



# MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58501

(701) 222-7900

June 14, 2007

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol  
Pierre, SD 57501-5070

Re: Docket No. EL07-\_\_\_\_\_  
2007-2008 Avoided Costs Update

Dear Ms. Van Gerpen:

In accordance with South Dakota Codified Laws, Chapter 49-34A, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith electronically submits for Commission approval revisions to the Company's Occasional Power Purchase Non-Time Differentiated Rate 95, Short-Term Power Purchase Time Differentiated Rate 96 and Long-Term Power Purchase Time Differentiated Rate 97 tariffs. This filing is made in compliance with the Commission's Order No. F-3365 and in accordance with the Special Terms and Conditions of these tariffs which state that the rate schedules will be reviewed annually and revised when necessary.

The proposed energy payments for Rates 95, 96 and 97 were generated using Montana-Dakota's production costing model (ProSym), updated to reflect a test year of July 2007 through June 2008. The proposed capacity payments for Rates 96 and 97 are based on the projected costs of an installed peaking facility and baseload unit respectively. Included as Attachment A is the data used to support the proposed energy payments and monthly capacity payments. The increase in the energy payments under Rates 95 and 96 is attributable to the fact that MISO market purchases are now the avoided resource for energy.

The proposed metering charges for Rates 95 and 96 reflect updated meter costs and carrying charges. The workpapers supporting the proposed meter charges are provided in Attachment B.

Included herein is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions requested by lining through the existing language which the Company proposes to delete and clearly highlighting the new language proposed. In accordance with the Administrative Rules of South Dakota (ARSD), 20:10:13:39(6), it is noted that the proposed rate changes will not affect any customers since no customers are

presently served on any of Montana-Dakota's cogeneration or small power production rates in South Dakota. Included as Attachment C is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26. Also included as Attachment D is the "Data Requirements" in accordance with the Commission's Order No. F-3563 which discloses certain information for miscellaneous filings.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Attachment E in a conspicuous place in each business office in its affected electric service territory in South Dakota for at least 30 days before the change becomes effective.

Please refer all inquiries regarding this filing to:

Ms. Tamie A. Aberle  
Pricing & Tariff Manager  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501

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

Mr. Daniel S. Kuntz  
Assistant General Counsel  
MDU Resources Group, Inc.  
P. O. Box 5650  
Bismarck, ND 58506-5650

This filing has been electronically submitted to the Commission in accordance with ARSD 20:10:01:02:05. Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Donald R. Ball  
Vice President – Regulatory Affairs

Attachment

OCCASIONAL POWER PURCHASE Rate 95  
NON-TIME DIFFERENTIATED

**AVAILABILITY:**

To any qualifying cogeneration and small power production (COG/SPP) facilities for the purpose of generating occasional electric energy in parallel with the Company's system. This schedule is applicable to cogeneration and small power production facilities with a design capacity of 100 Kw or less, that are Qualifying Facilities as defined under 18 CFR, Part 292.

**RATE:**

Metering charge for single phase service	\$ 1.75 per month	I
Metering charge for three phase service	\$ 5.70 per month	R

Energy delivered to and accepted by Company by a qualifying facility shall paid for by Company as follows:

3.539¢ per Kwh

(Energy delivered per month to Company is limited to 600 Kwh per month. Delivery in excess of this limit will not be compensated.)

**ENERGY SALES TO SMALL QUALIFYING FACILITY:**

Service provided to such customers by the Company shall be billed at the appropriate rate, by class of customers (i.e., residential, small or large general service, etc.) that is currently on file with the Commission.

**SPECIAL TERMS AND CONDITIONS:**

1. The rates shall be reviewed annually, updated if necessary, and revised upon the Commission's approval.
2. The Company shall install appropriate metering facilities to record all flows of energy necessary to bill and pay in accordance with the charges and payments contained in this rate schedule.
3. The customer shall, with prior written consent of the Company, furnish, install and wire the necessary service entrance equipment, meter sockets, meter enclosure cabinets, or meter connection cabinets that may be required by the Company to properly meter usage and sales to the Company.

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Effective Date: \_\_\_\_\_

Issued By: Donald R. Ball, Vice President - Regulatory Affairs

SHORT-TERM POWER PURCHASE Rate 96  
TIME DIFFERENTIATED

**AVAILABILITY:**

To any qualifying cogeneration and small power production (COG/SPP) facilities for the purpose of generating short-term electric energy in parallel with the Company's system. This schedule is applicable to cogeneration and small power production facilities with a design capacity of 100 Kw or less, that are Qualifying Facilities as defined under 18 CFR, Part 292.

