



UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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Bismarck, ND 58501
(701) 222-7900

February 28, 2020

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. EL20-____

Montana-Dakota Utilities Co. (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 4th Revised Sheet No. 28.1 of its electric tariffs to be effective with service rendered on and after May 1, 2020.

The tariff change is necessary to reflect the projected 2020 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 2020 revenue requirements for two transmission projects in its projected 2020 TCRR update. The total projected 2020 transmission-related costs as allocated to South Dakota are \$934,355, along with a net over-recovery of prior period costs and credits of \$169,116 and projected 2020 credits of \$1,095 results in a transmission revenue requirement of \$764,144. The proposed TCRR rate of \$0.00513 per Kwh is applicable to all electric retail rate schedules and reflects a decrease of \$0.00002 per Kwh from that currently authorized. The decrease is primarily due to an over-recovery of 2019 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 \$0.00515 per Kwh reflects the projected 2019 net transmission-related expenses as authorized in Docket No. EL19-009.

2020 TCRR Rate Update

Montana-Dakota is now requesting to update its TCRR rate to reflect actual costs incurred through December 31, 2019 and the projected costs through December 31, 2020. The net transmission costs, as allocated to South Dakota, are \$764,144 which includes projected 2020 costs of \$934,355, a net over-recovery of prior period costs and credits of \$169,116 and projected 2020 credits of \$1,095 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 \$810 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 \$285 to reflect the application of the Company's actual 2019 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 2020.

Included in the over recovery of the prior period and credits costs is a true-up of the projected 2018 Other O&M Revenue Credit and Schedule 26A Return Credit described above. At the time of the Company's 2019 TCRR rate update, the actual 2018 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 2019 credits. As 2018 actuals are now available, the Company is providing a true-up of the Schedule 26A Other O&M and Return credits. The 2018 credit true-ups and projected 2020 credits are provided in Attachment E.

The increase in the projected 2020 costs compared to the actual 2019 costs is primarily due to a reduction in SPP credits partially offset by an increase in MISO Schedule 26 and 26A charges.

The 2020 costs to be recovered through the TCRR are also based on South Dakota's share of the monthly plant in service balances, net of accumulated depreciation and associated deferred taxes, and depreciation and property taxes related to the portion of the Ellendale to Leola Transmission project that was placed into service in October 2019, as shown on Attachment D, and the remaining project with a planned completion date of June 2020. This project provides a benefit to South Dakota customers as well as the integrated system with South Dakota's allocated cost share at approximately \$711,000. These projects were initially expected to be in service in 2019 but were delayed due to issues with easement rights and weather conditions hampering the construction season.

2020 Transmission Projects

Montana-Dakota includes the Ellendale to Leola Transmission project and is requesting to include one project in its 2020 TCRR rate update. The project is described below:

Dickinson Loop Line Project – This project involves building a new 17-mile 115 kilovolt line from an existing substation located north of Dickinson, ND (Dickinson North Substation) routed on the west side of Dickinson in order to interconnect with an existing substation located on the west side of Dickinson, ND (Dickinson West Substation). This requires a rebuild of the 115 kilovolt bus at the (Dickinson North substation). This loop line project improves the transmission strength on the integrated electric system for power transfers between the Coyote Power Plant and the Thunder Spirit Wind Farm. Approximately 11 miles of the new line and the Dickinson North Substation upgrades were completed in February 2020 at an estimated cost of \$9 million. The remaining 6 miles is estimated at \$3 million with a planned completion of November 2020. South Dakota's share of this project is \$512,000.

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 2020 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 2020 revenue requirements for the two transmission projects: Only part of Leola Substation and 115 kV line between Ellendale and Leola was placed in service in 2019 and the rest is projected to be in service in 2020 and the Dickinson Breaker and Lines is projected to be in service in 2020.

Attachment D – Actual 2019 costs and revenues by MISO and SPP schedules and as allocated to South Dakota are provided. The actual 2019 Revenue requirement for Leola substation and lines is also provided.

Attachment E – The calculation of the MISO Schedule 26A Return Credit and Other O&M Credit for the 2018 True-Up and Projected 2020. 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 2019 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, 2020.

The above noted costs are proposed to be recovered through the TCRR rate effective May 1, 2020 through April 30, 2021. A typical residential customer using 853 Kwh would see a decrease of \$0.02 per month or \$0.24 annually.

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:

Mr. Travis R. Jacobson
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501
Travis.jacobson@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 "Travis Jacobson", with a stylized flourish at the end.

Travis R. Jacobson
Director of Regulatory Affairs

Attachments
cc: B. Koenecke