



**MONTANA-DAKOTA**  
UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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

February 26, 2021

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

Re: Annual Update to Infrastructure  
Rider (IR) Rate 56  
Docket No. EL21-\_\_\_\_

Montana-Dakota Utilities Co. (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 4<sup>th</sup> Revised Sheet No. 25 of its electric tariffs to be effective with service rendered on and after May 1, 2021.

The proposed IR rate of \$0.00684 per Kwh is applicable to all electric retail rate schedules and reflects a decrease of \$0.00157 per Kwh from the current authorized rate. The costs included in the table will be further described below.

	Current Filing	Prior Filing	Variance
Thunder Spirit	\$628,566	\$686,837	(\$58,271)
Infrastructure Projects - Approved	289,732	302,804	(13,072)
Infrastructure Projects - Proposed	23,727	0	23,727
Under/(Over) Recovery Balance	80,941	269,133	(188,192)
	<b>\$1,022,966</b>	<b>\$1,258,774</b>	<b>(\$235,808)</b>

**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 the IR 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. The Company's currently authorized IR rate of \$0.00841 per Kwh reflects the projected 2020 revenue requirement related to the Thunder Spirit Wind Farm and Bowdle substation and lines project as authorized in Docket No. EL20-009 with new rates effective May 1, 2020.

### **2021 IR Rate Update**

Montana-Dakota has prepared an update its IR rate to reflect actual costs incurred through December 31, 2020 and the projected costs through December 31, 2021. The projected 2021 costs, as allocated to South Dakota, are \$1,022,966, which includes projected 2021 costs of \$942,025 and an under recovery of \$80,941 for 2020 actual costs, including carrying charges based on the overall Rate of Return authorized in Docket No. EL15-024 as shown on Attachment A. The under recovery has decreased by \$188,192 from the prior filing.

The 2020 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, an investment tax credit, and operating expenses related to Thunder Spirit. The operating expenses include labor and benefits, easement charges and a maintenance agreement. Depreciation, property taxes, generation taxes, and 2020 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 2020 costs to be recovered through the IR 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 Bowdle substation and lines and Sidney transmission lines.

The 2020 true up continues the use of the proration method when calculating accumulated deferred income taxes. Pursuant to discussions with the Company's external auditor, the determination of any projected period rate must follow the IRS proration method in compliance with the normalization rules. It was also determined that the proration method must be used in the same manner for the true up.

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 2021 costs, each of the items described above has been included based on the Company's most recent estimates, including income taxes.

Montana-Dakota is requesting two additional projects in its 2021 projected costs. Those projects are:

**Mandan Substation and Lines Project** – This project involves adding a 230 kilovolt line terminal for the Wishek 230 kilovolt transmission line and a second 230/115 kilovolt transformer at the Mandan Transmission Substation north of Mandan, ND. The Wishek 230 kilovolt transmission line currently terminates in the Heskett Transmission Substation. Plans have been made to retire the existing Heskett Transmission Substation and build a new 115/69/41.6 kilovolt substation on the Mandan Substation site located north of Mandan, ND. The existing Heskett Transmission Substation was built in 1966 with a straight bus arrangement that is being eliminated in order to increase reliability, as this arrangement causes all lines on the bus to trip in the event of a fault or circuit breaker failure. The Mandan Transmission Substation was built in 2010 and provides a superior bus arrangement for reliability and control. Terminating all of the 230 kilovolt transmission lines into one substation reduces outage contingencies and improves reliability on the electric integrated system. As a part of this Substation addition, the Company plans to replace the existing chain link fence with a high security fence. This project is estimated at \$6.8 million and had a planned completion of November 2020; however, the project is still in progress and the planned completion has been delayed until September 2021. South Dakota's share of this project is \$368,000. The Mandan Lines portion of this project involves re-routing the 230 kV Heskett to Bismarck transmission line for the demolition of the Heskett 230 kV Transmission Substation. Closing of the Heskett Plant requires relocation of the 41.6 kV and 69 kV switchyard equipment. The best location is the existing Heskett 230 kV Substation property. This project is estimated at \$1.1 million with a planned completion date of July 2021. South Dakota's share of this project is \$63,000.

**Lewis & Clark Substation Project** – This project involves the relocation of the protection and control equipment for the Lewis & Clark Substation from the plant control room to a new building in the substation switchyard which is due to the Lewis & Clark plant closing. This project is estimated at \$2.0 million with a planned completion date of August 2021. South Dakota's share of this project is \$110,000.

An electronic file supporting the attached schedules will be 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 2021 revenue requirement calculation.

Attachment C - Actual 2020 revenue requirement calculation.

Attachment D - Calculation of the under-recovered balance from 2020 based on the actual revenue requirement calculation and 2020 revenue collected under the tariff.

The above noted costs are proposed to be recovered through the IR rate effective May 1, 2021 through April 30, 2022. A typical residential customer using 853 Kwh would see a decrease of \$1.34 per month, or \$16.08 annually.

Pursuant to the Settlement Stipulation in Docket No. EL15-024, Montana-Dakota agreed to report annual performance of the Thunder Spirit facility. The 2020 average annual capacity factor, transmission curtailments and economic curtailments are as follows:

- A. The actual Thunder Spirit capacity factor for calendar year 2020 was 44.1% representing 600,626 MWh of generation.
- B. Thunder Spirit did not experience transmission curtailments during 2020.
- C. There were economic curtailments of 14,140 MWh for Thunder Spirit and Thunder Spirit Expansion in 2020.
- D. There were economic curtailments of 9,575 MWh for Thunder Spirit in 2020.

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.

The Company will pay the deposit amount required pursuant to SDCL §49-34A-75 upon the Commission's Order assessing such fee.

Montana-Dakota intends to file an update to this filing with a proposed accounting treatment of the regulatory asset established under the Deferred Accounting Order related to Lewis & Clark Unit 1 and Heskett Units 1 & 2 pursuant to the Order in Docket No. EL19-040. The Lewis & Clark Unit 1 will cease operations beginning April 1, 2021 and the Company will experience cost savings as a result. The Company will propose to match the savings with an amortization of the regulatory asset which will result in no change in rates in this filing and will begin to reduce the asset in an accelerated manner.

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](mailto: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,

*/s/ Travis R. Jacobson*

Travis R. Jacobson  
Director of Regulatory Affairs

Attachments

cc: B. Koenecke