MONTANA-DAKOTA
UTILITIES CO.
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 Infrastructure Rider (IR) Rate 56
Docket No. EL24-___

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 8th Revised Sheet No. 25 of its electric tariffs to be effective with service rendered on and after May 1, 2024.

The proposed IR rate of $0.00394 per kWh is applicable to all electric retail rate schedules and reflects an increase of $0.00121 per kWh from the current authorized rate. The costs included in the table will be further described below.

	Current Filing	Prior Filing	Variance
Regulatory Asset Revenue Requirement	$392,292	$392,292	$0
Gross Receipts Tax on Revenue Requirement	588	0	588
Under Recovery Balance	166,857	0	166,857
Total	**$559,737**	**$392,292**	**$167,445**

The prior filing amounts reflected above represent the revenue requirement included in interim rates effective March 1, 2024 as part of Docket No. EL23-020. This will be discussed further within this filing.

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 most recent IR annual filing, Docket No. EL23-006, was approved by the Commissions Order dated April 18, 2023. This docket authorized an IR rate of $0.00523 per kWh and reflected the projected 2023 revenue requirement related to the Thunder Spirit Wind Facility, Bowdle Substation and Lines, Sidney Transmission Lines, Mandan Substation and Line Relocation, and the Lewis and Clark Control House projects. This rate was effective with 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:

- Move the assets and associated revenue requirement currently recovered in the IR to be recovered in the Company's base rates; and,
- Recover the remaining balance of the Plant Retirement Regulatory Asset (Regulatory Asset) related to the deferred accounting treatment of Lewis & Clark Unit I and Heskett Units I & II within the infrastructure rider.

As part of the Company's Rate Case, interim rates were effective March 1, 2024. The IR rate was updated at this time to $0.00237 per kWh, which reflects the annual revenue requirement of $392,292 proposed in the Rate Case to recover the remaining balance of the Regulatory Asset over a three year period.

2024 IR Rate Update
Montana-Dakota has prepared an update to its IR rate to reflect actual costs incurred through December 31, 2023 and the projected costs through December 31, 2024. The projected 2024 costs, as allocated to South Dakota, are $559,051, which includes projected 2024 costs of $392,292 and a projected under recovery of $166,759 for 2023 actual costs and projected January – April 2024 costs and revenues, including carrying charges based on the overall Rate of Return authorized in Docket No. EL15-024 and proposed Rate of Return in Docket No. EL23-020 effective March 1, 2024, as shown on Attachment A. The prior year over recovery has decreased $256,655, resulting in the projected under recovered balance. The main driver for the under collection is lower than projected PTC's in 2023, and higher than projected O&M costs, mainly maintenance service agreement costs.

Due to the Rate Case, the costs being proposed for recovery in the IR reflect the proposed annual revenue requirement for the Regulatory Asset. 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 IR prior to March of 2024 are a component of the true up balance.

In prior IR filings, the Company prepared an amortizion schedule reflecting South Dakota's share of the Regulatory Asset consistent with the deferred accounting treatment approved in Docket No. EL19-040 and as approved in Docket Nos. EL21-007, EL22-007, and EL23-006. The balance of the Deferred Depreciation Asset and Decommissioning, net of Excess ADIT, was amortized by applying the revenue requirement identified in base rates, net of employee related and other expenses, taxes and authorized return. The amount of revenue included in base rates for these periods was $616,582 for Lewis & Clark Unit I and $920,896 for Heskett Units I & II. By applying the annual revenue requirement included in base rates to the amortization of the deferred asset, the result was no additional cost to be recovered through the infrastructure rider. This is outlined for the 2023 Regulatory Asset calculations seen on Attachment E, pages 1-2.

As previously stated, the Company has proposed to shift the recovery of the remaining Regulatory Asset balance to the IR. Effective March 2024, the calculation of the Regulatory Asset amortization no longer includes Revenue in Base Rates and instead includes amortization based on annual revenue requirement of $392,292 as proposed in the Rate Case. Consistent with the calculation of the proposed annual revenue requirement Rate Case, the Rate of Return on Rate Base and Interest on Debt components of the revenue requirement calculation have been adjusted to the proposed rates identified in the Rate Case and will be subject to true up upon the final Order in the Rate Case.

The under collected balance includes a carrying charge in the filing based on the authorized Rate of Return applied to the prior month's ending deferred balance, net of tax. Projected 2024 costs are comprised of the Regulatory Asset amortization as described above based on the Company's most recent estimates of remaining decommissioning and exployee related expenses, including income taxes.

There were no new projects that qualified for inclusion in the IR.

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 2024 revenue requirement calculation schedule.

Attachment C - Actual 2023 and Estimated January through February 2024 revenue requirement calculation schedules.

Attachment D - Calculation of the under-recovered balance from 2023 based on the actual revenue requirement calculation and 2023 revenue collected under the tariff. Estimates are included through April 2024 when new rates are proposed to be effective.

Attachment E – Actual 2023 and Estimated January through February 2024 Regulatory Assets amortization schedules.

The above noted costs are proposed to be recovered through the IR rate effective May 1, 2024 through April 30, 2025. A typical residential customer using 853 kWh would see an increase of $1.03 per month, or $12.36 annually.

Pursuant to the Settlement Stipulation in Docket No. EL15-024, Montana-Dakota agreed to report annual performance of the Thunder Spirit facility. The 2023 average annual capacity factor, transmission curtailments and economic curtailments are as follows:

A. The actual Thunder Spirit capacity factor for calendar year 2023 was 35.8% representing 488,369 MWh of generation.
B. Thunder Spirit did not experience transmission curtailments during 2023.
C. There were economic curtailments of 15,132 MWh for Thunder Spirit in 2023.
D. There were economic curtailments of 6,757 MWh for Thunder Spirit Expansion in 2023.

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