



INCREASE IN FUEL & PURCHASED POWER RATES

We write to notify you of an unexpected, but temporary, increase in one component of your electric bill. As explained below, the Fuel and Purchased Power component of your bill will be increasing on a temporary basis due to regional system cost increases beyond the control of Montana-Dakota Utilities Co. (Montana-Dakota) or the Public Utilities Commission of South Dakota (Commission).

Each month, Montana-Dakota files with the Commission an update to its Fuel & Purchased Power rates, which are designed to fluctuate to track specific variable costs Montana-Dakota incurs in supplying customers with electricity, including fuel for Company owned generation, as well as power and transmission services purchased from third parties. This tracking allows the smoothing of fluctuating costs and benefits of these charges over time. The rate is shown as a separate line item on your bill and is called "Fuel & Purchased Power".

In recent months, the Company has experienced a spike in purchased power supply costs in the Regional Transmission Organizations (RTOs) in which Montana-Dakota participates in. Montana Dakota participates in two RTOs, the Midcontinent Independent System Operator (MISO) and the Southwest Power Pool (SPP). RTOs provide utilities with an organized and established market to purchase power and operate a regional transmission system that moves power from generation resources to customers. During Montana-Dakota's

participation in these RTOs, customers have benefitted significantly from the stability and availability of power and reliability and efficiencies from the regional transmission system. However, in the last couple of months, one of the RTOs is experiencing higher than expected demand causing transmission and generation congestion issues, which has increased power prices.

What does this mean for Montana-Dakota's customers? Customers will experience higher Fuel and Purchased Power rates. Customers can expect an increase of about 10.3 percent from their October 2023 bill, which will be approximately \$12 for the average residential customer.

Montana-Dakota offers Balanced Billing as a way for customers to levelize their payments over the course of a year, which helps mitigate wide swings from month to month. The Company encourages customers experiencing difficulties in making payments to contact Montana-Dakota to discuss possibly establishing payment arrangements or energy assistance programs that may be available to them.



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