



A Subsidiary of MDU Resources Group, Inc.

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EXHIBIT 1

February 14, 2025

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505-0480

**Re: Case No. PU-25-____
Application for an Advance Determination of Prudence for the Badger
Wind Project**

**Case No. PU-25-____
Application for a Certificate of Public Convenience & Necessity for the
Badger Wind Project**

Montana-Dakota Utilities Co. (Montana-Dakota) herewith files an original and seven (7) copies of this Application for approval of an Advance Determination of Prudence (ADP) and a Certificate of Public Convenience and Necessity (CPCN) for the 49% ownership interest of the Badger Wind Project (Badger Wind or Project) which represents 122.5 megawatt (MW) of the 250 MW generation capacity. This Project is located near Wishek, North Dakota and will provide energy, capacity, and renewable energy credits to Montana-Dakota's electric customers in North Dakota, Montana, and South Dakota.

Montana-Dakota's 2024 Integrated Resource Plan (IRP) identified the need for additional generation to meet future energy demands. As more fully described in the attached Application and supporting testimonies, the Badger Wind Project provides the Company with a low-cost generation resource that will help meet the energy needs of its electric Integrated System customers. The Project provides price protection against future energy market price increases and natural gas price increases, greater fuel source diversity within the Company's generation resource mix, and the ability to capture value from Federal Production Tax Credits. Accordingly, the Company supports the Project to be a prudent energy resource acquisition.

Montana-Dakota respectfully requests that the Commission grant an ADP and CPCN and determine that this proposal to purchase an ownership interest in Badger Wind is a cost-effective option for customers. Once the Commission grants the ADP and CPCN, the Company will file to assign the Site Certificate effective upon the closing date of the transaction which is anticipated to be the in-service or commercial operation date.

1 PU-25-75 Filed 02/17/2025 Pages: 61
Application for an Advance Determination of Prudence & a
Certificate of Public Convenience and Necessity - Redacted
Montana-Dakota Utilities Co.
Travis Jacobson, Director, Reg. Affairs

Please refer all inquiries regarding this filing to:

Travis R. Jacobson
Vice President of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

Zeviel Simpser
Attorney
Dorsey & Whitney LLP
50 South Sixth Street, Suite 1500
Minneapolis, Minnesota 55402-2157

Also enclosed are an original and seven copies of Montana-Dakota's Application for Trade Secret Protection of portions of the Application and the Direct Testimonies of Darcy Neigum, Brian Giggee, and Exhibit No. ___ (DJN-1) that have been marked as "Trade Secret". The referenced materials are provided herein with the trade secret information redacted. One copy of the Trade Secret versions has been provided on yellow paper, marked confidential and placed in a sealed envelope.

Montana-Dakota submits a check in the amount of \$175,000.00 for the ADP in accordance with N.D.C.C. §49-05-16. Montana-Dakota also submits a check for \$10,000 for the CPCN in accordance with N.D.C.C. § 49-03-02(3), which provides the Commission with authority to impose a fee in an amount not to exceed \$175,000 for the processing of an application for a Certificate of Public Convenience and Necessity. If the Commission requires additional fees, the Company will provide any additional fees requested. Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission for an ADP and CPCN.

Sincerely,



Travis R. Jacobson
Vice President of Regulatory Affairs

Attachments
cc: Zeviel Simpser

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
MONTANA-DAKOTA UTILITIES CO. for)
an Advance Determination of Prudence)
for the Badger Wind Project) Case No. PU-25-_____

In the Matter of the Application of)
MONTANA-DAKOTA UTILITIES CO. for)
a Certificate of Public Convenience and)
Necessity for the Badger Wind Project) Case No. PU-25-_____

I. Summary of Application

Montana-Dakota Utilities Co. (Montana-Dakota or Company) makes this Application pursuant to N.D.C.C. §49-05-16 for an Advance Determination of Prudence (ADP) to acquire a 49% undivided ownership interest in the Badger Wind Project (Badger Wind or Project), located near Wishek, North Dakota. This acquisition represents 122.5 MW of the Project’s total capacity of 250 MW.

The Company also requests through this Application that the Commission grant a Certificate of Public Convenience and Necessity (CPCN) for it’s ownership interest in the Project pursuant to N.D.C.C. §49-03-01.

This Application and the supporting exhibits demonstrate that obtaining an ownership interest in this Project is prudent to provide a cost-effective generation resource for Montana-Dakota’s North Dakota electric customers and that the Project meets the requirements for a CPCN. Under N.D.C.C. §49-05-16(7), a rebuttable presumption exists that the Project, which is located in North Dakota, is prudent.

