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March 1, 2022

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

Re: Annual Update to Transmission
Cost Recovery Rider Rate 59
Docket No. EL22-___

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 6th Revised Sheet No. 28.1 of its electric tariffs to be effective with service rendered on and after May 1, 2022.

The tariff change is necessary to reflect the projected 2022 charges assessed to 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 2022 revenue requirements for three previously approved transmission projects as well as two new projects in its projected 2022 TCRR update. The total projected 2022 transmission-related costs as allocated to South Dakota are \$2,524,329 as shown in the table below. The proposed TCRR rate of \$0.01734 per Kwh is applicable to all electric retail rate schedules and reflects an increase of \$0.01040 per Kwh from that currently authorized.

	Current Filing	Prior Filing	Variance
MISO/SPP Revenue	(\$839,623)	(\$791,934)	(\$47,689)
MISO/SPP Expense	1,509,023	1,673,745	(164,722)
SD PUC Charges	3,933	1,196	2,737
Transmission Projects - Approved	1,218,448	140,382	1,078,066
Transmission Projects - Proposed	162,958	0	162,958
Under/(Over) Recovery Balance	469,590	14,872	445,759
	<u>\$2,524,329</u>	<u>\$1,038,261</u>	<u>\$1,487,109</u>

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 \$0.00694 per Kwh reflects the projected 2021 net transmission-related expenses as authorized in Docket No. EL21-009.

2022 TCRR Rate Update

Montana-Dakota is now requesting to update its TCRR rate to reflect actual costs incurred through December 31, 2021 and the projected costs through December 31, 2022. The net transmission costs, as allocated to South Dakota, are \$2,524,329 which includes projected 2022 costs of \$2,054,739, a net under-recovery of prior period costs and credits of \$470,678 and projected 2022 credits of \$1,045 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 \$720 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 \$325 to reflect the application of the Company's actual 2021 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 2022.

Included in the over recovery of the prior period and credits costs is a true-up of the projected 2020 Other O&M Revenue Credit and Schedule 26A Return Credit described above. At the time of the Company's 2021 TCRR rate update, the actual 2020 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 2021 credits. As 2020 actuals are now available, the Company is providing a true-up of the Schedule 26A Other O&M and Return credits. The 2020 credit true-ups and projected 2022 credits are provided in Attachment E.

The 2022 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, the Dickinson Breaker and Lines, and the Greenway Substation and Line, along with the proposed projects: the rebuild of Greenway to Hague and Hague to Herried transmission lines estimated to be in service date of November 2022.

The increase in the projected 2022 costs compared to the actual 2021 costs is primarily due to an increase in the Transmission Projects' Revenue Requirements as a result of:

1. Phase 2 of the Ellendale to Leola project being placed in service in July 2021. This results in the Projected 2022 Revenue Requirement representing a full year in-service. Originally approved in docket EL19-009, this project was intended to be in-service June 2020 but was delayed due to weather. Due to the delays, higher than anticipated easement costs, and higher than expected contractor costs, the project costs were \$1,274,464 versus the originally proposed of \$749,273. Finally, the 2022 update includes a true-up of 2021 costs not reflected in last year's update filing.
2. Greenway Substation and Line Project being placed in service in 2021. This results in the Projected 2022 Revenue Requirement representing a full year in-service.
3. 30% of the year-over-year change is due to an increase in the under recovered balance.
4. Partially offsetting these increases are a decrease in net MISO and SPP charges of \$212,411.

2022 Transmission Projects

Montana-Dakota includes the previously approved projects:

1. Phase 1 and Phase 2 of the Ellendale to Leola Transmission project.
2. The Dickinson Loop Line project.
3. The Greenway Substation and Line Project.

The Company is requesting to include two additional projects in its 2021 TCRR rate update. The projects are described below:

Greenway to Hague 60kV Line Project – The transmission line that runs from Greenway to Hague will be rebuilt due to the age and condition of the conductor and poles. A majority of the poles are original from the late 1950's and the conductor is small and aged. The project will rebuild 19.2 miles of TL061-1 with 336 ACSR Linnet conductors. The new line will operate at 41.6kV according to the Company's current loading needs but will be built to handle 69kV. This line will be rebuilt over the existing right of way. The project is scheduled to be in-service in November 2022 and is estimated at \$6.1 million. The project will be directly assigned to South Dakota.

Hague to Herreid 60kV Line Project – The transmission line that runs from Hauge to Herreid will be rebuilt due to the age and condition of the conductor and poles. The project will rebuild 5.8 miles of TL075-1 with EHS 3/8” steel wire. The new line will operate at 69kV, increasing from the current 46kV, to accommodate the load needs of the service area. The project is scheduled to be in-service in November 2022 and is estimated at \$2.1 million. The project will be directly assigned to South Dakota.

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 Transmission Costs and proposed TCRR rate.

Attachment B – Projected 2022 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 2022 revenue requirements for the five transmission projects: Includes the Leola Substation and 115 kV line between Ellendale to Leola Transmission project, the Dickinson Breaker and Lines, the Greenway Substation and Lines, and the Greenway to Hague and Hague to Herreid Lines are estimated to be placed in service in 2022.

Attachment D – Actual 2021 costs and revenues by MISO and SPP schedules and as allocated to South Dakota are provided. The actual 2021 Revenue requirement for Ellendale to Leola Transmission project, the Dickinson Breaker and Lines, and the Greenway Substation and Line Project is also provided.

Attachment E – The calculation of the MISO Schedule 26A Return Credit and Other O&M Credit for the 2020 True-Up and Projected 2022. 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 under recovered balance from 2021 based on the actual net expenses and the revenues collected. Estimates are included through April 2022, when new rates are proposed to be effective.

Attachment G – Customer Notice of Filing bill insert to be included with customers’ bills.

The above noted costs are proposed to be recovered through the TCRR rate effective May 1, 2022 through April 30, 2023. A typical residential customer using 853 Kwh would see an increase of \$8.87 per month or \$106.44 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,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

Attachments

cc: B. Koenecke