



# MONTANA-DAKOTA UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

400 North Fourth Street  
Bismarck, ND 58501  
701-222-7900  
www.montana-dakota.com

February 28, 2025

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. EL25-\_\_\_\_**

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 1<sup>st</sup> Revised Sheet No. 28.1 of its electric tariffs to be effective with service rendered on and after May 1, 2025.

The tariff change is necessary to reflect the projected 2025 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 2025 transmission-related costs as allocated to South Dakota are shown in the table below. The proposed TCRR rate of (\$0.00127) per kWh is applicable to all electric retail rate schedules and reflects an increase of \$0.00089 per kWh from that currently authorized.

	Current Filing	Prior Filing	Variance
MISO/SPP Revenue	(\$1,855,649)	(\$1,527,942)	(\$327,707)
MISO/SPP Expense	1,700,454	1,464,229	236,225
SD PUC Charges	1,498	1,058	440
Under/(Over) Recovery Balance	(19,908)	(243,475)	223,567
	(\$173,605)	(\$306,130)	\$132,525

**Background**

On June 15, 2016, the South Dakota Public Utilities Commission (Commission) approved a Settlement Stipulation in Docket No. EL15-024. 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 (\$0.00216) per kWh reflects the projected 2024 net transmission-related expenses as authorized in Docket No. EL23-020.

### 2025 TCRR Rate Update

Montana-Dakota is now requesting to update its TCRR rate to reflect actual costs incurred through December 31, 2024, and the projected costs through December 31, 2025. The net transmission costs, as allocated to South Dakota, are a credit of \$173,605 which includes a projected 2025 credit of \$153,697, a net over-recovery of prior period costs and credits of \$18,799 and projected 2025 credits of \$1,109 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 \$884 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 \$225 to reflect the application of the Company's actual 2023 capital structure and authorized return on equity, established in Docket No. EL15-024, and authorized Rate of Return in Docket No. EL23-020 effective September 1, 2024 in the FERC rate templates used in the determination of the MISO Schedule 26A charges for 2025.

The proposed revenue requirement includes the net transmission related expenses and revenue related to a High Density Contracted Demand Rate 45 customer (Rate 45). In total, the benefit passed on to customers by the inclusion of the Rate 45 customer's activity for this filing is indicated in the chart below.

Projected Costs to be Recovered:	<u>As Filed 1/</u>	<u>Absent Rate 45 2/</u>	<u>Change</u>
Net MISO/SPP Expense:	(\$153,697)	\$319,576	(\$473,273)
Under/(Over) Recovery Balance/Credits:	(19,908)	125,653	(145,561)
Net Transmission Expense	(\$173,605)	\$445,229	(\$618,834)

1/ See Attachment A, page 1.

2/ Excludes Rate 45 revenue and passthrough charges.

All of Montana-Dakota's customers benefit from Rate 45 service through the crediting of transmission revenue received from Rate 45 customers. For a South Dakota residential customer using 900 kWh, the Company estimated a cost savings of approximately \$4.10 monthly or \$49.20 annually.

Included in the over recovery of the prior period and credits costs is a true-up of the projected 2023 Other O&M Revenue Credit and Schedule 26A Return Credit described

above. At the time of the Company's 2024 TCRR rate update, the actual 2023 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 2025 credits. As 2023 actuals are now available, the Company is providing a true-up of the Schedule 26A Other O&M and Return credits. The 2023 credit true-ups and projected 2025 credits are provided in Attachment D. 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 2025 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 2025 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 2024 costs and revenues by MISO and SPP schedules and as allocated to South Dakota are provided. The actual January and February 2024 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 2023 True-Up and Projected 2025. 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 – Calculation of the over recovered balance from 2024 based on the actual net expenses and the revenues collected. Estimates are included through April 2025, when new rates are proposed to be effective.

Attachment F – 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, 2025 through April 30, 2026. A typical residential customer using 900 kWh

would see an increase of approximately \$0.80 per month or \$9.60 annually. Included as Attachment G 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 H 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  
Vice President 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  
Vice President of Regulatory Affairs

Attachments

cc: B. Koenecke