



A Subsidiary of MDU Resources Group, Inc.

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October 29, 2025

Ms. Leah Mohr
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501-5070

Re: Docket No. EL25-_____
2026 Avoided Costs Rate Update

Dear Ms. Mohr:

In accordance with South Dakota Codified Laws, Chapter 49-34A, Montana-Dakota Utilities Co. (Montana-Dakota) herewith electronically submits for Commission approval revisions to the Company's Occasional Power Purchase Non-Time Differentiated Rate 95 and Power Purchase Rate 96 tariff sheets. This filing is made in compliance with the Commission's Order No. F-3365 and in accordance with the Special Terms and Conditions of these tariffs which state that the rate schedules will be reviewed annually and revised when necessary.

Montana-Dakota requests approval of the following revised tariff sheets:

- 2nd Revised Sheet No. 35
- 2nd Revised Sheet No. 36

Included herein is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions requested by lining through the existing language which the Company proposes to delete and clearly highlighting the new language proposed.

The methodology used to develop the proposed energy payments is consistent with the approved avoided cost rates. The proposed energy payments for Rates 95 and 96 were generated using Montana-Dakota's production costing model PLEXOS® for Power Systems (PLEXOS), reflecting a test year of calendar year 2026. The proposed energy payments under Rates 95 and 96 reflect an increase in the energy payment per Kwh attributable to an increase in the forecasted Midcontinent Independent System Operator, Inc.'s (MISO) market prices from those included in the currently approved energy payments.

Based on MISO proposed resource adequacy changes, including direct loss of load resource accreditation, Montana-Dakota has adequate capacity through 2032,

excluding spring generation maintenance periods. Montana-Dakota's 2024 Integrated Resource Plan (IRP) discusses a power purchase agreement (PPA) of capacity and energy that the Company has with a neighboring utility through May of 2026 and an agreement with CPower for a commercial demand response program which runs through May 2027. Following the filing of the 2024 IRP, Montana-Dakota entered into a Badger Wind PPA and an asset purchase agreement which will provide adequate capacity through 2032. The winter season capacity additions required through 2032 will be met with the Badger Wind addition, capacity purchases that may be needed through MISO capacity auction or purchases from a neighboring utility. As such, the capacity payment rate included in the Rate 96 tariff is the highest of the summer and winter MISO capacity auction price for Zone 1, the pricing zone for Montana-Dakota through 2032. The 2025/2026 MISO summer clearing price for Zone 1 is \$6.31 per Kw-Month. Starting in 2033, the capacity payment reflects the projected levelized cost of a new peaking facility.

The workpapers supporting the proposed energy and capacity payments are provided in Attachment A.

Montana-Dakota has reviewed the metering charges applicable under Rates 95 and 96 and has determined no change in the daily metering charges is necessary in this annual update. The Company continues to have only one customer taking service under Rate 95. When coupling the small participation with the small increases in metering charges from that authorized three years ago, the Company opted to not propose any changes to the daily metering charges under Rates 95 and 96 in this year's filing. However, Attachment B is being provided to show the metering charges that would have been requested had Montana-Dakota decided to propose a change in the metering charges in this filing.

The inputs and assumptions used in the model to determine the avoided energy costs and the five year gas supply forecast and MISO energy price forecast can be found in Attachment C.

In accordance with the Administrative Rules of South Dakota (ARSD), 20:10:13:39(6), Montana-Dakota currently has one customer taking service under Rate 95. The maximum generation received by the Company during any given month over the course of the previous twelve-month period was 1,184 Kwh with generation received by the Company in all twelve months. Attachment D shows the amount of excess generation purchased by the Company for the period October 2024 through September 2025. Assuming the same customer load and generation as the past twelve months, the one customer would experience an increase in their energy payments of \$59. No customers are currently taking service under Rate 96 in South Dakota.

Included as Attachment E is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26. Also included as Attachment F is the "Data Requirements" in accordance with the Commission's Order No. F-3563 which discloses certain information for miscellaneous filings.

In compliance with ARSD 20:10:13:17, Montana-Dakota will notify its customer taking service under Rate 95 of the changes being proposed to Rate 95 following the filing of this update with the Commission. Attachment G is a copy of the letter that will be provided to the customer.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Attachment H in a conspicuous place in each business office in its affected electric service territory in South Dakota for at least 30 days before the change becomes effective.

Montana-Dakota respectfully requests that the rate schedules set forth herein be approved with an effective date of service rendered on and after January 1, 2026.

Please refer all inquiries regarding this filing to:

Mr. Travis R. Jacobson
Vice President of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

Mr. Brett Koenecke
May, Adam, Gerdes & Thompson
503 South Pierre Street
P.O. Box 160
Pierre, South Dakota 57501-0160

This filing has been electronically submitted to the Commission in accordance with ARSD 20:10:01:02:05. Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Sincerely,

/s/ *Travis R. Jacobson*

Travis R. Jacobson
Vice President of Regulatory Affairs

Attachments