

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: *CH.* Chris Hanson Public Utility Analyst

Date: January 20, 2026

Re: Montana-Dakota Utilities Co., Renewable Resource Cost Recovery, Rates, Case No. PU-25-279

On October 31, 2025, Montana-Dakota Utilities Co. (MDU) filed a change to its Renewable Resource Cost Adjustment (RRCA) rates. The new rates reflect projected costs through December 31, 2026, related to investment in the Thunder Spirit, Cedar Hills, Diamond Willow and Badger Wind Facilities.

	Current Filing	Prior Filing	Variance
Revenue Requirement	\$31,709,400	\$6,767,594	\$24,941,594
Levelization	10,602,283	10,631,340	(\$29,057)
(Over)/Under Recovered Balance	<u>1,273,704</u>	<u>854,363</u>	<u>419,341</u>
	\$43,585,387	\$18,253,297	\$25,332,090

The revenue requirement changes from 2025 to 2026 include the following:

- **Project Costs:** The revenue requirement includes the authorized return on rate base and operating expenses for the Cedar Hills, Diamond Willow, Thunder Spirit, and the Badger wind facilities. The projected rate base includes the cost of the Badger Wind project scheduled to go into service in December 2025.

The overall project costs increased by \$25,332,090, or 120% from the revenues currently being collected by the RRCA for a revenue requirement of \$43,585,387.

- **Levelization:** Due to the Commission's Order in Case PU-19-355, PTCs must be levelized over the life of the projects. The levelization smooths out the cost of the wind facility to customers over the life of the project. These decreased slightly overall but are comprised of a \$12.2 million increase from Badger Wind offset by a \$2.0 million decrease resulting from the expiration of Thunder Wind Production Tax Credits (PTCs). All the PTCs associated with the wind projects have been levelized as required.
- **RRCR True-up:** The true-up represents the over or under collection for the previous year. MDU is projecting an under-collection of \$1,273,704, an increase of \$419,341

from the prior year. This under-collection was a result of MDU experiencing about 4% higher than projected PTCs, receiving a one-time payment of \$205,796 for liquidated damages from an “Availability Warranty” with the turbine manufacturer and not projecting Badger Wind to come online in December 2025.

The decrease in the revenue requirement results in a decrease to the average residential customer of \$9.98 per month collected over the recovery period. Without the addition of Badger Wind, the monthly amount would have been a credit if (\$1.11) or about \$11.09 lower than actual.

The RRCA rates to be effective February 1, 2026, are as follows:

	Proposed Rate	Current Rate	Change
Residential & Small General Rate/kWh	\$0.02138	\$0.00890	\$0.01248)
Large General/kWh	\$0.02028	\$0.00832	(\$0.01196)
Lighting/kWh	\$0.02077	\$0.00832	(\$0.01245)

Staff believes the incurred costs detailed in MDU’s filing are reasonable and prudent, comply with MDU’s tariff, and are eligible for recovery through the RRCA. Based on this and the details contained within the filing, Staff recommends approval of MDU’s 2026 RRCA rates.

c. Travis Jacobson