

Attachment A: Avoided Costs

To determine the cost effectiveness of the Company's 2026 DSM Plan, avoided costs must be developed to determine the benefits of various measures to the Company's system.¹ The following sources of information are used for the company's 2026 benefit/cost models:

- **Capacity Cost (\$/kW-Year):** Midwest Independent System Operator's (MISO) Cost of New Entry (CONE) value from 2023 for region 1. The all-in cost is \$104.11 per kW in 2024, escalated at 1.65 percent each year.
- **T&D Cost (\$/kW-Year):** The value is based on a 2017 T&D study with a 2025 value of \$11.36 and an escalation of 2.36 percent each year.
- **Marginal Energy System Load Weighted Average (\$/kWh):** Based off September 2019 assumptions from Resource Planning with an updated gas forecast.

2026 MN/SD Avoided Cost Streams – Nominal Dollars

Year	Capacity Cost (\$/kW-Year)	T&D Cost (\$/kW-Year)	Marginal Energy System Load Weighted Average (\$/kWh)
2026	\$107.51	\$11.90	\$ 0.05286
2027	\$109.25	\$12.18	\$ 0.05330
2028	\$111.02	\$12.47	\$ 0.05237
2029	\$112.82	\$12.76	\$ 0.04946
2030	\$114.64	\$13.07	\$ 0.04793
2031	\$116.50	\$13.37	\$ 0.04570
2032	\$118.39	\$13.69	\$ 0.04464

¹ Generally, these avoided costs align with the avoided costs used in the Company's Energy Conservation and Optimization (ECO) Programs offered in Minnesota. For a more detailed discussion of the derivation of these avoided costs please refer to *Appendix 1: Electric Utility System Impacts* found in part 3 of 3 of the Company's January 29, 2024 ECO compliance filing electronically filed in Minnesota Docket No. E,G002/CIP-23-92.

Year	Capacity Cost (\$/kW-Year)	T&D Cost (\$/kW- Year)	Marginal Energy System Load Weighted Average (\$/kWh)
2033	\$120.31	\$14.01	\$ 0.04442
2034	\$122.26	\$14.34	\$ 0.04815
2035	\$124.24	\$14.68	\$ 0.04706
2036	\$126.25	\$15.03	\$ 0.04979
2037	\$128.29	\$15.38	\$ 0.04980
2038	\$130.37	\$15.75	\$ 0.05317
2039	\$132.49	\$16.12	\$ 0.05246
2040	\$134.63	\$16.50	\$ 0.05100
2041	\$136.81	\$16.89	\$ 0.05110
2042	\$139.03	\$17.29	\$ 0.05293
2043	\$141.28	\$17.69	\$ 0.05271
2044	\$143.57	\$18.11	\$ 0.05222
2045	\$145.90	\$18.54	\$ 0.05427