annually due to the addition of the Bowdle substation project.

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. In addition to the issues with the property the existing substation is located on, transmission studies determined a need for improving the voltage stability and load serving capability of the 41.6 kV transmission system in South Dakota. These studies determined the need for a larger substation power transformer with a load tap changer (LTC). The alternative option to replacing the transformer with LTC involved rebuilding the existing lines to a higher operating voltage (69 kV) or rebuilding the transmission lines with much larger conductor. Either of these options would be more expensive than the construction of the new Bowdle substation to meet the transmission stability needs.

The portion of the substation directly assigned to South Dakota is the 41.6 kV bus and equipment that is classified as transmission. The 41.6 kV system is operated radially and not intended to transmit bulk power over long distances, but rather intended to provide a source to Montana-Dakota's distribution substations that directly serve load. Therefore, this investment is appropriately assigned directly to South Dakota customers. The 115 kV portion of the substation will provide additional support and reliability for the Company's integrated electrical system.

The new Bowdle substation provides an overall stability improvement for both Bowdle and the surrounding areas, as well as the greater integrated system. Montana-Dakota competitively bids all engineering and construction contracts as well as all equipment purchases.

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 C 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 D 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 D.

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