



MONTANA-DAKOTA
UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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

March 1, 2022

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. EL22-____

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 5th Revised Sheet No. 25 of its electric tariffs to be effective with service rendered on and after May 1, 2022.

The proposed IR rate of \$0.00646 per Kwh is applicable to all electric retail rate schedules and reflects a decrease of \$0.00041 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	\$617,965	\$628,566	(\$10,601)
Infrastructure Projects - Approved	336,741	319,109	17,632
Proposed Additions	2,284	0	2,284
Under/(Over) Recovery Balance	(16,742)	80,941	(97,683)
	\$940,248	\$1,028,616	(\$88,368)

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 \$0.00687 per Kwh reflects the projected 2021 revenue requirement related to the Thunder Spirit Wind Farm, Bowdle Substation and Lines, Sidney Transmission Lines, Mandan Substation and Line Relocation, and the Lewis and Clark Control House projects as authorized by the Commission with new rates effective May 1, 2021.

2022 IR Rate Update

Montana-Dakota has prepared an update its IR rate to reflect actual costs incurred through December 31, 2021 and the projected costs through December 31, 2022. The projected 2022 costs, as allocated to South Dakota, are \$940,248, which includes projected 2022 costs of \$956,990 and a projected over recovery of \$16,742 for 2021 actual costs and projected January – April costs and revenues, including carrying charges based on the overall Rate of Return authorized in Docket No. EL15-024 as shown on Attachment A. The prior year under recovery has decreased \$97,683, resulting in the projected over recovered balance.

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 the Thunder Spirit wind project. The operating expenses include labor and benefits, easement charges and a maintenance agreement. Depreciation, property taxes, generation taxes, and 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.

Also included in costs to be recovered through the IR are 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, Sidney Transmission Line, Mandan Substation and Lines Relocation, and Lewis and Clark Substation Control House projects.

The 2021 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(over) 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 2022 costs, each of the items described above has been included based on the Company's most recent estimates, including income taxes.

Included in the projected 2022 costs are the following additions:

Thunder Spirit Light Mitigation – This project involves the installation of light mitigating technology at the Thunder Spirit wind facility. Pursuant to North Dakota Administrative Rules 69-06-11-02.2, the Company is required to install sensor-based light-mitigating technology that will activate when aircraft are detected and mitigate nighttime lighting impact to surrounding areas. This project is estimated to cost \$1.8 million with a planned in-service date of October 2022. South Dakota's share of this project is \$86,447, see Attachment B, page 3.

Lewis and Clark Unit 1 Deferred Accounting Treatment - The Company is continuing to amortize the regulatory asset related to the deferred accounting treatment approved in Docket No. EL19-040. In Docket No. EL21-007, filed on March 11, 2021, the Company provided a projected 2021 schedule of the deferred assets, amortization, and expenses related to the decommissioning of the Lewis and Clark Unit 1. On November 15, 2021, the Commission issued an Order approving the Company's treatment of amortizing the costs related to the decommissioning of deferred assets using the revenue requirement identified in base rates totaling \$616,582 on an annual basis. By applying the annual revenue requirement included in base rates to the amortization of the deferred asset, the result is no additional cost to be recovered through the infrastructure rider. The balance of the Lewis and Clark Unit 1 regulatory asset as of December 2021 is \$1,668,292. In the current filing, the Company has provided a projected 2022 schedule projecting the continued amortization of the regulatory asset. The balance of the Lewis and Clark Unit 1 regulatory asset projected for December 2022 is \$1,478,144.

Heskett Unit 1 and 2 Deferred Accounting Treatment - The Company has also included a projected 2022 Regulatory Assets Recovery schedule related to the Heskett Unit 1 and 2. In Docket No. EL19-040, the Company requested deferred accounting treatment for the two Heskett coal units planned to be retired on March 31, 2022. Due to conditions beyond the Company's control, both units ceased operations by the end of February 2022 and decommissioning began shortly thereafter. The Company has provided a 2022 projected revenue requirement schedule to outline deferred asset and decommissioning expenses being amortized by the revenue being currently collected in base rates related to the Heskett Unit 1 and Unit 2 of \$920,896 on an annual basis. The projected regulatory balance of the Heskett Unit 1 and 2 regulatory asset for December 2022 is \$1,239,282. As with the deferred asset treatment provided for Lewis and Clark Unit 1, approved in

docket No. EL21-007 on November 15, 2021, there is no addition to the overall revenue requirement for the infrastructure rider.

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 2022 revenue requirement calculation.

Attachment C - Actual 2021 revenue requirement calculation.

Attachment D - Calculation of the under-recovered balance from 2021 based on the actual revenue requirement calculation and 2021 revenue collected under the tariff. Estimates are included through April 2022 when new rates are proposed to be effective.

Attachment E – Regulatory Assets Recovery schedules.

The above noted costs are proposed to be recovered through the IR rate effective May 1, 2022 through April 30, 2023. A typical residential customer using 853 Kwh would see a decrease of \$0.35 per month, or \$4.20 annually.

Pursuant to the Settlement Stipulation in Docket No. EL15-024, Montana-Dakota agreed to report annual performance of the Thunder Spirit facility. The 2021 average annual capacity factor, transmission curtailments and economic curtailments are as follows:

- A. The actual Thunder Spirit capacity factor for calendar year 2021 was 40.8% representing 556,047 MWh of generation. The reduction in generation was primarily due to lesser wind availability.
- B. Thunder Spirit did not experience transmission curtailments during 2021.
- C. There were economic curtailments of 7,307 MWh for Thunder Spirit in 2021.
- D. There were economic curtailments of 3,262 MWh for Thunder Spirit Expansion in 2021.

Included as Attachment F 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 G 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.

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