In support of this application, Montana-Dakota provides the Direct Testimonies and Exhibits of Darcy Neigum, Brian Giggee, Joseph Geiger, and Bradley Davison.

II. Description of Applicant

Montana-Dakota is a Delaware corporation duly authorized to do business in the State of North Dakota as a foreign corporation, and doing business in the State of North Dakota as a public utility subject to the jurisdiction of and regulation by the North Dakota Public Service Commission (Commission) under Title 49, N.D.C.C., as amended. Montana-Dakota's Certificate of Incorporation and amendments thereto have been previously filed with the Commission under Case No. PU-08-710. Such Certificate and Amendments are hereby incorporated by reference as though fully set forth herein and Montana-Dakota requests the Commission to take official notice of them. Montana-Dakota provides electric service to approximately 145,500 customers with approximately 94,000 of those customers located in North Dakota.

III. Description of the Project

Badger Wind is a fully permitted and sited 250 MW wind project located west of Wishek, North Dakota under a Certificate of Site Compatibility issued by this Commission in Case No. PU-22-086. The siting certificate was amended in Case No. PU-24-087. The Project will consist of 92 General Electric ("GE") 2.82-127 (2.82 MW) wind turbines with an 89-meter hub height and an estimated capacity factor of 52 percent. The Project will interconnect via an approximately 0.25-mile

transmission line extending from the project substation to the Wishek Junction 230 kilovolt (kV) Substation owned by Montana-Dakota, providing up to 250 MW to the grid per the executed Generator Interconnection Agreement. The Project is expected to have a 35-year life.

On November 4, 2024, Montana-Dakota entered into a 20-year Power Purchase Agreement (PPA) with Badger Wind, LLC for a 150 MW output purchase from the 250 MW Badger Wind Project. Included in the PPA was a purchase option for Montana-Dakota to purchase a 49 percent undivided ownership interest in the Project. Montana-Dakota's ownership purchase will become effective at the commercial operation date (COD) for the Badger Wind Project which is expected to occur by the end of 2025. The purchase agreement under which Montana-Dakota has exercised its purchase option includes a condition precedent for the satisfactory approval of the Company's application for an ADP and CPCN for Montana-Dakota's purchase of a 49% undivided interest in the Badger Wind Project with the Commission. By this application the Company is seeking an ADP and CPCN for its purchase of a 49% interest in the Project.

IV. Need and Justification for the Project

Exercising the purchase option contained in the Badger Wind PPA is a least cost resource option for the Company, as indicated in the 2024 IRP and the additional modeling analysis included in Mr. Brian Giggee's testimony. Montana-Dakota utilizing 150 MW of the Badger Wind Project is forecasted to provide significant savings to customers over other supply side options available, including additional Midcontinent Independent Systems Operator (MISO) energy market

purchases, for which the Project will provide a hedge relative to market price volatility. The Company's most recent long-term forecast indicates customer energy requirements will be increasing 0.38 percent per year for the next five years.

The amount of energy that Montana-Dakota purchases from the MISO energy market was about 29 percent, or 967,340 MWhs, in 2023. With the expiration of the Minnkota Power Cooperative (Minnkota) contract on May 31, 2026, Montana-Dakota would be relying on additional MISO energy market purchases to replace the 657,000 MWh from the Minnkota contract. Without the addition of the Badger Wind Project, Montana-Dakota would be looking at nearly fifty percent of the energy to serve customers coming from the MISO energy market.

Purchasing an undivided 49% interest in the Project will further provide benefits to Montana-Dakota's customers. The Badger Wind PPA has a [TRADE SECRET DATA BEGINS] [TRADE SECRET DATA ENDS] over the 20-year term of the agreement. This compares to an ownership levelized cost of [TRADE SECRET DATA BEGINS] [TRADE SECRET DATA ENDS] over the same 20-year time-frame. The levelized cost of energy is [TRADE SECRET DATA BEGINS] [TRADE SECRET DATA ENDS] over the 35-year modeled life of the Project. This compares favorably to the [TRADE SECRET DATA BEGINS] [TRADE SECRET DATA ENDS] offered to Montana-Dakota for a 35-year term PPA. As discussed further in the testimony of Darcy Neigum, ownership of the Project makes it an even more cost-effective resource over alternatives available to the Company, including the 20-year PPA with Badger Wind over the 35-year life of the Project. Further, ownership

of a percentage of the project will provide needed energy for a more than 50% longer time-frame and give Montana-Dakota more operational control to also help mitigate long-term costs.

