

## MEMORANDUM

To: Commissioners, Advisory Staff, and MDU  
Fr: Christopher Marohl, Advocacy Staff *CM*  
Da: April 11, 2012  
Re: 4/11/12 Informal Hearing – MDU Transmission Facility Cost Recovery  
Case No. PU-11-672 & PU-11-681

On October 21, 2011 Montana-Dakota Utilities Co. (MDU) filed for approval to implement a transmission cost recovery rider pursuant to North Dakota Century Code Section 49-05-04.3. MDU proposes to recover Midwest Independent System Operator (MISO) Schedule 26 and 26A transmission related costs net of revenues allocated to North Dakota retail customers, the North Dakota retail share of revenue requirements for transmission facilities not currently included in base rates, and Western Area Power Administration (WAPA) transmission costs under the federally regulated WAPA tariff. On February 27, 2012 MDU filed an update to the original filing due to significantly under forecasting MISO charges.

### **WAPA Tariff**

In regards to the WAPA charges Advocacy Staff would suggest taking up the issue in late 2014 or early 2015 when the expiration of the current agreement draws nearer and encourages MDU to continue to work with WAPA in order to seek the best possible arrangement for ratepayers.

### **MISO Charges & Recommendation**

In a similar Otter Tail Power Company (OTP) application, Case No. PU-11-153 & PU-11-682, Advocacy Staff recommended what became known as the “all-in method” because (1) it was consistent with the Commission’s issuance of Advance Determination of Prudence (ADP) to OTP for the Fargo and Bemidji CAP-X lines, (2) it was expected to be the least-cost method for ratepayers, (3) it doesn’t theoretically necessitate the splitting of administrative type costs, and (4) it was proved to be a less complex method to implement and review.

Advocacy Staff recommends approving MDU’s application, which most closely resembles the “all-in method”, for all of the same reasons except there have been no ADPs issued at this time to MDU for any investments proposed for this rider.