

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: Leif Clark,  Grid & Rate Engineer

Date: September 10, 2025

Re: Montana-Dakota Utilities Co., 2024 Electric, Annual Report, Case No. PU-25-178

In Case No. PU-22-194, the Commission authorized a return on equity (ROE) of 9.75%, along with a 70% sharing of earnings in excess of 10% for MDU's ND electric rate case. Staff reviewed MDU's electric annual report for 2024. MDU reports an ROE of 10.19% for 2024, which represents an over-earning of \$2.908 million after accounting for a \$3.152 million reserve for the earnings-sharing refund.

MDU reported two Major Event Days corresponding to thunderstorms with lightning and high winds passing through the Glendive, Dickinson, Bismarck, and Mobridge districts on June 27th and the Glendive, Dickinson, and Willison Districts on July 13th.

Normalized for Major Event Days, the system average interruption frequency index (SAIFI, or the average number of interruptions per customer) was 0.949 interruptions per customer. The system average interruption duration index (SAIDI, or the average outage duration per customer) was 78.54 minutes per customer. The customer average interruption duration index (CAIDI, or the average restoration time) was 82.75 minutes.

Given that MDU's over-earnings are being addressed in a separate case (PU-25-180), staff recommends the Commission close case PU-25-178.

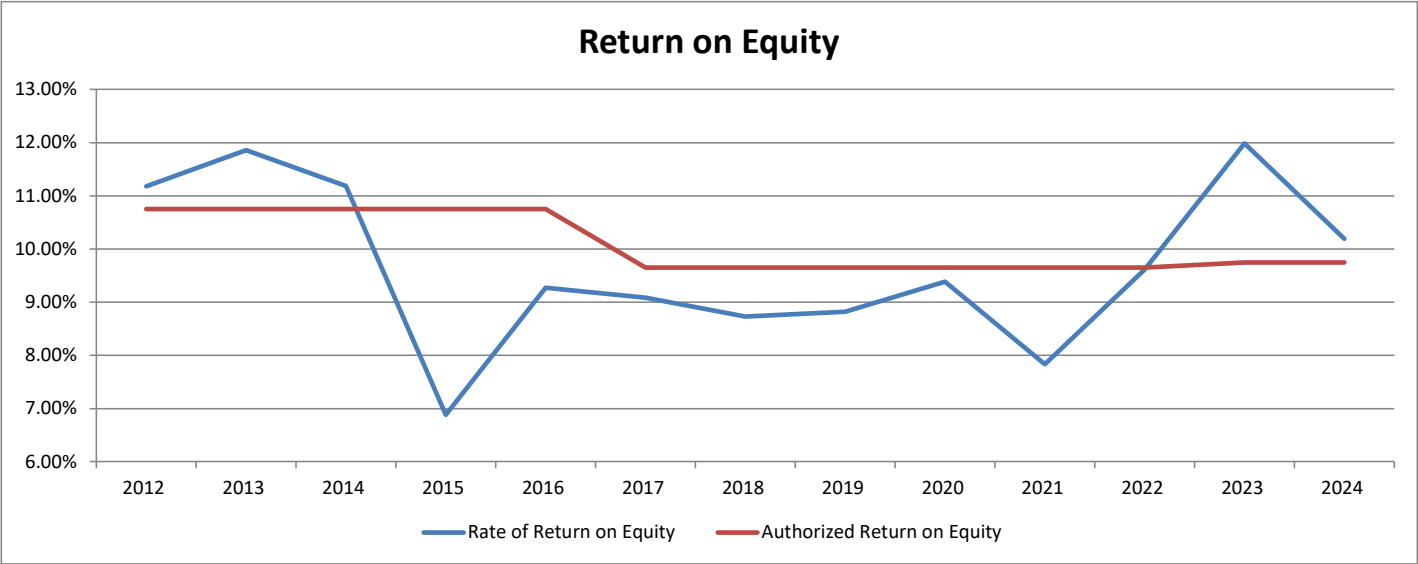
Attachment 1 – Return Calculation

Attachment 2 – Return on Equity Chart

Attachment 3 – Net Operating Income

Attachment 4 – Reliability Indices

c: Travis Jacobson, MDU



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Attachment 3

Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales for Resale	\$194	\$378	\$442	\$0	\$701	\$573	\$711	\$951	\$518	\$1,186	\$1,367	\$672	\$669
All Other Revenues	143,957	159,835	177,154	181,011	215,464	218,243	212,150	219,409	204,659	212,450	232,674	250,297	256,076
Total Revenues	\$144,151	\$160,213	\$177,596	\$181,012	\$216,165	\$218,815	\$212,861	\$220,359	\$205,176	\$213,635	\$234,040	\$250,970	#####
Cost of Fuel													
Production Expense	\$58,998	\$66,445	\$70,653	\$71,231	\$68,635	\$70,891	\$73,234	\$78,653	\$60,327	\$65,979	\$76,603	\$85,059	\$89,624
Gross Margins	\$85,153	\$93,768	\$106,943	\$109,781	\$147,530	\$147,924	\$139,628	\$141,706	\$144,849	\$147,656	\$157,437	\$165,910	#####
Gross Margin % of Revenue	59%	59%	60%	61%	68%	68%	66%	64%	71%	69%	67%	66%	65%
Margin Change	\$922	\$8,615	\$13,175	\$2,838	\$37,749	\$394	(\$8,296)	\$2,079	\$3,143	\$2,806	\$9,782	\$8,473	\$1,211
Other O&M													
Transmission Expense	\$6,155	\$7,993	\$10,449	\$9,503	\$24,666	\$26,654	\$24,269	\$24,964	\$26,388	\$26,437	\$26,607	\$25,997	\$28,330
Distribution Expense	8,212	9,740	10,199	10,257	9,642	9,340	9,808	9,866	9,487	9,354	9,807	9,321	10,186
Customer Accounts	1,998	2,321	2,524	2,625	3,161	2,960	3,178	2,512	2,837	2,540	2,651	2,997	3,120
Customer Service & Info.	153	170	175	172	174	159	141	195	210	229	247	234	236
Sales Expense	123	96	105	114	66	70	70	82	96	95	101	93	91