V. Cost Estimates

Montana-Dakota's target purchase price for the Badger Wind Project is \$294 million. In addition, Montana-Dakota will incur legal, internal employee labor, and capitalized interest costs in a total estimated cost of \$1.5 million. North Dakota's share of the costs are approximately 72 percent or approximately \$212 million.

VI. Project Timeline

Construction of the Project is anticipated to begin in the spring of 2025 and meet a COD by the end of 2025. Badger Wind, LLC has secured wind turbines for the Project and is working with a contractor for all work on the Project. The Badger Wind Project has all its permits, leases, and major agreements in place which limits unknowns and execution risks.

VII. Standard for Advance Determination of Prudence

Montana-Dakota requests an Advance Determination of Prudence for its acquisition of the Project. A determination that the Project acquisition and associated investment is prudent and recoverable through future rates is necessary to facilitate the estimated investment associated with this resource addition. As provided in N.D.C.C. §49-05-16, the Commission may issue an order approving the prudence of an electric resource addition if the following conditions are met:

- a. The public utility files with its application a projection of costs to the date of the anticipated commercial operation of the resource addition;

- b. The public utility files with its application a fee in the amount of one hundred seventy-five thousand dollars with provision for an increase or waiver of the fee;
- c. The commission provides notice and holds a hearing, if appropriate, in accordance with section 49-02-02; and
- d. The commission determines that the resource addition is prudent. For facilities located or to be located in this state the commission, in determining whether the resource addition is prudent, shall consider the benefits of having the resource addition located in this state.

N.D.C.C. §49-05-16(7) further provides: “There is a rebuttable presumption that a resource addition located in the state is prudent.” A prudence review considers whether a company’s investment, based upon what was known or should have been known at the time of the investment, is reasonable and prudent in light of the circumstances existing at the time.¹ Montana-Dakota has a demonstrated need for additional generation resources and a wind resource at the size of the Project was identified as a part of a cost effective generation portfolio to meet that need. Project ownership interest provides the opportunity for lower costs in comparison to PPA prices over the term of the PPA. Through ownership interest of the Project, Montana-Dakota is also able to better manage the uncertainty of inflation and future maintenance costs. The Company can only recover actual maintenance costs from customers. In contrast, under a PPA the project owner must manage maintenance costs and therefore, the maintenance costs used to develop PPA pricing will be conservatively estimated and will increase the PPA prices in later years.

In summary, ownership of the Badger Wind Project is supported by the Company’s 2024 IRP, the project offsets MISO market purchases and provides

¹ Re Western Massachusetts Electric Co., 80 PUR 4th 479, 520 (Massachusetts 1986).

price protection against future energy market price increases and natural gas price increase, greater fuel source diversity within the Company's generation resource mix, and the ability to capture value from Federal Production Tax Credits for the benefit of customers.

Montana-Dakota has met the conditions required for an Advance Determination of Prudence and requests that the Project be deemed a prudent investment for Montana-Dakota's North Dakota electric customers.

VIII. Standard for Certificate of Public Convenience and Necessity

N.D.C.C. §49-03-01 provides that:

An electric public utility may not begin construction or operation of a public utility plant or system, or of an extension of a plant or system without first obtaining from the commission a certificate that public convenience and necessity require or will require such construction and operation.

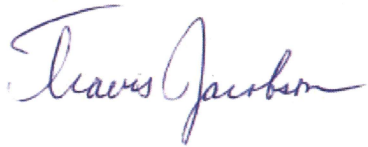
Before the Commission may issue a CPCN, the electric public utility must file a certified copy of its articles of incorporation, and submit evidence that it has obtained, or will make application to obtain, the consent of any other public authority whose consent is required (N.D.C.C. §49-03-02). After notice and hearing, the Commission may: (i) issue the certificate; (ii) refuse to issue the certificate; (iii) issue the certificate for only portions of the proposed facilities; or (iv) issue the certificate subject to such terms and conditions the Commission determines the public convenience and necessity requires. The Company believes this filing meets the required standards.

IX. Conclusion

Applicant respectfully requests that the Commission:

1. Give Notice of Opportunity to request a hearing to interested parties and, if no hearing is requested within twenty days, to waive the hearing in accordance with §49-02-02, N.D.C.C.;
2. Enter an Order making a determination that the Company's purchase of a 49% undivided interest in the Project is prudent pursuant to the provisions of N.D.C.C. §49-05-16;
3. Enter an Order and issue a Certificate of Public Convenience and Necessity authorizing the Applicant to own a 49% ownership interest of Badger Wind located near Wishek, North Dakota; and
4. Grant such other relief as the Commission shall deem appropriate.

Dated this 14th day of February, 2025.



Travis R. Jacobson
Vice President of Regulatory Affairs

Of Counsel:

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