



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

February 2, 2016

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

Re: Transmission Cost Adjustment  
Case No. PU-15-747

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith submits the original and seven (7) copies of an explanation of the balancing account submitted as part of the Transmission Cost Adjustment in the above referenced case as requested at the informal hearing held on January 20, 2015. This submittal has also been electronically filed with the Commission.

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

Sincerely,

A handwritten signature in red ink that reads 'Tamie A. Aberle'.

Tamie A. Aberle  
Director of Regulatory Affairs

Attachment  
cc: Jerry Lein

**Montana-Dakota Utilities Co.**  
**Explanation of the Transmission Rider Balancing Account**  
**Case No. PU-15-747**

Montana-Dakota Utilities Co. (Montana-Dakota) maintains a balancing account in order to track over and under recovery of expenses and revenues recovered through the Transmission Cost Adjustment. In the filing submitted in November of 2015, the balancing account started with the actual balance as of August 31, 2014 with actual expenses and revenues collected through August 31, 2015 as shown below and as provided in Exhibit 4 of the Company's filing (the amounts shown for the Transmission Project Revenue Requirement have been adjusted here to reflect the change to 10.5% ROE). The months of September through December 2015 reflect estimates that will be trued up in the Transmission Cost Adjustment filing submitted in 2016. This is consistent with the filing submitted in October 2014 where the expenses and revenues for August 2014 through December 2014 were estimated and are being trued up in this filing.

**Montana-Dakota Utilities, Co.**  
**Electric Utility - North Dakota**  
**Transmission Cost Adjustment Balancing Account**  
**September 2014 - estimated December 31, 2015**

Month	Beginning Balance	Carrying Charge 1/	MISO Net Expenses	WAPA NITS Expense 2/	Transmission Projects' Rev. Req. 3/	TCA Recovery	Ending Balance
August 2014							(\$710,354)
September	(\$710,354)	(\$12)	\$100,222	\$67,878		\$248,185	(790,451)
October	(790,451)	(13)	123,347	58,390		251,785	(860,512)
November	(860,512)	(14)	153,443	63,949		219,445 <sup>3/</sup>	(862,579)
December	(862,579)	(22)	155,057	66,129		339,750	(981,165)
January 2015	(981,165)	(25)	261,980	67,236		306,529	(958,503)
February	(958,503)	(16)	228,440	77,901		201,580	(853,758)
March	(853,758)	(21)	232,365	77,845		222,930	(766,499)
April	(766,499)	(13)	161,946	79,710		177,823	(702,679)
May	(702,679)	(12)	168,935	73,943		144,951	(604,764)
June	(604,764)	(10)	213,302	77,265		165,616	(479,823)
July	(479,823)	(12)	243,104	90,361		188,653	(335,023)
August	(335,023)	(20)	239,617	95,103		193,609	(193,932)
September - <i>estimated</i>	(193,932)	(11)	239,617	95,103		198,217	(57,440)
October - <i>estimated</i>	(57,440)	(3)	239,617	95,103	65,465	184,806	157,936
November - <i>estimated</i>	157,936	9	239,617	95,103	76,593	211,340	357,918
December - <i>estimated</i>	357,918	21	239,617	95,103	119,144	239,040	572,763
Total		<u>(\$174)</u>	<u>\$3,240,226</u>	<u>\$1,276,122</u>	<u>\$261,202</u>	<u>\$3,494,259</u>	

1/ Carrying charges calculated based on the three-month Treasury Bill rate pursuant to Rate 59. September through December 2015 estimated carrying charge based on August 2015's rate.

2/ Excludes charges recovered through base rates.

3/ Exhibit 9.

The under recovery estimated as of December 31, 2015 of \$572,763 is comprised of the following components:

1. Higher MISO costs than reflected in current rates plus less estimated revenue causing an under recovery of expenses of \$505,477 (September through December expenses less TCA recovery).

2. The Kenmare to Lignite transmission line and substation was estimated to be in service in October 2015 and the estimated costs for that project were included in the October through December balances shown above. This accounted for \$261,202 of the under recovered balance as of December 31, 2015. The transmission projects included in the Transmission Cost Adjustment have been discussed with the Commission over the last several years in the Company update meetings.
3. The under recovery associated with items 1 and 2 above of \$766,679 was offset by an over recovered balancing remaining at August 31, 2015 of \$(193,932).

Under recovery of MISO and WAPA	505,477
Kemare to Lignite	261,202
Over Recovery as of September 2015	(193,932)
Plus Carrying Charges (Sept -Dec)	16
	<u>572,763</u>

As noted above the estimates for September through December 2015 will be trued up to actuals in the Transmission Cost Adjustment submitted in October 2016.