



A Subsidiary of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
701-222-7900
www.montana-dakota.com

May 15, 2026

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

**Re: Case No. PU-26-____
Application for Authority for Deferred Accounting**

Montana-Dakota Utilities Co. (Montana-Dakota) herewith files an original and seven (7) copies of an Application for Authority for Deferred Accounting of accelerated depreciation and excess accumulated deferred income taxes related to the retirement of the Glen Ullin Station 6. This filing is made in accordance with the North Dakota Century Code Title 49 and the rules and regulations promulgated by the North Dakota Public Service Commission.

Please refer all inquiries regarding this filing to:

Tyler J Culbertson
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501
Tyler.culbertson@mdu.com

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

Allison Waldon
Senior Attorney
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650
Allison.waldon@mduresources.com

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Please contact me at (701) 954-9072 or at tyler.culbertson@mdu.com with any questions regarding this filing.

Sincerely,

A handwritten signature in black ink that reads "T Culbertson". The signature is written in a cursive style with a large, stylized initial "T".

Tyler J Culbertson
Director of Regulatory Affairs

Attachments

cc: Allison Waldon

III. Authority for the Relief Requested

The Commission may authorize deferred accounting and amortization of unusual and non-recurring expenses that were not contemplated at the time current rates were established. By doing so, the Commission allows a utility to designate unusual and infrequent expenses as regulatory assets that will be amortized over future accounting periods. The Commission has allowed deferred accounting when the amounts are sufficiently large that they could accelerate the timing of a rate case. As explained below, this request involves expenditures of that nature, specifically the need to accelerate depreciation in order to fully depreciate the GUS6 upon retirement.

IV. Description of the Generating Asset

GUS6 is a waste heat energy generation facility located near Glen Ullin, ND that utilizes the waste heat generated from a natural gas compressor which is owned and operated by TC Energy (TCE). The facility was placed in service in July of 2009 with a nameplate of 7.5 MW, an original cost of approximately \$15.0M, and an estimated useful life of 25 years. The generating capacity of GUS6 is currently at approximately 50% due to a feed pump that failed in 2024. On January 5, 2026 Montana-Dakota was informed that beginning May 1, 2026, TCE would begin utilizing new compressors and cease continuous operation of the compressor connected to GUS6. The existing compressor will then serve as a back-up for the new compressors and its operating hours will be limited to 500 hours per year.

V. Retirement of the Generating Asset

As a result of TC Energy's decision, Montana-Dakota evaluated three future operating scenarios for GUS6, including continued operation, facility repower, and unit retirement to determine the least cost option. Due to a projected reduction in capacity factor and the infeasibility of repowering the facility, continued operation is no longer economically viable. Based on the Company's analysis, retirement on June 1, 2026 is the most cost-effective and operationally sound option. Additional details on each option analyzed by Montana-Dakota are provided below.

- Facility Repower - Because the existing TCE compressor will no longer provide a reliable waste heat stream to GUS6, a repower of GUS6 was investigated. Two repower options were considered. Option A evaluated taking waste heat from the two new TCE compressors. Option B evaluated a self-built generator to provide a new waste heat source for the existing GUS6 equipment. After investigating each option, it was determined that neither was likely feasible. For Option A, TCE is unwilling to enter into a long-term agreement for waste heat. Option B would require significant capital investment for a new self-built generator, and would require additional 41.6kV transmission system upgrades.
- Continued Operation - Continued Operation of GUS6 after TCE's compressor upgrade project is commercially operable is anticipated to reduce the nominal capacity factor of GUS6 from 62% to less than 5%. On July 14, 2029, the waste heat contract with TCE expires, and TCE has stated that they are unwilling to enter into a long-term agreement for waste

heat, reducing the viability of the continued operation option. The total Company revenue requirement for this option, which includes continued operation through June 2029 and then amortizing the deferred accounting over seven years, totals \$6.7 million. The Company chose a seven-year amortization period to most effectively compare this option with retirement on June 1, 2026 as described below.

- Retirement on June 1, 2026 - This option would consist of Montana-Dakota retiring the facility on June 1, 2026, and terminating the operational and maintenance agreement. To identify the least-cost option, the Company utilized a ten-year amortization of the deferred accelerated depreciation and EDIT.

Attachment A, page 1 provides a summary comparison of the revenue requirement associated with continued operation and retirement on June 1, 2026. From this comparison, it's clear that the retiring GUS6 is the most cost-effective option. Attachment A, page 2 includes additional details supporting the revenue requirement calculation and operating costs.