**RATE:**

Metering charge for single phase service \$ 5.75 per month  
 Metering charge for three phase service \$ 9.70 per month

Energy delivered to and accepted by Company by a qualifying facility shall be paid for by Company as follows:

ON-PEAK

OFF-PEAK

5.085¢ per Kwh

3.409¢ per Kwh

The On-Peak Period is defined as those hours between 12 p.m. and 8 p.m. local time, Monday through Friday in the months of June through September. The Off-Peak Period is defined as all other hours. In 2007 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 11 to March 31 and October 28 to November 3.

Definitions of on-peak and off-peak periods are subject to change with change in Company's system operating characteristics.

Monthly capacity payments will be made on the basis of actual avoidance of capacity during the months of June through September. Such payments are to be based on the capacity cost of combustion turbine peaking generation.

Monthly capacity payment = \$8.723 per Kw

Monthly capacity payments will be made based on a monthly 85 percent on-peak period capacity factor for the months of June through September. The capacity factor is the quotient of the average monthly on-peak period metered capacity (Kw) delivered to the Company during a month, divided by the maximum monthly on-peak metered capacity (Kw) delivered to the Company during a month. All referenced metered capacity readings refer to one hour measured demands (Kw). The monthly capacity payment applicable for the months of June through September will be made based on the following formula:

(Continued)

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LONG-TERM POWER PURCHASE Rate 97  
TIME DIFFERENTIATED

AVAILABILITY:

To any qualifying cogeneration and small power production (COG/SPP) facilities for the purpose of generating long-term electric energy in parallel with the Company's system. This schedule is applicable to cogeneration and small power production facilities with a design capacity of 100 Kw or less, that are Qualifying Facilities as defined under 18 CFR, Part 292.

RATE:

Metering charge for single phase service	\$5.75 per month	R
Metering charge for three phase service	\$9.70 per month	R

Energy delivered to and accepted by Company by a qualifying facility shall be paid for by Company as follows:

<u>ON-PEAK</u>	<u>OFF-PEAK</u>
5.085¢ per Kwh	3.409¢ per Kwh

The On-Peak Period is defined as those hours between 12 p.m. and 8 p.m. local time, Monday through Friday in the months of June through September. The Off-Peak Period is defined as all other hours. In 2007 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 11 to March 31 and October 28 to November 3.

Definitions of on-peak and off-peak periods are subject to change with change in Company's system operating characteristics.

Monthly capacity payments will be made on the basis of actual avoidance of capacity during the months of June through September. Such payments are to be based on the capacity cost of base load generation.

Monthly capacity payment = \$19.911 per Kw

Monthly capacity payments will be made based on a monthly 85 percent on-peak period capacity factor for the months of June through September. The capacity factor is the quotient of the average monthly on-peak period metered capacity (Kw) delivered to the Company during a month, divided by the maximum monthly on-peak metered capacity (Kw) delivered to the Company during a month. All referenced metered capacity readings refer to one hour measured demands (Kw). The monthly capacity payment applicable for the months of June through September will be made based on the following formula:

(Continued)

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Issued By: Donald R. Ball, Vice President - Regulatory Affairs

# Tariffs Reflecting Proposed Changes

OCCASIONAL POWER PURCHASE Rate 95  
NON-TIME DIFFERENTIATED

**AVAILABILITY:**

To any qualifying cogeneration and small power production (COG/SPP) facilities for the purpose of generating occasional electric energy in parallel with the Company's system. This schedule is applicable to cogeneration and small power production facilities with a design capacity of 100 Kw or less, that are Qualifying Facilities as defined under 18 CFR, Part 292.

**RATE:**

Metering charge for single phase service     \$ ~~1-601.75~~ per month  
 Metering charge for three phase service     \$ ~~5-855.70~~ per month

Energy delivered to and accepted by Company by a qualifying facility shall paid for by Company as follows:

1-8493.539¢ per Kwh

(Energy delivered per month to Company is limited to 600 Kwh per month. Delivery in excess of this limit will not be compensated.)

