Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: Robert Frank Public Utility Analyst RF

Date: February 25, 2025

Re: Montana-Dakota Utilities Co., Electric Service Agreement – Tesoro Refining Amend, Approval, Case No. PU-24-380.

On December 5, 2024, Montana-Dakota Utilities Co. (MDU) filed applications for approval of its electric service agreement Amendment No. 3 (ESA) with (Tesoro) at a discounted rate compared to the standard and otherwise applicable General Electric Service Rate 30 (Rate 30).

On March 25, 2003, in Case No. PU-399-03-155, MDU requested Commission approval of an electric service agreement with Tesoro. The Commission approved the agreement on April 9, 2003.

In 2007, in Case No. PU-07-197, the Commission approved Amendment No. 1 which expanded the 2003 agreement to include an additional substation at a rate structure that enabled Tesoro to operate its facilities more efficiently and gave the opportunity to serve additional load in the near term.

In 2019, in Case No. PU-18-434, the Commission approved Amendment No. 2 to the 2003 agreement. Amendment No. 2 was developed in compliance with Paragraph 10 of the Settlement Agreement approved by the Commission in MDU's 2016 electric rate case, Case No. PU-16-666, stating that MDU agrees to provide an update to the Commission regarding each contract reflecting a discounted rate. The rate was reviewed and customer meetings were held to reach a renegotiated contract rate.

On November 11, 2024, MDU entered into the ESA with Tesoro pending Commission approval. The ESA stipulates that all firm electric power will be served by MDU and Tesoro commits to not purchase electric power from any other supplier and not to install or operate any electric power generation equipment to self-serve its refining facilities, unless used solely for backup purposes only. Consistent with Amendment No. 2, the ESA provides that Tesoro contract rates are subject to change upon the filing of a general rate case or electric rate rider filing approved by the Commission.

MDU's most recent electric rate case reached a settlement agreement that was approved by the Commission in June of 2023, Case No. PU-22-194. The settlement agreement provided the allocation of revenues resulting in an increase to the Rate 30 by 5.5 percent. Staff analysis showed that an average year would result in an estimated

increase of 9.32 percent moving from the currently approved contracted rate to the proposed rate in the ESA.

Staff has reviewed the filing and finds the ESA just and reasonable for approval.

C. Travis Jacobson