

**BEFORE THE PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA**

In the Matter of the Application of)	Docket No. EL23-020
MONTANA-DAKOTA UTILITIES CO.)	Notice of Intent to Implement
for Authority to Establish Increased Rates)	Interim Electric Service Rates
for Electric Service)	

I. Introduction

Pursuant to SDCL 49-34A-17, Montana-Dakota Utilities Co. (Montana-Dakota) herewith electronically submits this Notice of Intent advising the South Dakota Public Utilities Commission (Commission) of the Company's intent to implement an interim rate increase of \$5,843,942 or 58.367% for service rendered on and after March 1, 2024 as permitted under SDCL 49-34A-17 and until final rates are implemented following a final decision in Docket No. EL23-020. The interim rate increase is comprised of two separate elements: an interim increase of \$2,266,384 and a transfer of \$3,577,558 in revenue associated with assets, currently being recovered through the Company's Transmission Cost Recovery Rider Rate 59 (Transmission Rider) and the Infrastructure Rider Rate 56 (Infrastructure Rider), to being recovered through the Company's base rates.

Additionally, it is Montana-Dakota's intent to also update its Fuel and Purchased Power Adjustment, Transmission Rider and Infrastructure Rider effective with service rendered on and after March 1, 2024 in order to properly recognize the \$3,577,558 transfer, as

well as the removal of Production Tax Credits (PTCs) as an offset to the Company's Infrastructure Rider to an offset to the Company's Fuel and Purchased Power Adjustment rates, as proposed in the Company's August 15th request. When coupled with the \$5,843,942 increase, the net increase to customers is \$2,658,331 or 15.4 percent.

The tariff sheets provided in Attachment A designate that the amounts billed for the Basic Service Charge, Energy Charge and Demand Charge under each rate schedule are subject to an increase of 58.367%. This represents the percentage increase in electric revenues, excluding revenues collected under the Fuel and Purchased Power Adjustment and the Company's two riders, based on the amount of revenue to be collected on an interim basis. The amount billed will be shown as a separate line item on a customer's bill.

II. Background

On August 15, 2024, Montana-Dakota filed with the Commission its application requesting authority to increase its electric rates in South Dakota in the amount of \$2,984,237 or 17.3 percent over the Company's current rates, based on a pro forma 2023 test year. The 17.3 percent net increase reflects an increase of 35.8 percent in base rates, an 8.0 percent decrease in the Infrastructure Rider, and a 10.5 percent decrease in the Transmission Rider. The 17.3 percent net increase also reflects the reduction in Fuel and Purchased Power due to the Production Tax Credits (PTCs) offset.

On September 1, 2023, the Commission ordered the proposed schedule of rates suspended for 180 days from the August 15th filing date, pursuant to SDCL 49-34A-14. The 180-day suspension period expires February 11, 2024.

South Dakota Codified Law provides a utility a mechanism for implementing interim rates absent a Commission decision following the expiration of a suspension period. SDCL Section 49-34A-17 provides that a public utility may implement the proposed practice, the proposed rate, or a rate lower than the proposed rate if:

1. The proposed rate or practice has not been suspended or is no longer subject to suspension;
2. The Commission has not issued a final decision; and
3. Thirty days has passed from the date of filing.

If the public utility implements the proposed rate or a rate lower than the proposed rate, the public utility shall use the same rate design that is currently in effect or the rate design that the public utility proposed when the public utility filed for the increased rate.

It is Montana-Dakota's understanding that no Commission action is required to implement the interim rates set forth herein.

III. Interim Rate Summary

As provided for in SDCL Section 49-34A-17, Montana-Dakota is now providing notice of the Company's intent to implement an interim rate increase; however, at a revenue

requirement lower than that included in the Company's August 15th request. After the Company filed its August 15th rate increase request, a project anticipated to be in service by year end 2023, and therefore included in the Company's pro forma rate base, experienced issues causing an unexpected delay of the project being placed into service by December 31, 2023. While the Company is working diligently to resolve the issues, the project is not anticipated to be in service by March 1, 2024, the effective date of the Company's interim electric rates. Therefore, as demonstrated in Attachment B, the Company will be implementing a lower interim revenue requirement than that included in the August 15th request to reflect the exclusion of the new project not yet in service.

It is therefore the Company's intent to implement an interim rate increase in the amount of \$5,843,942, reflecting an interim increase of \$2,266,384, as shown on page 7 Attachment B, and the transfer of \$3,577,558 in revenue associated with the assets. Please see Attachment C page 1 for the calculation of the 58.367 percent interim rate. The interim increase will be applied using the Company's currently authorized rate design and will be effective with service rendered on and after March 1, 2024 and applicable to all customers located in the Company's South Dakota service area.

In addition to the interim rate effective March 1, 2024, Montana-Dakota must also update its Fuel and Purchased Power Adjustment, Transmission Rider and Infrastructure Rider effective with service rendered on and after March 1, 2024 in order to properly account for the \$3,577,558 transfer in revenue out of the Company's two

riders into base rates as well as the transfer of the Company's PTCs to be an offset to the Company's Fuel and Purchased Power Adjustment rates. Currently the PTCs are an offset to the Infrastructure Rider. The update is necessary in order to avoid the double recovery of costs currently being recovered in the Company's two riders and the shifting of those investments and/or credits into Montana-Dakota's base rates and/or riders. Please see Attachment D for the calculation of the updated Fuel and Purchased Power rate. The Infrastructure Rider rate and the Transmission Cost Recovery Rider rate are the same proposed rates as included in Attachment B of the Company's August 15th rate increase request.

