

# Memorandum

To: Commissioners Christmann, Haugen-Hoffart, and Fedorchak

From: Adam Renfandt, Public Utilities Analyst



Date: November 12, 2024

Re: Montana-Dakota Utilities Co., Transmission Facility Cost Recovery, Rates, Case No. PU-24-297

On July 15, 2024, Montana-Dakota Utilities Co. (MDU) filed its annual update to its Transmission Cost Adjustment (TCA) rate. The updated revenue requirement was -\$459,839 (i.e., a credit). Included in the filing were three new transmission projects: one rebuild project, one replacement project, and another project that involved a substation. The revenue requirement for those projects was \$1,106,225. The total cost of the rebuild project was estimated at \$5.9M, the replacement project was estimated at \$0.6M, and the substation was estimated at \$6.8M. The total revenue requirement decreased by \$1.7M from the prior filing. The net MISO and SPP expenses were down \$4.8M, largely driven by a \$7.6M revenue benefit from MDU's Rate 45 customer.

Upon review, Staff noticed that the rate used to set the administrative and general revenue from MISO schedule 26A was not updated to the latest rate, which if correctly applied would have decreased the revenue requirement by an additional \$0.2M. Staff also questioned \$1.7M of costs associated with the rebuild project and submitted data requests asking for among other items invoices for the spending. After discovery, MDU proposed to increase total costs associated with this phase of the project from \$1.7M to \$2.4M. However, Staff questioned why this should be recovered in the transmission rider when recovery was planned for in base rates. On November 5, 2024, MDU filed a revision with the MISO revenue updated and the \$1.7M in project costs removed, which was planned to be recovered in base rates. The revised revenue requirement decreased from -\$459,839 to -\$949,802.

The residential TCA rate proposed to be effective December 1, 2024, is -\$0.00051 per kWh (-0.051 cents per kWh). A residential customer using 800 kWh per month would see a decrease of \$0.95 under the revised TCA rate or a decrease of \$11.40 annually.