MONTANA-DAKOTA
UTILITIES CO.
A Subsidiary of MDU Resources Group, Inc.

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October 31, 2025

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

Re: Update to Infrastructure Rider (IR) Rate 56 and Request for Waiver of Fuel and Purchase Power Adjustment Rate 58
Docket No. EL25-___

Montana-Dakota Utilities Co. (Montana-Dakota or the Company) herewith electronically submits for Commission approval an out-of-period update to its Infrastructure Rider (IR) rate. Montana-Dakota requests this out-of-period update to more closely match the purchase and impending in service date of the Badger Wind facility. Montana-Dakota requests approval of 2nd Revised Sheet No. 25 of its electric tariffs to be effective with service rendered on and after March 1, 2026.

The proposed IR rate of $0.01093 per kWh is applicable to all electric retail rate schedules and reflects an increase of $0.00832 per kWh from the current authorized rate. The costs included in the table will be further described below.

	Current Filing	Prior Filing	Variance
Regulatory Asset Recovery	$392,880	$392,880	$0
Infrastructure Projects - Approved	16,785	6,097	10,688
Proposed Projects	850,618	0	850,618
(Over)/Under Recovery Balance	236,841	(42,894)	279,735
Total	**$1,497,124**	**$356,083**	**$1,141,041**

Background
On June 15, 2016, the Commission approved a Settlement Stipulation in Docket No. EL15-024, to establish an Infrastructure Rider Rate 56 tariff, allowing for the recovery of infrastructure related charges eligible for recovery under SDCL 49-34A-73. On July 1, 2016 Montana-Dakota implemented the IR for the recovery of significant infrastructure

related costs not otherwise included in the Company's currently authorized rates as set forth in Exhibit C of the Settlement Stipulation approved by the Commission in Docket No. EL15-024. The Company's most recent IR annual filing, Docket No. EL25-007, was approved by the Commission's Order dated April 14, 2025. This docket authorized an IR rate of $0.00261 per kWh and reflected the projected January through February 2025 revenue requirement related to the Wishek Substation Rebuild and Cedar Hills SCADA Controls Upgrade as well as the Regulatory Assets related to the coal unit decommissioning and related amortization. This rate was effective with service rendered on and after May 1, 2025.

2025-2026 IR Rate Update

Montana-Dakota has prepared an update to its IR rate to reflect actual costs incurred through September 30, 2025 and the projected costs through December 31, 2026. The projected 2026 costs, as allocated to South Dakota, are $1,497,124, which includes a projected 2026 cost of $867,403, plant closure costs of $392,880, and a projected under recovery of $236,841 for 2025 actual costs and projected October 2025 – February 2026 costs and revenues, including carrying charges based on the overall Rate of Return authorized Docket No. EL23-020 effective March 1, 2024, as shown on Attachment A. The Company under collected $236,841 of its requirements, resulting in a projected under recovered balance. The main driver for the under collected balance is additional funding projects related to the Wishek Substation rebuild and the purchase of Badger Wind.

Effective March 2024 in Docket No. EL23-020, the Company continues to recover the remaining balance of the Plant Retirement Regulatory Asset (Regulatory Asset) related to the deferred accounting treatment of Lewis & Clark Unit I and Heskett Units I & II within the Infrastructure Rider.

Included in the 2025 projected costs are the following additions:

Wishek Rebuild - The project will rebuild Montana-Dakota's Wishek Transmission Substation due to its age and condition. This rebuild necessitates rerouting the existing transmission lines from the current Wishek Transmission Substation to the new Wishek NW Transmission Substation. The transmission line reroutes involve realigning eight high voltage transmission lines, including (2) 230kV, (1) 115kV, and (5) 41.6kV lines. Each reroute is less than 0.5 miles in length. The new Wishek NW Transmission Substation was constructed just north of the existing substation. Two funding projects have been added to the 2025 Wishek additions since the March 2025 IR filing due to the projects being in-service sooner than previously expected. This includes the substation itself and an additional line. The funding projects approved in Docket No. EL25-007 have been updated to reflect the latest projections since they are not in-service at the time of this filing.

Badger Wind Project – The Badger Wind Project (Badger Wind) is a fully permitted and sited 250-megawatt (MW) wind project located west of Wishek, North Dakota.

The Project consists of 92 General Electric (GE) 2.82-127 (2.82 MW) wind turbines with an 89-meter hub height and an estimated capacity factor of 52 percent. The Project is expected to have a 35-year life.

On November 4, 2024, Montana-Dakota entered into a 20-year Power Purchase Agreement (PPA) with Badger Wind, LLC for 150 MW output purchase from the 250 MW Badger Wind Project. Included in the PPA was a purchase option for Montana-Dakota to purchase a 49 percent (122.5 MW) undivided ownership interest in the Project becoming effective at the commercial operation date, which is expected to occur by the end of 2025. The target purchase price for Badger Wind is $294 million. Montana-Dakota is also estimating an additional $1.5 million in internal legal fees, employee labor, and capitalized interest on the Project.

