

# Memorandum

To: Commissioners Fedorchak, Christmann, and Haugen-Hoffart

From: Adam Renfandt

Date: September 23, 2022

Re: Montana-Dakota Utilities Co., Transmission Facility Cost Recovery, Rates, Case No. PU-22-323

On July 15, 2022, Montana-Dakota Utilities Co. (MDU) filed an annual update to its Transmission Cost Adjustment (TCA) rates to reflect updated electric transmission revenues and costs.

The filing proposes a revenue requirement of \$12,876,684, a decrease of \$1,573,203 from 2021's filing. The main drivers include:

- **Project Costs:** The revenue requirement includes eleven previously approved projects and line repairs related to the late April 2022 winter storm that affected MDU's service territory. 2022 revenue requirement increased by \$685,951 for the previously approved projects, mainly driven by the resumption of construction of the Mandan/Heskett substation and an increase in construction costs compared to the 2021 revenue requirement. The winter storm repairs added another \$363,339 to 2022 revenue requirement.
- **SPP and MISO Revenues and Expenses:** MDU's 2022 revenue requirement was relatively flat from its 2021 revenue requirement.
- **True-up and Carrying Costs:** The true up is the actual over or under collection of last year's revenue requirement along with the associated carrying cost on the balance. The change from 2021 to 2022 is a net decrease of approximately \$2,482,739. This was mainly driven by higher SPP facility credits received (i.e., transmission payments received for use of MDU's facilities) and delayed in-service dates for some of its transmission projects.

The Commission has also expressed interest in MISO/SPP revenue and expense by schedule, and attached is for informational purposes showing 2020-2021 actuals, 2022 test year expense from the recent rate case, and the expense in the proposed 2022 TCA.

Staff believes the costs detailed in MDU's filing are reasonable and prudent, comply with MDU's tariff, and are eligible for recovery through the TCA. Based on this and the details contained within the filing, Staff recommends approval of MDU's 2022 TCA rates.

c. Travis Jacobson – MDU

**MISO/SPP Transmission Expenses and Revenues**

**North Dakota**

**Revenue**

Charge Type	2020 Actual	2021 Actual	2022 Projected Year 1/	2022 TCR Filing 2/
<b>MISO Revenues:</b>				
Schedule 1 - Ancillary Services	\$ 74,260	\$ 60,839	\$ 79,411	\$ 68,924
Schedule 2 - Ancillary Services	\$ 166,601	\$ 242,880	\$ 14,549	\$ 72,710
Schedule 7 - Base Transmission	\$ 581,756	\$ 450,410	\$ 418,455	\$ 387,476
Schedule 8 - Base Transmission	\$ 7,101	\$ 147,248	\$ 133,966	\$ 116,572
Schedule 9 - Base Transmission	\$ 1,976,801	\$ 1,907,584	\$ 2,552,046	\$ 2,241,998
Schedule 24 (MDU as LBA for others)	\$ 571,091	\$ 586,594	\$ 597,675	\$ 592,033
Schedule 26 3/ (MTEP projects)	\$ 596,064	\$ 803,699	\$ 674,809	
Schedule 26A 3/ (MVP projects)				
Schedule 37	\$ 6,621	\$ 8,375	\$ 7,021	
Schedule 38	\$ 8,105	\$ 10,504	\$ 8,858	
<b>SPP Revenues:</b>				
30.9 Facility Credits 3/	\$ 5,953,573	\$ 8,507,446	\$ 8,794,525	\$ 8,727,607
<b>Facility Sharing Agreement:</b>				
Sharing Agreement - Basin Electric	\$ 173,218	\$ 173,392	\$ 173,259	\$ 173,262
<b>Total</b>	\$ 10,115,191	\$ 12,898,971	\$ 13,454,574	\$ 12,380,582
<b>Other Adjustments</b>				
Transmission Revenue	\$ 10,115,191	\$ 12,898,971	\$ 13,454,574	\$ 12,380,582

**Expense**

Charge Type	2020 Actual	2021 Actual	2022 Projected Year 1/	2022 TCR Filing 2/
<b>MISO Charges:</b>				
Schedule 10 - Energy	\$ 436,471	\$ 440,916	\$ 485,022	\$ 467,934
Schedule 10 - Demand	\$ 31,795	\$ 32,119	\$ 35,331	\$ 34,087
Schedule 10 - FERC	\$ 173,792	\$ 202,831	\$ 217,597	\$ 220,963
Schedule 11 - Miscellaneous	\$ 53	\$ 371,779	\$ (52,586)	
Schedule 24 4/				
Schedule 26 (MTEP projects)	\$ 1,056,370	\$ 1,270,284	\$ 1,853,128	\$ 2,105,802
Schedule 26A (MVP projects)	\$ 3,623,252	\$ 3,632,731	\$ 3,337,947	\$ 3,131,507
<b>SPP Charges:</b>				
Schedule 1	\$ 490,131	\$ 353,427	\$ 443,993	\$ 459,627
Schedule 1A	\$ 816,449	\$ 269,509	\$ 322,730	\$ 301,396
Schedule 2	\$ (34,196)	\$ 18,964	\$ 17,770	
Schedule 8	\$ 814	\$ (1)	\$ -	
Schedule 9	\$ 12,722,112	\$ 12,680,779	\$ 12,210,832	\$ 12,425,791
Schedule 11	\$ 1,456,867	\$ 1,598,422	\$ 1,648,876	\$ 1,636,287
Schedule 12	\$ 125,033	\$ 102,359	\$ 120,771	\$ 112,058
<b>Total</b>	\$ 20,898,943	\$ 20,974,119	\$ 20,641,411	\$ 20,895,452
Transmission Expenses	\$ 20,898,943	\$ 20,974,119	\$ 20,641,411	\$ 20,895,452
<b>Net SPP/MISO Expense</b>	<b>\$ 10,783,752</b>	<b>\$ 8,075,148</b>	<b>\$ 7,186,837</b>	<b>\$ 8,514,870</b>

1/ Reflects actual revenues and expenses for January - May 2022 and projected revenues and expenses as reflected in Docket No. PU-22-323 Exhibit 3 pages 1-2, and Exhibit 5 pages 2-3.

2/ Reflects projected revenues and expenses for July 2022 through June 2023 as reflected in Docket No. PU-22-323 Exhibit 3 pages 1-2.

3/ Projected 2023 reflects GG and MM revenue requirement and 30.9 Facility Credit revenue as filed, but not yet approved.

4/ Schedule 24 expense are included in F&PP.