



A Subsidiary of MDU Resources Group, Inc.

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February 28, 2025

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501

**Re: Annual Update to Infrastructure Rider (IR) Rate 56
Docket No. EL25-_____**

Montana-Dakota Utilities Co. (Montana-Dakota) herewith electronically submits for Commission approval the annual update to its Infrastructure Rider (IR) rate, pursuant to the terms of the Company's Infrastructure Rider Rate 56 tariff. Montana-Dakota requests approval of 1st Revised Sheet No. 25 of its electric tariffs to be effective with service rendered on and after May 1, 2025.

The proposed IR rate of \$0.00260 per kWh is applicable to all electric retail rate schedules and reflects a decrease of \$0.00134 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
Proposed Projects	6,094	0	6,094
(Over)/Under Recovery Balance	(44,925)	166,857	(211,782)
Total	\$354,049	\$559,737	(\$205,688)

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. This reflected the annual revenue requirement for the Thunder Spirit Wind Facility (Thunder Spirit), net of the estimated revenue collected through interim rates in effect for the months of January through June 2016, attributable to the costs to be recovered through the IR prior to the implementation of the IR rate. As part of the

Settlement Stipulation, Montana-Dakota agreed to defer a portion of costs incurred in the early years of the IR to provide a smoothing effect. Both parties agreed that would result in an under recovered balance which would be offset by lower per unit charges in the later periods covered by the IR.

The Company's most recent IR annual filing, Docket No. EL24-008, was approved by the Commission's Order dated April 24, 2024. This docket authorized an IR rate of \$0.00394 per kWh and reflected the projected January through February 2024 revenue requirement related to the Thunder Spirit Wind Facility, Bowdle Substation and Lines, Sidney Transmission Lines, Mandan Substation and Line Relocation, and the Lewis and Clark Control House projects. Beginning March 1, 2024, the Regulatory Assets related to the coal unit decommissioning and related amortization was approved for recovery as well. This rate was effective with service rendered on and after May 1, 2024.

2025 IR Rate Update

Montana-Dakota has prepared an update to its IR rate to reflect actual costs incurred through December 31, 2024 and the projected costs through December 31, 2025. The projected 2025 costs, as allocated to South Dakota, are \$354,049, which includes a projected 2025 cost of \$6,094 related to new projects, plant closure costs of \$392,880, and a projected over recovery of \$44,925 for 2024 actual costs and projected January – April 2025 costs and revenues, including carrying charges based on the overall Rate of Return for January and February 2024 authorized in Docket No. EL15-024 and Docket No. EL23-020 effective March 1, 2024, as shown on Attachment A. The Company recovered \$211,782 in excess of its requirements, resulting in a projected over recovered balance. The main driver for the over collected balance is a payment for liquidated damages from the Company's maintenance service agreement. A clause in that contract has a requirement for turbine availability that was not met, which is the reason for the payment.

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 mile in length. The new Wishek NW Transmission Substation is currently under construction just north of the existing substation.

Cedar Hills SCADA Controls – The project will upgrade the SCADA system onsite to align and function with controls upgraded on turbines. This upgrade will allow the Company to derate towers individually, which will increase safety, limit down time, and increase overall production of the wind farm. The upgrade will allow Montana-Dakota to have a broader control of the towers, again increasing safety while also improving availability by limiting reliance on outside vendors.

The over 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 2025 revenue requirement calculation schedules.

Attachment C - Actual 2024 revenue requirement calculation schedules.

Attachment D - Calculation of the over-recovered balance from 2024 based on the actual revenue requirement calculation and 2024 revenue collected under the tariff. Estimates are included through April 2025 when new rates are proposed to be effective.

Attachment E – Actual January through February 2024 Regulatory Assets amortization schedules.

The above noted costs are proposed to be recovered through the IR rate effective May 1, 2025 through April 30, 2026. A typical residential customer using 900 kWh would see a decrease of approximately \$1.20 per month, or \$14.40 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.

Please refer all inquiries regarding this filing to:

Mr. Travis R. Jacobson
Vice President of Regulatory Affairs
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Also, please send copies of all written inquiries, correspondence and pleadings to:

Mr. Brett Koenecke
May, Adam, Gerdes & Thompson
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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