**ENERGY SALES TO SMALL QUALIFYING FACILITY:**

Service provided to such customers by the Company shall be billed at the appropriate rate, by class of customers (i.e., residential, small or large general service, etc.) that is currently on file with the Commission.

**SPECIAL TERMS AND CONDITIONS:**

1. The rates shall be reviewed annually, updated if necessary, and revised upon the Commission's approval.
2. The Company shall install appropriate metering facilities to record all flows of energy necessary to bill and pay in accordance with the charges and payments contained in this rate schedule.
3. The customer shall, with prior written consent of the Company, furnish, install and wire the necessary service entrance equipment, meter sockets, meter enclosure cabinets, or meter connection cabinets that may be required by the Company to properly meter usage and sales to the Company.

(Continued)

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SHORT-TERM POWER PURCHASE Rate 96  
TIME DIFFERENTIATED

**AVAILABILITY:**

To any qualifying cogeneration and small power production (COG/SPP) facilities for the purpose of generating short-term electric energy in parallel with the Company's system. This schedule is applicable to cogeneration and small power production facilities with a design capacity of 100 Kw or less, that are Qualifying Facilities as defined under 18 CFR, Part 292.

**RATE:**

Metering charge for single phase service \$ ~~5-855.75~~ per month  
 Metering charge for three phase service \$ ~~10-159.70~~ per month

Energy delivered to and accepted by Company by a qualifying facility shall be paid for by Company as follows:

ON-PEAK

OFF-PEAK

2-0505.085¢ per Kwh

1-7993.409¢ per Kwh

The On-Peak Period is defined as those hours between 12 p.m. and 8 p.m. local time, Monday through Friday in the months of June through September. The Off-Peak Period is defined as all other hours. In 2007 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 11 to March 31 and October 28 to November 3.

Definitions of on-peak and off-peak periods are subject to change with change in Company's system operating characteristics.

Monthly capacity payments will be made on the basis of actual avoidance of capacity during the months of June through September. Such payments are to be based on the capacity cost of combustion turbine peaking generation.

Monthly capacity payment = \$6-198.723 per Kw

Monthly capacity payments will be made based on a monthly 85 percent on-peak period capacity factor for the months of June through September. The capacity factor is the quotient of the average monthly on-peak period metered capacity (Kw) delivered to the Company during a month, divided by the maximum monthly on-peak metered capacity (Kw) delivered to the Company during a month. All referenced metered capacity readings refer to one hour measured demands (Kw). The monthly capacity payment applicable for the months of June through September will be made based on the following formula:

(Continued)

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 Docket No. \_\_\_\_\_

Issued By: Donald R. Ball, Vice President - Regulatory Affairs



LONG-TERM POWER PURCHASE Rate 97  
TIME DIFFERENTIATED

**AVAILABILITY:**

To any qualifying cogeneration and small power production (COG/SPP) facilities for the purpose of generating long-term electric energy in parallel with the Company's system. This schedule is applicable to cogeneration and small power production facilities with a design capacity of 100 Kw or less, that are Qualifying Facilities as defined under 18 CFR, Part 292.

**RATE:**

Metering charge for single phase service	\$ <del>5-855.75</del> per month
Metering charge for three phase service	\$ <del>10-159.70</del> per month

Energy delivered to and accepted by Company by a qualifying facility shall be paid for by Company as follows:

<u>ON-PEAK</u>	<u>OFF-PEAK</u>
2-0505.085¢ per Kwh	1-7993.409¢ per Kwh

The On-Peak Period is defined as those hours between 12 p.m. and 8 p.m. local time, Monday through Friday in the months of June through September. The Off-Peak Period is defined as all other hours. In 2007 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 11 to March 31 and October 28 to November 3.

Definitions of on-peak and off-peak periods are subject to change with change in Company's system operating characteristics.

Monthly capacity payments will be made on the basis of actual avoidance of capacity during the months of June through September. Such payments are to be based on the capacity cost of base load generation.

Monthly capacity payment = \$~~14-50~~19.911 per Kw

Monthly capacity payments will be made based on a monthly 85 percent on-peak period capacity factor for the months of June through September. The capacity factor is the quotient of the average monthly on-peak period metered capacity (Kw) delivered to the Company during a month, divided by the maximum monthly on-peak metered capacity (Kw) delivered to the Company during a month. All referenced metered capacity readings refer to one hour measured demands (Kw). The monthly capacity payment applicable for the months of June through September will be made based on the following formula:

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