Administration & General	11,876	13,039	12,993	14,445	16,062	16,684	17,220	18,379	16,425	19,554	19,140	19,568	19,971
Total O&M	\$87,515	\$99,804	\$107,099	\$108,347	\$122,406	\$126,759	\$127,920	\$134,651	\$115,769	\$124,190	\$135,156	\$143,269	\$151,557
O&M No Production Expense	\$28,517	\$33,359	\$36,446	\$37,116	\$53,771	\$55,868	\$54,686	\$55,998	\$55,442	\$58,210	\$58,553	\$58,210	\$61,933
Depreciation	21,480	21,147	22,910	25,070	34,884	32,552	34,918	38,519	39,681	43,429	45,351	40,473	42,413
Taxes Other Than Income	5,265	5,282	5,580	5,808	6,741	7,394	7,642	8,274	8,529	8,251	7,557	7,667	8,331
Income Tax Exp	5,958	7,356	9,239	8,636	3,838	3,837	(5,255)	(9,122)	(8,756)	(7,056)	(5,869)	(2,124)	(4,950)
Net Regulated Income	\$23,933	\$26,624	\$32,769	\$33,150	\$48,296	\$48,272	\$47,636	\$48,037	\$49,953	\$44,821	\$51,844	\$61,685	\$59,395
Growth in Net Income	-7.7%	11.2%	23.1%	1.2%	45.7%	0.0%	-1.3%	0.8%	4.0%	-10.3%	15.7%	19.0%	-3.7%
Return on Equity	11.18%	11.86%	11.18%	6.88%	9.27%	9.09%	8.73%	8.82%	9.39%	7.83%	9.61%	11.99%	10.19%
Other Taxes as % of Plant	0.80%	0.74%	0.69%	0.57%	0.56%	0.60%	0.60%	0.62%	0.62%	0.60%	0.57%	0.58%	0.60%
Income Tax as % of Net Income	20%	22%	22%	21%	7%	7%	-12%	-23%	-21%	-19%	-13%	-4%	-9%
Depreciation as % of Plant	3.27%	2.95%	2.85%	2.47%	2.92%	2.65%	2.74%	2.91%	2.91%	3.15%	3.42%	3.08%	3.05%
<i>Income Tax Calculation:</i>													
Net Inc. B4 Taxes (L. 14+15)	\$29,891	\$33,980	\$42,008	\$41,786	\$52,133	\$52,110	\$42,381	\$38,916	\$41,197	\$37,765	\$45,976	\$59,560	\$54,445
Less Interest Deduction:													
Rate Base	\$268,801	\$309,734	\$389,530	\$558,552	\$680,103	\$678,730	\$694,034	\$710,156	\$739,358	\$754,253	\$738,422	\$746,497	#####
Weighted Cost of Debt	2.83%	2.51%	2.55%	2.49%	2.40%	2.37%	2.50%	2.35%	2.16%	2.08%	2.21%	2.25%	2.36%
Calc. Int. Deduction (L. 18*19)	\$7,614	\$7,776	\$9,920	\$13,934	\$16,293	\$16,103	\$17,333	\$16,662	\$15,949	\$15,658	\$16,291	\$16,773	\$18,739
Other Tax Adjustments	(\$6,740)	(\$7,022)	(\$7,995)	(\$5,006)	(\$25,687)	(\$25,855)	(\$46,580)	(\$59,630)	(\$61,127)	(\$51,019)	(\$53,732)	(\$51,492)	(\$55,989)
Taxable Income (L. 16-20+21)	\$15,537	\$19,182	\$24,092	\$22,845	\$10,153	\$10,151	(\$21,532)	(\$37,376)	(\$35,879)	(\$28,912)	(\$24,047)	(\$8,704)	(\$20,283)
Combined Tax Rate	38.35%	38.35%	38.35%	37.80%	37.80%	37.80%	24.4%	24.4%	24.4%	24.4%	24.4%	24.4%	24.4%
Income Tax Expense (L. 22*23)	\$5,958	\$7,356	\$9,239	\$8,636	\$3,838	\$3,837	(\$5,255)	(\$9,122)	(\$8,756)	(\$7,056)	(\$5,869)	(\$2,124)	(\$4,950)
Effective Income Tax Rate	20%	22%	22%	21%	7%	7%	-12%	-23%	-21%	-19%	-13%	-4%	-9%
Other Tax Adjs as % of PIS	-1.0%	-1.0%	-1.0%	-0.5%	-2.1%	-2.1%	-3.7%	-4.5%	-4.5%	-3.7%	-4.0%	-3.9%	-4.0%

Montana-Dakota Utilities Co.
North Dakota Electric Operations
Reliability Indices

Attachment 4

	2019	2020	2021	2022	2023	2024
Reliability Index - Without Identified Storm Event(s)						
SAIFI	0.545	0.615	0.475	0.601	0.503	0.949
SAIDI	52.4	55.83	40.82	33.17	35.87	78.54
CAIDI	96.17	90.85	85.91	55.17	71.35	82.75
Reliability Index - With All Identified Storm Event(s)						
SAIFI	0.545	0.615	0.672	1.051	0.877	0.988
SAIDI	52.4	55.83	65.15	319.54	81.09	83.13
CAIDI	96.17	90.85	96.99	303.97	92.46	84.13