



MONTANA-DAKOTA
UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

January 15, 2016

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505-0480

Re: Case No. PU-15-747
Application for Approval of its Annual
Update to Transmission Cost
Adjustment Rate 59

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., herewith submits an update to its Application to update its Transmission Cost Adjustment (TCA) Rate 59 tariff, pursuant to N.D.C.C. §49-05-04.3 and §49-05-06 and Paragraph 2c of its Rate 59 tariff.

Background:

Montana-Dakota submitted an Application on November 25, 2015 requesting to update its TCA rates to reflect actual costs incurred through August 31, 2015 and projected costs through December 31, 2016. The projected 2016 transmission costs as allocated to North Dakota to be recovered under the TCA equated to \$6,813,908. The projected costs included: \$4,564,924 for MISO-related transmission charges, offset by \$1,568,356 of MISO-related credits, in addition to the \$3,240,248 projected 2016 revenue requirement specific to two large North Dakota transmission projects and an under-recovery of \$577,091. The projected costs were proposed to be recovered through the TCA rates January 1, 2016 through December 31, 2016 as shown in the table below:

		Proposed \$/Kwh	Current \$/Kwh	Change
Res & Small General	(Rates 10, 13, 20 & 25)	\$0.00332	\$0.00125	\$0.00207
Large General	(Rates 30, 31, 32, 38, 40 & 48)	\$0.00296	\$0.00104	\$0.00192
Lighting	(Rates 41 & 52)	\$0.00217	\$0.00079	\$0.00138

Update:

Subsequent to the submission of the Application in this case on November 25, 2015, Montana-Dakota and Advocacy Staff of the North Dakota Public Service Commission entered into a Settlement Agreement in the matter of Montana-Dakota's application to implement a Renewable Resource Cost Recovery Tariff and rates for recovery of its investment in the Thunder Spirit Wind Project (Case No. PU15-703). Under the

terms of the Settlement Agreement, rates were to be implemented on an interim basis effective January 1, 2016 to recover an annual revenue requirement based on a return on equity of 10.5 percent and Montana-Dakota's projected 2016 capital structure (7.952 overall rate of return). Montana-Dakota agreed under the Settlement Agreement to submit an electric rate case by September 30, 2016 at which time the return on equity to be applicable under the Renewable Resource Cost Recovery adjustment would be established on a final basis. The Commission approved the Settlement Agreement on January 5, 2016.

Montana-Dakota herewith requests to apply the return on equity set forth in the Settlement Agreement authorized by the Commission in Case No. PU15-703 to the investment proposed to be recovered in this Application. As shown on Exhibit 2, this reduces the revenues to be collected under the TCA to \$6,759,692. The resulting rates, reflecting an overall rate of return of 7.952 percent are as follows:

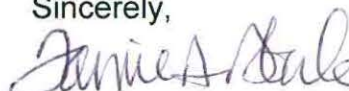
		Proposed \$/Kwh	Current \$/Kwh	Change
Res & Small General	(Rates 10, 13, 20 & 25)	\$0.00329	\$0.00125	\$0.00204
Large General	(Rates 30, 31, 32, 38, 40 & 48)	\$0.00293	\$0.00104	\$0.00189
Lighting	(Rates 41 & 52)	\$0.00215	\$0.00079	\$0.00136

The TCA shall be subject to true-up based on the return on equity established in the rate case to be filed by September 30, 2016 pursuant to the terms of the Settlement Agreement.

4th Revised Sheet No. 31 reflecting the updated rates is provided as Exhibit 1.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: Karl Liepitz
Garret Senger

Exhibit 1



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
4th Revised Sheet No. 43.1
3rd Revised Sheet No. 43.1

TRANSMISSION COST ADJUSTMENT Rate 59

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d. The true-up will reflect any over or under collection of revenue under the Transmission Adjustment from the preceding twelve month period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

3. Time and Manner of Filing:

Montana-Dakota shall file the Transmission Adjustment at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of a revised Transmission Adjustment tariff sheet identifying the amounts of the adjustment, the derivation of the adjustment and the resulting Transmission Adjustment rate.

4. Transmission Cost Adjustment Rate by class:

Residential & Small General	\$0.00329
Large General	\$0.00293
Lighting	\$0.00215

Date Filed: January 15, 2016

Effective Date:

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.:

Tariffs Reflecting Proposed Changes



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400 N 4th Street
Bismarck, ND 58501

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4. Transmission Cost Adjustment Rate by class:

Residential & Small General	0.125¢ <u>\$0.00329</u>
Large General	0.104¢ <u>\$0.00293</u>
Lighting	0.079¢ <u>\$0.00215</u>

Date Filed: October 2, 2014

Effective Date: Service rendered on and after January 1, 2015

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.: PU-14-734

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Transmission Cost Adjustment Allocation by Class
Projected 2016**

	<u>Total 1/</u>	<u>Residential & Small General</u>	<u>Large General</u>	<u>Lighting</u>
ND Transmission Costs 2/	\$6,759,692	\$3,431,203	3,263,575	64,914
Projected Kwh 3/	2,185,617,701	1,042,976,689	1,112,472,409	30,168,603
Projected \$/Kwh		\$0.00329	\$0.00293	\$0.00215
Current \$/Kwh 4/		0.00125	0.00104	0.00079
\$ Change		0.00204	0.00189	0.00136

1/ Exhibit 3.

2/ Class demand allocation from Case No. PU-10-124 (Embedded CCOS Factor No. 2).

Residential & Small General	50.759749%	(Rates 10, 13, 20 & 25)
Large General	48.279940%	(Rates 30, 31, 32, 38, 40 & 48)
Lighting	0.960311%	(Rates 41 & 52)
	<u>100.000000%</u>	

3/ 2016 projected sales (KWh) excluding contract sales.

4/ Transmission Cost Adjustment Rate 59 effective January 1, 2015.