



A Subsidiary of MDU Resources Group, Inc.

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March 1, 2024

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. EL24-___**

Dear Ms. Van Gerpen:

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 9th Revised Sheet No. 28.1 of its electric tariffs to be effective with service rendered on and after May 1, 2024.

The tariff change is necessary to reflect the projected 2024 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 transmission revenues from a large customer taking service under the Company's Rate 45 tariff.

The total projected 2024 transmission-related costs as allocated to South Dakota are a negative \$306,130 as shown in the table below. The proposed TCRR rate of (\$0.00216) per kWh is applicable to all electric retail rate schedules and reflects a reduction of \$0.00586 per kWh from the currently authorized rate included in interim rates effective March 1, 2024, as part of Docket No. EL23-020. This will be discussed further within the filing.

	Current Filing	Prior Filing	Variance
MISO/SPP Revenue	(\$1,527,942)	(\$1,056,959)	(\$470,983)
MISO/SPP Expense	1,464,229	1,411,843	52,386
SD PUC Charges	1,058	2,861	(1,803)
Under/(Over) Recovery Balance	(243,475)	173,392	(416,867)
	(\$306,130)	\$531,137	(\$837,267)

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 previously authorized TCRR rate of \$0.01632 per kWh reflects the projected 2023 net transmission-related expenses as authorized in Docket No. EL23-005 for service rendered on and after May 1, 2023.

On August 15, 2023, the Company filed a General Electric Rate Case (Rate Case) in Docket No. EL23-020. In this filing the Company is proposing:

- To move the assets associated revenue requirement currently recovered in the TCRR to be recovered in the Company's base rates.

As part of the Company's Rate Case, interim rates were effective March 1, 2024. The TCRR rate was updated to \$0.00370 per kWh.

2024 TCRR Rate Update

Montana-Dakota is now requesting to update its TCRR rate to reflect actual costs incurred through December 31, 2023, and the projected costs through December 31, 2024. The net transmission costs, as allocated to South Dakota, are a negative \$306,130 which includes projected 2024 costs of (\$62,655), a net over-recovery of prior period costs and credits of \$242,719 and projected 2024 credits of \$756 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 \$752 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 \$4 to reflect the application of the Company's actual 2022 capital structure and authorized return on equity, established in Docket No. EL15-024, and proposed Rate of Return in Docket No. EL23-020 effective March 1, 2024 in the FERC rate templates used in the determination of the MISO Schedule 26A charges for 2024.

Due to the Company's Rate Case, the costs being proposed for recovery in the TCRR reflect the proposed annual revenue requirement that move the associated assets to be recovered into the Company's base rates. This is to correspond with interim rates from the Rate Case taking effect and to be reflective of what is proposed for recovery within those interim rates. The costs related to the items recovered in the TCRR prior to March of 2024 are a component of the true up balance.

Montana-Dakota began serving its first High Density Contracted Demand Rate 45 customer in March 2023, which accounts for \$495,064 in the reduction of the proposed rate, including the estimated amount in the over-recovered balance of \$127,152. The proposed revenue requirement includes the net transmission related expenses and revenue related to a Rate 45 customer. In total, the benefit passed on to customers by the inclusion of the Rate 45 customer's activity for this filing as indicated in the chart below, is \$495,064.

Projected Costs to be Recovered:	<u>As Filed 1/</u>	<u>Absent Rate 45 2/</u>	<u>Change</u>
Net MISO/SPP Expense:	<u>(\$62,655)</u>	<u>\$305,257</u>	<u>(\$367,912)</u>
Transmission Projects' Revenue Requirement:	0	0	0
Over Recovery Balance:	<u>(243,475)</u>	<u>(116,323)</u>	<u>(127,152)</u>
Net Transmission Expense	<u>(\$306,130)</u>	<u>\$188,934</u>	<u>(\$495,064)</u>

1/ See Attachment A, page 1.

2/ Excludes Rate 45 revenue and passthrough charges.

All Montana-Dakota customers benefit from this customer's service through the crediting of transmission revenue received from this customer. For a South Dakota residential customer using 853 kWh, the Company estimated a cost savings of approximately \$2.98 per month or \$35.76 annually.

Included in the over recovery of the prior period and credits costs is a true-up of the projected 2022 Other O&M Revenue Credit and Schedule 26A Return Credit described above. At the time of the Company's 2023 TCRR rate update, the actual 2022 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 2022 actuals are now available, the Company is providing a true-up of the Schedule 26A Other O&M and Return credits. The 2022 credit true-ups and projected 2024 credits are provided in Attachment E. The 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 2024 costs, each of the items described above has been included based on the Company's most recent estimates, including income taxes.

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 2024 costs and revenues/credits, including the 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 – Actual 2023 costs and revenues by MISO and SPP schedules and as allocated to South Dakota are provided. The actual 2023 Revenue requirement for Ellendale to Leola Transmission project, the Dickinson Breaker and Lines, and the Greenway Substation and Line Project is also provided.

Attachment D – The calculation of the MISO Schedule 26A Return Credit and Other O&M Credit for the 2022 True-Up and Projected 2024. Pages 1 and 2 reflect the calculation of the Return Credits. Page 3 reflects the calculation of the Other O&M Return Credits.

Attachment E – Projected 2024 revenue requirements are for the months of January and February, which is the period before interim rates go into effect March 1, 2024. The five transmission projects are: 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 placed in service in 2023.

Attachment F – Calculation of the over recovered balance from 2023 based on the actual net expenses and the revenues collected. Estimates are included through April 2024, 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, 2024 through April 30, 2025. A typical residential customer using 853 kWh would see a reduction of \$5.00 per month or \$60.00 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