

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: Robert Frank Public Utility Analyst

RF

Date: October 6, 2025

Re: Montana-Dakota Utilities Co., Transmission Facility Cost Recovery, Rates, Case No. PU-25-225

On July 16, Montana-Dakota Utilities Co. (MDU) filed its annual update to its Transmission Cost Adjustment (TCA) rate reflecting updated electric transmission revenues and costs. In the filing, MDU proposes a revenue requirement of \$6,260,183 and includes costs associated with twelve previously approved projects and two proposed projects, the projected charges from July 2025 to June 2026 assessed to MDU for transmission-related services provided by MISO and SPP as well as projected revenues and/or credits received for this period by MDU for transmission related services, and the associated net transmission-related expenses and revenues from MDU's Rate 45 customer. The total revenue requirement for the filing increased by \$7,209,985 from the previous year.

The proposed projects include the Tioga to Ray Line Rebuild Project necessary after wildfires in the fall of 2024 and the New Wishek Substation and Line Reroutes Project (New Wishek Project). The total project cost for the wildfire rebuild is \$2,092,881 and the total cost of the New Wishek Project is \$17,190,023. The combined revenue requirement of the proposed projects is \$1,448,161.

The main driver of the increase is due to the Under Recovery Balance after the true up process. The change from 2024 to 2025 is a net increase of approximately \$6,890,932 or a needed recovery of \$3,320,677. Last year the over collected balance was \$3,570,255, which was largely returned over the last twelve months. The drivers of the current under collected balance include higher than projected MISO and SPP net expenses and lower than projected Rate 45 revenue.

The Rate 45 Customer was projected to take on additional load in 2024 that did not occur. This increase is now expected to happen later in 2025. The total benefit passed on to MDU customers from the Rate 45 Customer is expected to be \$7,365,540 for the recovery period of this filing.

The residential TCA rate proposed to be effective November 1, 2025, is \$0.00340 per kWh or a change of \$0.00391 per kWh from the previous year's filing. A residential customer using 800 kWh per month would see an increase of \$3.13 under the revised TCA rate or an increase of \$37.56 annually.

C. Travis Jacobson