STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

In the Matter of NorthWestern Energy Public Service Corporation's, d/b/a NorthWestern Energy, Petition for Approval of Its 2026 Phase-In Rate Plan Rider Tariff Revisions	**)** **)** **)** **)**	**Docket No. EL26-_____**

PETITION FOR APPROVAL OF THE PHASE-IN PLAN RATE RIDER TARIFF REVISIONS

I. INTRODUCTION

NorthWestern Energy Public Service Corporation d/b/a NorthWestern Energy ("NorthWestern") hereby petitions the South Dakota Public Utilities Commission ("Commission") for approval of the first annual update to its Phase-In Rate Plan Rider ("PIRP") tariff. In its Order dated July 1, 2025, in Docket EL25-013, the Commission approved NorthWestern's request to establish a PIRP tariff to recover costs related to a rebuild of generation capacity owned by NorthWestern ("AGS") and costs related to its evaluation of the potential to use small modular nuclear reactor generation technology ("SMR") to meet future generation and capacity needs. Annual updates to NorthWestern's PIRP Tariff are to be filed by June 1 of each year and are subject to Commission review and approval. The requested effective date for this 2026 filing is September 1, 2026.

Through this Petition, NorthWestern is also requesting Commission approval to allow recovery through the PIRP Rider of actual and forecasted costs associated with the proposed Aberdeen 3 generation project ("Aberdeen 3"). This proposed Aberdeen 3 project will provide additional generation capacity to improve reliability and meet growing South Dakota customer demand for electricity. Aberdeen 3 will also allow NorthWestern to participate in the Southwest Power Pool ("SPP") Expedited Resource Adequacy Study ("ERAS"). NorthWestern hereby submits the information requested by the Commission for it to review and approve NorthWestern's request to update its PIRP Tariff as described further in this Petition.

NorthWestern proposes to update the PIRP Rider to reflect the applicable Phase-In revenue requirements for the recovery period September 1, 2026 through June 30, 2027. The rate of return ("ROR") included in this filing is based on NorthWestern's capital structure and return on equity ("ROE") as approved by the Commission in Docket EL23-016. The filing includes actual investment costs, expenses, and revenues through April 30, 2026, for the AGS, SMR, and Aberdeen 3 projects. It also includes forecasted investment related to the AGS project for May 1, 2026 through January 31, 2027, at which time it is expected to go into service. Forecasted SMR costs are included through June 30, 2027 and are identified in Section III below. Projected costs for the Aberdeen 3 project are included for the period of May 1, 2026 through October 31, 2030. The proposed revenue to be collected for the September 1, 2026 through June 30, 2027 recovery period, is shown in Attachment A. NorthWestern has also included with this filing an updated tariff with the relevant rates in Attachment B.

Under this proposed update to the PIRP Rider, a residential customer using 750 kilowatt-hours ("kWh") per month will be billed at an increase of $5.01 per month. An average commercial customer will be billed $28.38 per month. An average large commercial customer will be billed $2,692.80 with the implementation of this proposed Rider rate.

II. GENERAL FILING INFORMATION

A. **Name, address, and telephone number of the utility making this filing**

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B. **Name, address, and telephone number of utility representatives to be contacted regarding this filing**

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C. **The date of filing and the date changes will take effect**

The date of this filing is June 1, 2026. NorthWestern proposes an effective date for the new rates proposed in this Petition to take effect for customer bills issued on and after September 1, 2026.

D. **Statutes controlling schedule for processing this filing**

NorthWestern files this request for Commission approval of its annual update to its PIRP Rider under South Dakota Codified Laws §§ 49-34A, specifically 49-34A-4, 49-34A-6, 49-34A-8, 49-34A-10, 40-34A-12, and 49-34A-73 through 49-34A-78, inclusive, and South Dakota Administrative Rule ("ARSD") 20:10:13. ARSD 20:10:13:15 requires a 30-day notice to the Commission of proposed changes to a utility's tariff schedule, after which time the changes go into effect unless suspended by the Commission. Because this tariff change for a PIRP Rider does not require a determination of NorthWestern's general revenue requirement, NorthWestern seeks an expedited and informal proceeding, including any variances that may be needed.

A notice of these proposed changes will be posted in each South Dakota NorthWestern office location and on our company website (www.northwesternenrgy.com) in compliance with ARSD 20:10:13:17 and 20:10:13:18. Attachment C to this Petition is a copy of the customer

notice of this proceeding as required by ARSD 20:10:13:19, that will be sent to each customer starting with the June 11, 2026 bill cycle.

