

Memorandum

To: Commissioners Christmann, Haugen-Hoffart, and Fedorchak,

From: Adam Renfandt

Date: September 7, 2023



Re: Montana-Dakota Utilities Co., Transmission Facility Cost Recovery, Rates, Case No. PU-23-268

On July 14, 2023, Montana-Dakota Utilities Co. (MDU) filed an annual update to its Transmission Cost Adjustment (TCA) rates to reflect updated electric transmission revenues and costs. In the filing, MDU proposed a 2023 annual revenue requirement of \$2,193,375. Upon review, Staff noticed that general and administrative expenses in MDU's base rates were also charging customers in the TCA as determined by FERC formula rates related to MDU's multi-value project (i.e., the Big Stone South to Ellendale line).

On August 25, 2023, MDU filed an update to its TCA rates to reflect this change, which resulted in a \$970,000 credit. The updated filing proposes a 2023 revenue requirement of \$1,286,474, a decrease of \$11,590,210 from MDU's 2022 filing. For the average residential customer using 800 kWh per month, this represents a decrease of \$5.09, or \$61.08 annually. The main drivers include:

- **Project Costs:** The revenue requirement includes several previously approved projects and one new project. The new project is the replacement of a 115 kV Tioga substation and the line reroutes associated with it. The project will allow the retirement of the existing substation due to age and condition. The 2023 revenue requirement for this new project is \$230,878, which is offset by \$430,479 in savings from MDU's existing projects.
- **SPP and MISO Revenues and Expenses:** The addition of a Rate 45 customer caused a reduction of approximately \$5.4 million in 2023 revenue requirements from MISO transmission charges that otherwise would have been borne by other customers. \$1.4 million of additional SPP facility credits caused the remaining reduction.
- **True-up and Carrying Costs:** The true-up was reduced by approximately \$3.7 million, which was driven by the overcollection of 2022 TCA revenue, largely from onboarding a new Rate 45 customer.

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 2023 TCA Rider.

c. Travis Jacobson – MDU