VI. Accounting Requirements

Montana-Dakota is subject to Generally Accepted Accounting Principles (GAAP) that provide accounting guidance applicable to the retirement of assets prior to the expected retirement date. Specifically, ASC 360-10-35 requires the Company to accelerate depreciation in order to fully depreciate the asset to the expected early retirement date for financial reporting purposes.

North Dakota's share of the GUS6 plant balances as of June 1, 2026, are as follows:

	<u>GUS6</u>
Plant In Service	\$ 11,015,080
Accumulated Reserve	<u>7,990,597</u>
Net Plant	\$ 3,024,483

VII. Accelerated Depreciation

Montana-Dakota's electric depreciation study underlying the currently authorized depreciation rates was submitted in the Company's electric rate case filed on May 16, 2022 in Case No. PU-22-194 and was based on electric utility plant balances as of December 31, 2021. In that depreciation study, GUS6 was assumed to retire in 2034. The accelerated depreciation necessary to depreciate North Dakota's share of the retired generating unit by June 2026 for GUS6 is approximately \$3.0 million.

The retirement of the generating unit will result in acceleration and recognition of all remaining tax depreciation and any related excess accumulated deferred income taxes, resulting from the change in the federal income tax rate in the Tax Cuts and Jobs Act of 2017. The Company's total deferral allocated to North Dakota would be approximately \$1.5M.

VIII. 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 N.D.C.C. §49-02-02-05.

2. Enter an Order authorizing deferred accounting for Montana-Dakota's accelerated depreciation and EADIT related to the retirement of the GUS6 generating station.

3. Grant such other relief as the Commission shall deem appropriate.

Dated this 15th day of May 2026.

Tyler J Culbertson
Director of Regulatory Affairs

Of Counsel:

Allison Waldon
Senior Attorney
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650

MONTANA-DAKOTA UTILITIES CO.
DEFERRED ACCOUNTING APPLICATION
GLEN ULLIN REVENUE REQUIREMENT COMPARISON

Description \ Year	(1/2 year)										Total	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>		<u>11</u>
Continued Operations to June 2029												
Accelerated Depreciation (NBV)				\$2,915,217								
EADIT				(930,668)								
Deferred Reg. Asset				\$1,984,548	\$1,842,795	\$1,559,288	\$1,275,781	\$992,274	\$708,767	\$425,260	\$141,753	-
ADIT (24.4%)				(484,230)	(449,642)	(380,466)	(311,291)	(242,115)	(172,939)	(103,764)	(34,588)	
Rate Base				\$1,500,318	\$1,393,153	\$1,178,822	\$964,490	\$750,159	\$535,828	\$321,497	\$107,166	
Pre-tax ROR				8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	
Return on Rate Base				\$134,521	\$124,912	\$105,695	\$86,477	\$67,260	\$48,043	\$28,826	\$9,609	
7 year Amortization				\$141,753	\$283,507	\$283,507	\$283,507	\$283,507	\$283,507	\$283,507	\$141,753	
Incremental Decommissioning Costs												
Total Deferred Costs				\$276,274	\$408,419	\$389,202	\$369,984	\$350,767	\$331,550	\$312,333	\$151,362	\$2,589,891
Revenue Requirement												
Cont Ops to June 2029	\$686,371	\$1,178,846	\$1,177,198	\$589,285								\$3,631,700
Deferred Cost Amortization (7 year)				\$184,992	\$369,984	\$369,984	\$369,984	\$369,984	\$369,984	\$369,984	\$184,992	\$2,589,891
Replacement Energy				37,552	75,103	75,103	75,103	75,103	75,103	75,103	37,552	525,722
Total Revenue Requirement	\$686,371	\$1,178,846	\$1,177,198	\$811,829	\$445,087	\$445,087	\$445,087	\$445,087	\$445,087	\$445,087	\$222,544	\$6,747,312
Deferred Recovery, 10-year Amort.												
Accelerated Depreciation (NBV)	\$4,091,286											
EADIT	(1,327,658)											
Deferred Reg. Asset	\$2,763,629	\$2,625,447	\$2,349,084	\$2,072,721	\$1,796,359	\$1,519,996	\$1,243,633	\$967,270	\$690,907	\$414,544	\$138,181	-
ADIT (24.4%)	(674,325)	(640,609)	(573,177)	(505,744)	(438,312)	(370,879)	(303,446)	(236,014)	(168,581)	(101,149)	(33,716)	
Rate Base	\$2,089,303	\$1,984,838	\$1,775,908	\$1,566,977	\$1,358,047	\$1,149,117	\$940,186	\$731,256	\$522,326	\$313,395	\$104,465	
Pre-tax ROR	8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	8.97%	
Return on Rate Base	\$93,665	\$177,963	\$159,230	\$140,497	\$121,764	\$103,031	\$84,298	\$65,565	\$46,832	\$28,099	\$4,683	
10 year Amortization	\$138,181	\$276,363	\$276,363	\$276,363	\$276,363	\$276,363	\$276,363	\$276,363	\$276,363	\$276,363	\$138,181	
Total Deferred Costs	\$231,846	\$454,326	\$435,593	\$416,860	\$398,127	\$379,394	\$360,661	\$341,928	\$323,195	\$304,462	\$142,865	\$3,789,259
Revenue Requirement												
Deferred Cost Amortization (10 year)	\$189,463	\$378,926	\$378,926	\$378,926	\$378,926	\$378,926	\$378,926	\$378,926	\$378,926	\$378,926	\$189,463	\$3,789,259
Replacement Energy	43,947	75,103	75,103	75,103	75,103	75,103	75,103	75,103	75,103	75,103	37,552	757,427
Total Revenue Requirement	\$233,410	\$454,029	\$454,029	\$454,029	\$454,029	\$454,029	\$454,029	\$454,029	\$454,029	\$454,029	\$227,014	\$4,546,685