The purchase option included a condition precedent for the satisfactory approval of the Company's application for an Advanced Determination of Prudence (ADP) and Certificate of Public Convenience and Necessity (CPCN) from the North Dakota Public Service Commission. The ADP and CPCN were approved on September 24, 2025. Given the satisfactory approval, Montana-Dakota now plans to exercise the purchase option.

The Company's most recent long-term forecast indicates customer energy requirements will be increasing 0.38 percent per year for the next five years. The amount of energy that Montana-Dakota purchases from the Midcontinent Independent Systems Operator (MISO) energy market was about 29 percent, or 967,340 MWhs, in 2023. With the expiration of the Minnkota Power Cooperative (Minnkota) PPA on May 31, 2026, Montana-Dakota would be relying on additional MISO energy market purchases to replace the 657,000 MWh from the Minnkota PPA. Without the addition of Badger Wind, Montana-Dakota would purchase nearly 50 percent of the energy to serve customers from the MISO energy market.

Montana-Dakota's 2024 Integrated Resource Plan (IRP), provided to the Commission on July 12, 2024, identified the need for additional generation to meet future energy demands. Included as Attachment E is an amended version of the 2024 IRP to reflect the Badger Wind purchase. Badger Wind provides the Company with a low-cost generation resource that will help meet the energy needs of its electric Integrated System customers. The Project provides price protection against future energy market price increases and natural gas price increases, greater fuel source diversity within the Company's generation resource mix, and the ability to capture value from PTCs. Exercising the purchase option contained in the Badger Wind PPA is a least cost resource option for the Company, as indicated in the 2024 IRP. Montana-Dakota utilizing 150 MW of Badger Wind is forecasted to provide significant savings to customers over other supply side options available and will reduce purchased power costs as allocated to South Dakota customers.

Included in the 2026 projected costs are the following additions:

Glendive’s Breakers – The project will replace four existing 115 kilovolt power circuit breakers, control cable, and associated bus work at Montana-Dakota’s Glendive Turbine Transmission Substation due to component failure, age, and condition. The replacement and upgrades will take place at the existing substation.

Stanley Rebuild – The project will rebuild Montana-Dakota's Stanley Transmission Substation due to its age and condition. This rebuild necessitates rerouting the existing transmission lines from the current Stanley Transmission Substation to the new Stanley Transmission Substation. The transmission line reroutes involve realigning three high voltage transmission lines, including (2) 115kV and (1) 69kV lines. Each reroute is less than 0.5 miles in length. The new Stanley Transmission Substation is currently under construction just east of the existing substation.

The under collected balance includes a carrying charge based on the authorized Rate of Return applied to the prior month’s ending deferred balance, net of tax.

An electronic file supporting the attached schedules will be provided to Commission Staff.

The following attachments are provided in support of the rate update:

Attachment A – Summary of the Infrastructure costs and proposed IR rate.

Attachment B – Projected 2026 revenue requirement calculation schedules.

Attachment C – Actual and Projected 2025 revenue requirement calculation schedules.

Attachment D – Calculation of the under-recovered balance from 2025 based on the actual revenue requirement calculation and 2025 revenue collected under the tariff. Estimates are included from October 2025 through February 2026 when new rates are proposed to be effective.

Attachment E – 2024 IRP Addendum that includes Badger Wind.

The above noted costs are proposed to be recovered through the IR rate effective for a fourteen month period from March 1, 2026 through April 30, 2027. A typical residential customer using 900 kWh would see an increase of approximately $7.50 per month, or $90.00 annually.

Included as Attachment F is the South Dakota “Report of Tariff Schedule Change” form required pursuant to ARSD 20:10:13:26.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Attachment G in a conspicuous place in each business office in its affected electric service territory in South Dakota.

The Company will pay the deposit amount required pursuant to SDCL §49-34A-75 upon the Commission's Order assessing such fee.

Montana-Dakota is also requesting a waiver of the Fuel and Purchase Power Adjustment Rate 58 (FPPA) tariff to allow the Company to include the Production Tax Credits (PTC) resulting from the purchase of the Badger Wind Project in the Infrastructure Rider Rate 56. Montana-Dakota requests approval of the Waiver within 30 days to align the waiver with Badger Wind's initial PTC production.

Montana-Dakota's Fuel and Purchased Power Adjustment Rate 58 Section 3.b.4. states that the adjustment should reflect the Company's fuel and purchased power costs, "Less Project Tax Credits (PTC) adjusted for the effect of income tax". Therefore, Montana-Dakota requests a waiver from this tariff requirement for Badger Wind and allow the PTCs to be returned to customers through the Infrastructure Rider Rate 56. The Company believes this is in the best interest of customers as the PTCs will be included as an offset to Badger Wind within the same rider.

Please refer all inquiries regarding this filing to:

Mr. Travis R. Jacobson
Vice President of Regulatory Affairs
Montana-Dakota Utilities Co.
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Bismarck, ND 58501
Travis.jacobson@mdu.com

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

cc: B. Koenecke