



# MONTANA-DAKOTA

UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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February 27, 2026

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

**Re: Annual Update to Transmission Cost Recovery Rider Rate 59  
Docket No. EL26-\_\_\_**

Dear Ms. Mohr:

Montana-Dakota Utilities Co. (Montana-Dakota, or Company) herewith electronically submits for Commission approval the annual update to its Transmission Cost Recovery Rider (TCRR) rate, pursuant to the terms of the Company's Transmission Cost Recovery Rider Rate 59 tariff. Montana-Dakota is requesting approval of 2<sup>nd</sup> Revised Sheet No. 28.1 of its electric tariffs to be effective with service rendered on and after May 1, 2026.

The tariff change is necessary to reflect the projected 2026 charges assessed to Montana-Dakota for transmission-related services provided by the Midcontinent Independent System Operator (MISO) and Southwest Power Pool (SPP), along with the projected revenues and/or credits received by Montana-Dakota for transmission-related services, including transmission revenues from a large customer taking service under the Company's Rate 45 tariff.

The total projected 2026 transmission-related costs as allocated to South Dakota are shown in the table below. The proposed TCRR rate of \$0.00114 per kWh is applicable to all electric retail rate schedules and reflects an increase of \$0.00241 per kWh from that currently authorized. The main driver for the increase is due to the under recovered balance, which is the result of higher than projected MISO and SPP net expenses, and lower than projected Rate 45 customer revenue. The Company previously projected that the Rate 45 Customer would take on additional load in 2025 but that did not come to fruition. That increase is expected to happen in 2026, which is why the Company is projecting higher Rate 45 revenues for 2026.

	Current Filing	Prior Filing	Variance
Net Expense	\$6,045	(\$153,697)	\$159,742
Under/(Over) Recovery Balance	148,232	(19,959)	168,191
	\$154,277	(\$173,656)	\$327,933

**Background**

On June 15, 2016, the South Dakota Public Utilities Commission (Commission) approved a Settlement Stipulation in Docket No. EL15-024. As part of the approved settlement, a Transmission Cost Recovery Rider Rate 59 tariff was established allowing for the recovery of transmission related revenues and costs eligible for recovery under SDCL 49-34A-25.1 through a Transmission Cost Rider on customers’ bills. Specifically, the Rate 59 tariff provides for the recovery of new or modified transmission facilities constructed to improve the power delivery capability or reliability of the transmission system as well as federally regulated costs charged to or incurred by Montana-Dakota to increase regional transmission capacity or reliability that are not reflected in the Company’s currently authorized rates. The first TCRR rate was implemented with service rendered on and after July 1, 2016. The Company’s currently authorized TCRR rate of (\$0.00127) per kWh reflects the projected 2025 net transmission-related expenses as authorized in Docket No. EL25-006.

**2026 TCRR Rate Update**

Montana-Dakota is now requesting to update its TCRR rate to reflect actual costs incurred through December 31, 2025, and the projected costs through December 31, 2026. The net transmission costs, as allocated to South Dakota, are \$154,277 which includes a projected 2026 net expense of \$6,045, a net under-recovery of prior period costs and credits of \$149,269 and projected 2026 credits of \$1,037 as shown in Attachment A.

The MISO and SPP costs are offset through the inclusion of two credits: (1) Other O&M Revenue Credit in the amount of \$809 to reflect the credit due South Dakota customers for the recovery of other O&M costs associated with MISO Schedule 26A costs also included in South Dakota electric rates today, and (2) Schedule 26A Return Credit in the amount of \$228 to reflect the application of the Company’s actual 2024 capital structure and authorized return on equity, and authorized Rate of Return in Docket No. EL23-020 in the FERC rate templates used in the determination of the MISO Schedule 26A charges for 2026.

The proposed revenue requirement includes the net transmission related expenses and revenue related to a High Density Contracted Demand Rate 45 (Rate 45) customer. In total, the benefit passed on to customers by the inclusion of the Rate 45 customer’s activity for this filing, as indicated in the table below, is \$449,485.

**Rate 45 customer effect on Projected period:**

Projected Customer Impact:	
Current Year	\$487,694
Prior Year True-up	(38,209)
Net Rate 45	<u>\$449,485</u>

Included in the projected under-recovered balance is a true-up of the 2024 Schedule 26A Return Credit and Other O&M Revenue Credit, as well as the calculation of the 2026 credits used for purposes of this filing. At the time of the Company's 2025 TCRR rate update, actual 2024 amounts for the Schedule 26A Return Credit and the Other O&M Revenue Credit were not available to be included in the adjustment. In lieu of the 2024 actual credits, the Company included the projected 2025 credits. Now that actual 2024 amounts are available, Montana-Dakota is providing a true-up of the Schedule 26A Return Credit and the Other O&M Revenue Credit. The resulting true-up amounts, along with the projected 2026 credits, are presented in Attachment D. The Company will true-up the 2025 Schedule 26A Return Credit and Other O&M Revenue Credit in a future filing in a manner consistent with the treatment of 2024 in this filing. The under-recovered balance also includes a carrying charge which is based on the authorized Rate of Return applied to the prior month's ending deferred balance, net of tax. For the Projected 2026 costs, each of the items described above has been included based on the Company's most recent estimates, including income taxes.

There were no new projects identified for inclusion in the Transmission Rider.

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 Transmission Costs and proposed TCRR rate.

Attachment B – Projected 2026 costs and revenues/credits, including the Rate 45 customer in North Dakota. Pages 1 and 2 provide a summary of the projected costs and revenues/credits by MISO and SPP schedules and as allocated to South Dakota. Pages 3 through 9 provide the support for the projected costs and revenues and credits. Pages 10 through 11 provide a brief description of the MISO and SPP revenue, credits, and charges included.

Attachment C – Actual 2025 costs and revenues by MISO and SPP schedules and as allocated to South Dakota are provided.

Attachment D – The calculation of the MISO Schedule 26A Return Credit and Other O&M Credit for the 2024 True-up and Projected 2026. Pages 1 and 2 reflect the calculation of the Return Credits. Page 3 reflects the calculation of the Other O&M Return Credits.

Attachment E – Calculation of the under recovered balance from 2025 based on the actual net expenses and the revenues collected. Estimates are included through April 2026, when new rates are proposed to be effective.

Attachment F – Customer Notice of Filing bill insert to be included with customers' bills.

The above noted costs are proposed to be recovered through the TCRR rate effective May 1, 2026 through April 30, 2027. A residential customer using 900 kWh per month would see a monthly bill increase of approximately \$2.17, or \$26.04 annually. Included as Attachment G 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 H 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 §49-1A-8 upon the Commission's Order assessing such fee.

Please refer all inquiries regarding this filing to:

Mr. Tyler J Culbertson  
Director of Regulatory Affairs  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501  
[tyler.culbertson@mdu.com](mailto:tyler.culbertson@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/ Tyler J Culbertson*

Tyler J Culbertson  
Director of Regulatory Affairs

Attachments

cc: B. Koenecke