**MONTANA-DAKOTA UTILITIES CO.
DEFERRED ACCOUNTING APPLICATION
GLEN ULLIN REVENUE REQUIREMENT - CONTINUED OPERATIONS**

	Jan-May 2026	June-December 2026	2027	2028	Jan-June 2029	
Rate Base						
Total Plant Balance	\$14,900,345	\$15,083,910	\$15,229,895	\$15,344,895	\$15,344,895	
Total Accumulated Reserve	10,809,059	11,110,946	11,634,690	12,163,383	12,429,678	
Net Plant in Service	\$4,091,286	\$3,972,964	\$3,595,205	\$3,181,512	\$2,915,217	
<u>Less:</u>						
ADIT Balance 1/	1,327,658	1,252,552	1,123,798	995,045	930,668	
Total Rate Base	\$2,763,629	\$2,720,412	\$2,471,407	\$2,186,467	\$1,984,548	
Return on Rate Base 2/	\$84,913	\$117,018	\$182,242	\$161,230	\$73,171	
Expenses						
Operating Expenses						
Fuel Costs	76,560	9,690	16,808	17,060	8,658	
Ormat Contract	\$165,820	\$232,148	\$409,907	\$422,204	\$217,435	
Misc Expenses	31,735	44,429	82,105	88,509	45,582	
Total O&M	274,115	286,267	508,820	527,773	271,675	
Total Depreciation 3/	215,634	301,887	523,744	528,693	266,296	
Total Expenses	\$489,748	\$588,154	\$1,032,564	\$1,056,466	\$537,971	
Income before Taxes (EBIT)	(\$489,748)	(\$588,154)	(\$1,032,564)	(\$1,056,466)	(\$537,971)	
Interest Expense	28,108	38,736	60,327	53,372	24,222	
Taxable income	(\$517,857)	(\$626,891)	(\$1,092,891)	(\$1,109,838)	(\$562,193)	
Income Taxes 4/	(\$126,357)	(\$152,961)	(\$266,665)	(\$270,801)	(\$137,175)	
Net Income Taxes	(\$126,357)	(\$152,961)	(\$266,665)	(\$270,801)	(\$137,175)	
Operating Income	(\$363,391)	(\$435,193)	(\$765,899)	(\$785,665)	(\$400,796)	
Revenue Requirement	\$592,994	\$730,439	\$1,254,155	\$1,252,507	\$626,940	
REC Revenue	(\$180)	(\$23)	(\$39)	(\$39)	(\$19)	
MISO Revenue	(\$347,993)	(\$44,045)	(\$75,270)	(\$75,270)	(\$37,635)	
Total Revenue	(\$348,173)	(\$44,068)	(\$75,309)	(\$75,309)	(\$37,655)	
Net Revenue Requirement	\$244,821	\$686,371	\$1,178,846	\$1,177,198	\$589,285	\$3,631,700

Footnotes:

1/ This is based off a 2 year balance.

2/ Projected Capital Structure with Authorized Return on Equity

	Ratio	Cost	After-tax	Pre-tax
Long-Term Debt 1/	45.088%	5.011%	2.259%	2.259%
Short-Term Debt 2/	3.797%	4.791%	0.182%	0.182%
Common Equity 3/	51.115%	9.650%	4.933%	6.525%
	100.000%		7.374%	8.966%

3/ Depreciation Expense at current rates

	2026	2027	2028	2029
Depreciation of Book	517,521	517,521	517,521	258,761
2026		6,223	6,223	3,111
2027			4,949	2,474
2028				1,949
	517,521	523,744	528,693	266,296

4/ Tax Rate
1- tax rate

2026
24.40%
75.60%