III. Phase-In-Rate Cost Recovery

A. Background

The rate review Settlement Stipulation from NorthWestern's most recent electric rate review (Docket EL23-016)[1] established this Infrastructure Rider as a means to recover specific costs related to future incremental generation capacity that is subject to Commission review. The filing is to be made 90 days prior to the effective date of rates. The filing shall include, but is not limited to, detail regarding the proposed generation resources, including justification of need, project costs, and an updated tariff with the relevant rates.

NorthWestern's need for additional generation capacity is clearly documented in its 2024 Integrated Resource Plan ("IRP").[2] Specifically, highlighted on pages 16-17 of our IRP,[1] forecasted capacity shows a shortfall during the years 2025 and 2029 forward in the winter months and every year starting in 2025 in the summer months. This is NorthWestern's first annual update to its PIRP Rider for the recovery of costs associated with two generation projects – replacement generation at the AGS and the evaluation of SMR generation to meet future generation capacity needs. This annual update to the PIRP Rider also includes a request for Commission approval to include contracted and forecasted costs associated with the Aberdeen 3 generation project.

Aberdeen Generation Station

Replacement of the Aberdeen 1 diesel oil-fueled generation unit (28 MW) was needed due to its age and cost of keeping it operational. It had low historical availability, a high heat rate, and was typically only operated for testing or in emergencies. Aberdeen 1 was last operated in 2022. Demolition of this unit began in July 2024 and was completed in early 2025. Replacement capacity is needed on a MW for MW basis with the removal of Aberdeen 1 to support voltage regulation for this area of our service territory. NorthWestern issued an RFP in January 2024 for on-site replacement generation and selected two new natural gas combustion turbines (14.5 MW each) to replace the Aberdeen 1 unit. These units will be interconnected to our 34.5 kV line in this area. The total anticipated cost for this project is $68.2 million.

All equipment associated with the Aberdeen 1 unit has been removed from the site. Delivery of the two new natural gas combustion turbines occurred in December 2025. Electric switch gear that is needed to operate the new natural gas turbines was delivered in May 2026. Work is ongoing to connect the equipment to the on-site natural gas, power and water systems. The water treatment system design and procurement progressing with local permits obtained or being processed. Our anticipated date for completion of the project is December 2026.

Small Modular Nuclear Reactor Generation

As noted in Commission Docket EL25-013, NorthWestern is evaluating the opportunity to utilize SMR generation to meet future generation capacity needs for our South Dakota

[1] NWE 2023 Rate Review Docket EL23-016 Link: https://puc.sd.gov/Dockets/Electric/2023/EL23-016.aspx
[2] NWE SD 2024 IRP Link: https://www.northwesternenergy.com/docs/default-source/default-document-library/about-us/regulatory/south-dakota-irp-2024--12-03-24.pdf

customers. As described in our 2024 South Dakota IRP,[3] a SMR is considered to be a nuclear reactor that is between 50 MW and 500 MW in size. SMRs have the ability to provide safe, reliable, and carbon-free power for generations to come. Due to their smaller footprint and modular design, SMRs are more easily sited than larger power plants and many advanced designs rely on passive safety systems, requiring less operator involvement.

The 2024 IRP contains an evaluation of alternative generation resources to replace base load coal generation units as those plants reach retirement age. The 2024 IRP identified natural gas and nuclear as cost-effective alternatives for replacing retiring baseload coal generation. Considering the cost of additional infrastructure needed to provide natural gas (and existing pipeline capacity constraints) to large natural gas generation units that will operate as baseload generation – SMR generation could become an attractive option from a pricing perspective. Under the current scenario, the timeframe in which NorthWestern expects to make a decision on whether it will proceed, or not, with building SMR generation could be as early as late 2028. Consistent with the 2024 IRP, the earliest SMR deployment modeled in our generation portfolio is 2032, reflecting reasonable assumptions regarding licensing, permitting, financing, and construction.

NorthWestern remains committed to its evaluation of available SMR generation technologies and their potential use in meeting future generation needs. During the past 12 months, NorthWestern, along with its third-party consulting firms, continued its investigation of the following: various SMR technologies; regulatory/permitting requirements at the local, state and federal levels; development of educational materials for internal and external communication efforts; grid services profiling; construction costs and project funding sources; potential site locations; and other areas not specifically identified but related.

In late 2025, NorthWestern conducted a survey designed to give us a better understanding of South Dakotans' thoughts about and receptiveness to SMR generation as a future resource. The survey focused on individuals living in the areas of Aberdeen, Mitchell, Huron and Yankton. Results of this survey told us that, generally speaking, South Dakotans are open to the potential of SMR generation and its ability to provide safe, clean and reliable future energy generation. South Dakotans also say it is important that we have in-state energy production to meet reliability, affordability and environmental concerns. There is a strong desire for energy independence. There are barriers to accepting nuclear generation, however. Those barriers include safety concerns connected to radiation exposure/meltdowns, management of spent fuels, health and environmental impacts, and trust that there will be transparency if a project is pursued.

Internally, NorthWestern's efforts are focused on understanding the available SMR technologies and which technology is best suited to meet our growing South Dakota customer capacity needs. NorthWestern is working to develop appropriate project timelines to include key "Go" or "No Go" decision points, customer and public communication strategies, land acquisition strategies, and meeting permitting requirements. We are committed to effectively managing study costs, tracking developing regulations from the Nuclear Regulatory Commission and exploring possible partners in construction of a SMR facility.

[3] NWE SD 2024 IRP Link: https://www.northwesternenergy.com/docs/default-source/default-document-library/about-us/regulatory/south-dakota-irp-2024--12-03-24.pdf

In Docket EL23-002, the Commission issued an order on March 1, 2023, approving NorthWestern's request for deferred accounting treatment and the creation of a regulatory asset for the purpose of accumulating study costs related to our SMR investigation. A cap of $800,000 for the regulatory asset was clarified in the Commission's order in Docket EL25-013 approving NorthWestern's proposed revisions to and inclusion of SMR study costs in the PIRP Rate Rider. As of April 30, 2026, NorthWestern has incurred expenses totaling $844,128. An additional expense of $8,857 is included in the PIRP Rate Rider for recovery of one final contract payment to our outside consultant and $30,000 membership fee for the proposed South Dakota Nuclear Collective ("Collective") through the end of 2027. The total amount of SMR-related expenses included in the filing is $882,984.

Establishment of the Collective is presently underway and is organized as a 501(c)3 to provide the necessary structure for the Collective to exist. The Collective's sole purpose is to continue community engagement and education efforts in unity with other interested stakeholders. No lobbying activities will be undertaken by the Collective. Its only focus is to broaden education efforts throughout South Dakota about the potential of nuclear energy to meet South Dakota's future generation needs and to gain a better understanding of South Dakotan's knowledge or support for nuclear energy in this state.

NorthWestern seeks approval from the Commission to include any deferred costs included in the existing regulatory asset and Collective membership dues through the end of 2027 in this proposed update to the PIRP Rate Rider. NorthWestern also seeks Commission approval to place any additional costs related to the SMR study, that exceed the amount included in this proposed PIRP Rider, into the existing deferred regulatory asset approved by the Commission in Docket EL23-002. NorthWestern will seek Commission approval to recover these costs in its PIRP Rider through its annual true-up calculation. NorthWestern also proposes to amortize these study costs over a 5-year period to help minimize the impact to customer bills.

Aberdeen 3 Generation Project

In response to SPP mandated changes to required capacity and planning reserve margins for NorthWestern in 2025, NorthWestern made the decision to construct a new generation unit, Aberdeen 3. We are experiencing customer-related load growth along with increased SPP capacity requirements in our South Dakota service territory. Our near-term accredited capacity need is between 8 MW and 55 MW. These accredited capacity requirements reflect the variability in wind accreditation by SPP. Thermal and planning reserve margins can also increase these requirements at any time dependent on SPP processes.

It is becoming challenging to predict future load growth and resource adequacy needs as SPP's accreditation process is dynamic and changes year to year. Given the long lead times required to permit, develop and construct new generation resources, planning decisions must be based on the best information available at the time and consider a range of potential future outcomes. The Aberdeen 3 project provides long-term accredited capacity, operational flexibility, and reliability value that will help NorthWestern manage these uncertainties and reduce customer exposure to future resource adequacy risks.

Aberdeen 3 is anticipated to be a 131.2 MW natural gas generation facility containing three Solar Titan 350 simple-cycle combustion turbines, each with a nameplate capacity of 43.7 MW. Using the current SPP capacity accreditation factor for natural gas generation, it is estimated that NorthWestern would see an estimated 91 MW in accredited capacity once this project is completed in 2030. Therefore, this proposed generation facility will be able to meet our current capacity/demand needs as well as those future system demands identified through our integrated resource planning efforts. The total estimated cost to construct the facility is $336 million. Aberdeen 3 will be located on land owned by NorthWestern on the south side of Aberdeen, South Dakota near our existing Aberdeen generation facilities.

SPP announced the ERAS process on May 6, 2025 and received FERC approval on July 21, 2025. ERAS is a one-time accelerated study of generation projects that are needed to address resource adequacy and reliability needs within the SPP footprint. While the Aberdeen 3 proposed generation project is needed to meet our own generation and capacity needs, it also provides an opportunity for NorthWestern, as a Load-Responsible Entity, to participate in SPP's ERAS allowing an expedited pathway for interconnecting Aberdeen 3 to SPP's grid and to assist NorthWestern in meeting SPP's increased capacity requirements. The goal for Aberdeen 3 is to begin capacity delivery by the end of 2029, or at the latest by June 2030.

Following FERC approval of the ERAS process, SPP issued a notice providing a 60-day window for applicants to submit proposals for generation projects to meet the identified reliability and resource needs. In August 2025, NorthWestern issued a Request for Proposals for 131 MW in new generation to meet our growing capacity and customer demand needs, as well as SPP's identified resource adequacy and reliability needs. The timing of the RFP allowed NorthWestern to align internal project milestones with SPP's ERAS process. Currently, NorthWestern has purchased three Solar natural gas turbines and are currently evaluating Engineering, Procurement and Construction ("EPC") RFP bids with an expected award to the EPC in 4th quarter of 2026.

Once NorthWestern submitted its proposal for a natural gas conversion facility to be part of SPP's ERAS program on October 2, 2025, NorthWestern filed a Notice of Intent to apply for a permit for an energy conversion facility ("NOI") with the Commission on October 31, 2025 (Docket EL25-038). The NOI allows NorthWestern to remain active in SPP's ERAS process and continues our effort to meet significant ERAS deadlines. In November 2025, Commission Staff sent a letter designating the affected area related to the construction of the Aberdeen 3 generation facility and Local Review Committee in accordance with applicable NOI state statute and administrative rules. NorthWestern has continued in its efforts to meet internal project development guidelines and is preparing to file a permit to construct application with the Commission at the end of July 2026.

Through April 30, 2026, a total of $20,384,521 in expenses has been incurred by NorthWestern in preparation for the construction of the Aberdeen 3 generation project. One major expense item is the initial milestone payment of $18,004,100 that was made in March 2026 on the Solar Titan simple cycle combustion turbines. This initial milestone payment was required so we could reserve our turbine order and have them delivered when needed to meet our construction timeline.

IV. Rate Application and Impact

NorthWestern proposes that the annual update to the PIRP Rider would be applicable to all retail electric service customer classes. The charge is listed as a separate line item on customer bills – noted as "Infrastructure Rider". As indicated earlier, the initial annual revenue recovery for these projects to be collected through the PIRP Rider is for the 10-month period of September 1, 2026 through June 30, 2027 for the AGS project and Aberdeen 3. For the SMR project, the revenue recovery to be collected includes costs recorded to its regulatory asset account with an amortization of those costs over 5 years. The total proposed rates are listed below in Table 2:

Table 1: Proposed PIRP Rate Rider rates by retail electric service customer class.

Rate / kWh	
Residential	$0.00950
Irrigation	$0.01583
Commercial	$0.00948
Commercial & Industrial	$0.00754
Municipal	$0.01072
Lighting	$0.02277
Controlled Off-Peak	$0.00791

The rates shown in Table 1 are based on the assumption that they will be in effect on September 1, 2026. Attachment B to this filing includes the redline and proposed final versions of NorthWestern's rate tariff. If the effective date of implementation of the PIRP Rider is significantly later than September 1, 2026, NorthWestern respectfully requests the option to recalculate the rates proposed in this filing as reflected in Table 2 to recover all approved costs.

VI. Conclusion

For the foregoing reasons, NorthWestern respectfully requests Commission approval to implement the PIRP Rider, Section 3, Sheet 36, effective September 1, 2026.

Date: June 1, 2026

Respectfully submitted,

NorthWestern Energy Public Service Corporation,
dba NorthWestern Energy

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