Included herein as Attachment C page 2 is the presentation of the Company's revenues at current rates and the new rates effective March 1, 2024, resulting from the implementation of the interim rate and the changes in the Company's two riders. It also provides an overall bill impact by rate class reflecting all changes in rates being implemented March 1, 2024. While interim rates will increase customers' bills by 33.9 percent, the interim increase is offset by a decrease in the Infrastructure Rider of 8.0 percent and the Transmission Rider of 10.5 percent for a net bill impact to customers of 15.4 percent. The net increase of 15.4 percent also includes the reduction in the Pro Forma Fuel & Purchased Power costs of \$1,032,195 to reflect the transfer of the offsetting PTCs into the Fuel & Purchased Power Rates going forward.

Montana-Dakota will be implementing the following tariff changes, attached hereto as

Attachment A, to Montana-Dakota's electric service tariffs to be effective March 1, 2024:

- Residential Electric Service Rate 10 2nd Revised Sheet No. 1
- Optional Time-Of-Day Residential Electric Service Rate 16 2nd Revised Sheet No. 3
- Small General Electric Service Rate 20 2nd Revised Sheet Nos. 5.0 and 5.1
- Small General Electric Service Rate 20 1st Revised Sheet No. 5.2
- Outdoor Lighting Service Rate 24 2nd Revised Sheet No. 8
- Outdoor Lighting Service Rate 24 1st Revised Sheet No. 8.1
- Irrigation Power Service Rate 25 2nd Revised Sheet No. 9
- Irrigation Power Service Rate 25 1st Revised Sheet No. 9.1
- Optional Time-Of-Day Small General Electric Service Rate 26 2nd Revised Sheet Nos. 10 and 10.1
- Optional Time-Of-Day Small General Electric Service Rate 26 1st Revised Sheet No. 10.2
- Large General Electric Service Rate 30 2nd Revised Sheet No. 13
- Large General Electric Service Rate 30 1st Revised Sheet No. 13.1
- Large General Electric Service Rate 30 Original Sheet No. 13.2
- General Electric Space Heating Service Rate 32 2nd Revised Sheet No. 14
- General Electric Space Heating Service Rate 32 1st Revised Sheet No. 14.1
- Optional Time-Of-Day Large General Electric Service Rate 33 2nd Revised Sheet No. 15
- Optional Time-Of-Day Large General Electric Service Rate 33 1st Revised Sheet

Nos. 15.1 and 15.2

- Firm Service Economic Development Rate 34 1st Revised Sheet Nos. 16 and 16.1
- Street Lighting Service Rate 41 2nd Revised Sheet No. 19
- Street Lighting Service Rate 41 1st Revised Sheet No. 19.1
- Municipal Pumping Service Rate 48 2nd Revised Sheet No. 21
- Special Residential Electric Dual Fuel Space Heating Service Rate 53 (CLOSED) 2nd Revised Sheet No. 24
- Infrastructure Rider Rate 56 7th Revised Sheet No. 25
- Fuel and Purchased Power Adjustment Rate 58 90th Revised Sheet No. 27.2
- Transmission Cost Recovery Rider Rate 59 8th Revised Sheet No. 28.1
- Occasional power Purchased Non-Time Differentiated Rate 95 9th Revised Sheet No. 35
- Short-Term Power Purchased Time Differentiated Rate 96 9th Revised Sheet No. 36

The tariff sheets provided in Attachment A designate that the amounts billed for the Basic Service Charge, Energy Charge and Demand Charge under each rate schedule are subject to an increase of 58.367%. This represents the percentage increase in revenues, excluding Fuel and Purchased Power Adjustment, Transmission Rider, and Infrastructure Rider revenues, based on the amount of revenue to be collected on an interim basis. The amount billed will be shown as a separate line item on a customer's bill.

Montana-Dakota understands that the interim rate increase will remain in effect until final rates are implemented following a Commission decision in the aforementioned docket. The interim will be subject to refund, pending a final Commission decision on the Company's application. In adherence to SDCL49-34A-17 which outlines "upon completion of the hearings and decision, the Commission may further order the public utility to refund, with interest, to customers, the portion of the increased rates found to be unjust, unreasonable, or discriminatory. The refund shall be carried out as provided in SDCL Section 49-34A-22 and 49-34A-23." Montana-Dakota will maintain customer billing information pertaining to the interim rate increase in the event the Commission approves an increase less than the Company's request and any refund is required.

IV. Customer Notice

In accordance with the Administrative Rules of South Dakota (ARSD) 20:10:13:39(6), Montana-Dakota states that the interim rate may affect 8,500 electric customers located in the Company's service area in South Dakota.

Included herewith is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions by lining through the existing language which the Company intends to delete and underlining the new language which the Company intends to implement. Included as Attachment E is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:36.

Montana-Dakota 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 the affected electric territory for at least 30 days before the changes becomes effective. The Company will also include the bill insert included as Attachment G in all customer bills reflecting March 2024 service, advising them of the change in their electric rates effective March 1, 2024.

Dated this 26th day of January 2024

Respectfully submitted,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs