

Accept Report #1 on MPS' Proposed 2027 Budget

RECOMMENDATION:

The General Manager respectfully requests the Commission accept Report #1 on Moorhead Public Service's proposed 2027 Budget and Strategic Plan.

Future updates to this ongoing report will be shown in strike-and-underline throughout.

BACKGROUND:

Moorhead Public Service (MPS) staff has been updating financial forecasts and gathering key (preliminary) inputs for the 2027 budget to include items such as purchased power costs, transmission costs, Southwest Power Pool (SPP) Transmission Cost Reimbursement, transfer payments to the City of Moorhead (City), operating expenses, and capital improvements. In addition, MPS staff provided City staff with the preliminary 2027 estimated transfer amounts to the City.

The Commission has taken the following actions that will impact MPS' 2027 budget, rates, and financial forecasts:

February 2026

- Award Bid for Furnishing 115 kV IPO Breakers at MPS' Northeast and Southeast Substations

April 2026

- Approve Task Order No. 15 for Moorhead DOE Substation KV1A Transformer Replacement and Amendment No. 1 to Task Order No. 11 for Centennial Substation Differential Relays Upgrade with DGR Engineering
- Approve Specifications and Authorize Advertisement for Bids for Furnishing 15 kV Indoor Metalclad Switchgear at MPS' Northeast and Southeast Substations

May 2026

- Approve Task Order No. 17 with DGR Engineering for Northeast Substation Transmission Line Extension Project

June 2026

- Award Bid for Furnishing 15 kV Indoor Metalclad Switchgear at MPS' Northeast and Southeast Substations
- Approve Resolution and Declaration of Intent to Approve Potential Bond Sale in 2027 or 2028

July 2026

- Approve Specifications and Authorize Advertisement for Bids for 2027 Electrical Materials

August 2026

- Approve Specifications and Authorize Advertisement for Bids for Furnishing KV1A Transformer at MPS' Moorhead DOE Substation
- Approve Task Order No. 5 with Terracon Consultants for Geotechnical Engineering Services at MPS' Southeast Substation
- Award Bids for 2027 Electrical Materials

August 2026 (Continued)

- Award Bid for MPS' 115 kV Transmission Line Upgrade Project from the Fargo Substation to the Sheyenne Diversion
- Approve Task Order Agreement for Professional Services with GeoGraph Technologies, LLC, Task Order No. 1 for Miscellaneous GIS Services, and Task Order No. 2 for MPS' Fiber Conversion Project

September 2026

- Approve Specifications and Authorize Advertisement for Bids for 2026/2027 Tree Trimming
- Approve BTMG Capacity Letter Agreement with Missouri River Energy Services
- Approve Easement Agreement with EIP Holdings IV, LLC, for Access to MPS' Moorhead Substation Property
- Accept Petition for Installation of Water and Electric Services for Partridge Creek 2nd Addition
- Approve Specifications and Authorize Advertisement for Bids for 2027 Water Treatment and Wastewater Treatment Chemicals
- Approve Task Order No. 15 with Apex Engineering Group for MPS' 20th Avenue Ground Storage Reservoir Improvements Project

On October 5, 2026, the Commission's Budget Working Group, comprised of Commissioners Paul Baker, Matthew Leiseth, and Jason Ness, met with staff to review and discuss MPS' current and future projects, additional items that could affect future rates, and the projected rates for 2027. The group's consensus was to present proposed rate increases of 2.5 percent overall for electric services and 5.25 percent overall for water services at MPS' Electric and Water Rate Hearings scheduled for October 20, 2026.

KEY ISSUES:

On October 5, 2026, staff presented preliminary operating and long-term capital project planning information to the Commission's Budget Working Group.

- Electric Division:
 - After reviewing preliminary inputs and discussing key items, the Budget Working Group agreed to present a proposed overall rate increase of 2.5 percent for 2027. This proposed increase falls within the previously communicated potential range of 0 percent to 4.0 percent for 2027 electric rates.
 - Preliminary information from MPS' purchased power providers indicated that only Missouri River Energy Services (MRES) will have a rate increase in 2027. Information received from MRES indicated they will likely approve a 4.4 percent increase for power purchased from them in 2027. MRES also indicated that transmission costs are likely to increase by 5.0 percent in 2027.
 - The Budget Working Group reviewed the history and mechanics of the second Electric Fund Transfer Agreement with the City, which expires on December 31, 2026. The group was comfortable with the projected 2027 impact, which assumes a \$125,000 annual increase in the floor of the General Fund transfer and the anticipated continuation of the current terms under the next agreement.
- Water Division:
 - After reviewing preliminary inputs and discussing key items, the Budget Working Group agreed to present a proposed overall rate increase of 5.25 percent for 2027. This proposed increase falls within the previously communicated potential range of 3.0 percent to 7.0 percent for 2027 water rates.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Travis L. Schmidt".

Travis L. Schmidt
General Manager

Division/Response Person: Mark Moilanen, Administration and Finance Manager.

Attachments:

Budget Binder (PSC Only—distributed separately)