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March 1, 2023

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. EL23-\_\_\_\_

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 7<sup>th</sup> Revised Sheet No. 28.1 of its electric tariffs to be effective with service rendered on and after May 1, 2023.

The tariff change is necessary to reflect the projected 2023 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, including the benefits of a new Rate 45 customer within the Integrated System. In addition, the projected 2023 revenue requirement includes five previously approved transmission projects in its projected 2023 TCRR update. Two projects were approved in Docket No. EL22-006 but did not get placed into service until January 2023 instead of November 2022.

The total projected 2023 transmission-related costs as allocated to South Dakota are \$2,342,915 as shown in the table below. The proposed TCRR rate of \$0.01632 per kWh is applicable to all electric retail rate schedules and reflects a reduction of \$0.00102 per kWh from that currently authorized.

	Current Filing	Prior Filing	Variance
MISO/SPP Revenue	(\$1,056,959)	(\$839,623)	(\$217,336)
MISO/SPP Expense	1,411,843	1,509,023	(97,180)
SD PUC Charges	2,861	3,933	(1,072)
Transmission Projects - Approved	1,811,778	1,381,406	430,372
Transmission Projects - Proposed	0	0	0
Under/(Over) Recovery Balance	173,392	469,590	(296,198)
	<u>\$2,342,915</u>	<u>\$2,524,329</u>	<u>(\$181,414)</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 \$0.01734 per kWh reflects the projected 2022 net transmission-related expenses as authorized in Docket No. EL22-006.

## **2023 TCRR Rate Update**

Montana-Dakota is now requesting to update its TCRR rate to reflect actual costs incurred through December 31, 2022, and the projected costs through December 31, 2023. The net transmission costs, as allocated to South Dakota, are \$2,342,915 which includes projected 2023 costs of \$2,169,523, a net under-recovery of prior period costs and credits of \$174,308 and projected 2023 credits of \$916 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 \$648 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 \$268 to reflect the application of the Company's actual 2022 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 2023.

Montana-Dakota expects to begin serving its first High Density Contacted Demand Rate 45 customer in March 2023. The Company received interim authority from the North Dakota Public Service Commission on February 22, 2023. The Rate 45 customer will take wholesale transmission service on Montana-Dakota's integrated transmission system, at the Company's FERC approved Attachment O rate. This customer is expected to ramp production during 2023 and ultimately have a load of 180 MW when fully operational.

Included in the under recovery of the prior period and credits costs is a true-up of the projected 2021 Other O&M Revenue Credit and Schedule 26A Return Credit described above. At the time of the Company's 2022 TCRR rate update, the actual 2021 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 2023 credits. As 2021 actuals are now available, the Company is providing a true-up of the Schedule 26A Other O&M and Return credits. The 2021 credit true-ups and projected 2023 credits are provided in Attachment E.

The 2023 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, the Greenway Substation and Line, and the rebuild of Greenway to Hague and Hague to Herreid transmission lines. The Greenway to Hague and Hague to Herreid transmission lines experienced a change to the estimated in-service date from November 2022 to January 2023. The delay was due to construction contractor availability, coupled with weather and material delivery setbacks.

The increase in the projected 2023 costs compared to the actual 2022 costs is primarily due to an increase in the Transmission Projects' Revenue Requirements as a result of the Greenway to Hague 60kV Line Project and Hague to Herreid 60kV Line Project being placed in service. The capitalized costs for both projects were lower than the estimated costs because of savings with contractor cost efficiencies and limited landowner related design restrictions. This results in the Projected 2023 Revenue Requirement representing a full year in-service. The increase to projected costs is offset by a forecasted increase in 2023 MISO revenue and a reduction in the under recovered balance. The forecasted increase in 2023 MISO revenue is a result of the previously described North Dakota Rate 45 customer that is anticipated to start service in March 2023.

### **2023 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.
4. Greenway to Hague 60kV Line Project
5. Hague to Herreid 60kV Line Project

There were no new projects identified for inclusion in the Transmission 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 Transmission Costs and proposed TCRR rate.

Attachment B – Projected 2023 costs and revenues/credits, including the anticipated revenue from a Rate 45 customer in North Dakota. 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 2023 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 were placed in service in 2023. The Greenway to Hauge Line, and Hauge to Herreid Line were projected to be in service in November 2022 but were actually placed in service in January 2023.
- Attachment D – Actual 2022 costs and revenues by MISO and SPP schedules and as allocated to South Dakota are provided. The actual 2022 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 2021 True-Up and Projected 2023. 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 2022 based on the actual net expenses and the revenues collected. Estimates are included through April 2023, 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, 2023 through April 30, 2024. A typical residential customer using 853 kWh would see a reduction of \$0.87 per month or \$10.44 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](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