

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

October 25, 2002

RECEIVED

OCT 28 2002

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

Ms. Debra Elofson
Executive Director
South Dakota Public Utilities
Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

Re: Fuel Clause Rate 58
Docket No. ____

Dear Ms. Elofson:

In accordance with South Dakota Codified Laws, Chapter 49-34A, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., respectfully submits this request for approval of revisions to its Fuel Clause Rate 58. The revisions are requested to permit the inclusion of purchased power costs related to renewable energy purchases. The immediate need for approval relates to a Power Purchase Agreement (Agreement) entered into on August 20, 2002, between Dakota I Power Partners LLC (Dakota I) and Montana-Dakota. Under the terms of the Agreement, Dakota I will construct wind generation facilities and Montana-Dakota will purchase the electric energy generated by such facilities. The Agreement is subject to Montana-Dakota receiving satisfactory utility regulatory commission approvals. If such approvals are not received by December 31, 2002, Montana-Dakota may terminate the Agreement without liability. Montana-Dakota respectfully requests that the Commission render its decision and issue an order approving the requested revisions to the Fuel Clause Rate 58 prior to December 31, 2002.

Under the terms of the Agreement, Dakota I will construct 13 towers, each supporting a 1.5 megawatt wind energy turbine. The facilities will be located in close proximity to Montana-Dakota's Ashley-Ellendale 41.6 kilovolt transmission line in Dickey County, North Dakota. Montana-Dakota will purchase the entire energy output of the facility at a fixed price for the term of the Agreement. The energy will be part of the supply portfolio for Montana-Dakota's customers on its integrated electrical system which includes portions of South Dakota, North Dakota and Montana. Energy expected from the facility represents 2 to 3 percent of annual retail sales on the integrated electrical system. Project construction is expected in 2003 with all of the turbines expected on line by year end 2003.

The Agreement specifies that the terms of the Agreement and the charges to be billed under the Agreement constitute confidential business information of both parties. Accordingly, Montana-Dakota is concurrently filing a Request for Confidential Treatment of Information covering the entire Agreement.

Montana-Dakota believes that approval of inclusion of the costs of power purchased from renewable sources, in particular the purchases under the Agreement, is appropriate as it provides reasonably priced electric energy for customers, will benefit the local and state economies and will provide for the addition of renewable energy to Montana-Dakota's supply portfolio in the face of pending federal mandates to do so.

The specific approval sought by Montana-Dakota is the authority to include the energy costs of the purchases from renewable sources, in particular those under the Agreement, in its monthly Fuel Cost Adjustment (FCA) under the terms of its Fuel Clause, Rate 58. Attached is the proposed tariff designated as 4th Revised Sheet No. 27. Also included is a tariff showing the changes proposed. The proposed tariff also includes minor language changes for clarification and to reflect ongoing practices with regard to the use of tire derived fuel and refuse derived fuel.

In accordance with the Administrative Rules of South Dakota (ARSD), 20:10:13:39(6), it is noted that the proposed tariff changes will potentially affect all electric customers in South Dakota. Included as Attachment A is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26. In addition, included as Attachment B 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 C 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:

Mr. Donald R. Ball
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

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

Mr. Douglas W. Schulz
Senior Attorney & Assistant Secretary
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650

The original and ten (10) copies of this Letter of Transmittal and tariffs have been provided to the South Dakota Public Utilities Commission in accordance with ARSD 20:10:13:27.

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
Director of Regulatory Affairs

Attachments

c: D. Schulz
D. Gerdes

FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .0009¢ (nine ten-thousandths of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be 1.4704¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent three month period as herein defined.

1. The cost of fossil and other fuels, including but not limited (N) to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fuel consumed in jointly owned generating stations as recorded in Account 151.
2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:
 - a. Energy that is purchased on an economic dispatch basis; (L)
 - b. Energy purchased from a renewable energy source, including (N) but not limited to hydropower, wood, windpower, and biomass;
3. The actual indentifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above, less;
4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to (N) economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent three month period as herein defined.

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent three month period for which actual cost data is available. The Company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent three month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

Date Filed: October 28, 2002

Effective Date: _____

Issued By: Donald R. Ball
Director of Regulatory Affairs

FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .0009¢ (nine ten-thousandths of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be 1.4704¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent three month period as herein defined.

1. The cost of fossil fuel and other fuels, including but not limited (N) to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fossil fuel consumed in jointly owned generating stations as recorded in Account 151.

2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:
 - a. Energy that is purchased on an economic dispatch basis; (L)
 - b. Energy purchased from a renewable energy source, including (N) but not limited to hydropower, wood, windpower, and biomass;

3. The actual indentifiable fossil and ~~other nuclear~~ fuel costs associated with energy purchased for reasons other than identified in (2) above, less;

4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to (N) economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent three month period as herein defined.

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent three month period for which actual cost data is available. The Company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent three month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

Date Filed: _____ Effective Date: _____

Issued By: Donald R. Ball
Director of Regulatory Affairs

Report of Tariff Schedule Change

NAME OF UTILITY: Montana-Dakota Utilities Co.
 ADDRESS: 400 North Fourth Street
 Bismarck, ND 58501

Section No.	Class of Service	New Sheet No.
3	Fuel Clause Rate 58	4th Revised Sheet No. 27

Change: Applicability
 (State part of tariff schedule affected by change, such as: Applicability, availability, rates, etc.)

Reason for Change Provide for the recovery of renewable energy costs through the fuel cost adj.

Present Rates
 Proposed Rates
 Approximate annual reduction in revenue N/A
 Approximate annual increase in revenue N/A

Points Affected	Estimated Number of Customers Whose Cost of Service will be:					
	Reduced		Increased		Unchanged	
	# of Customers	Amount in \$	# of Customers	Amount in \$	# of Customers	Amount in \$
All	N/A	N/A	N/A	N/A	N/A	N/A

Include Statement of Facts, expert opinions, documents and exhibits supporting the change requested.

Received: _____

Montana-Dakota Utilities Co.
 (Reporting Utility)

By: _____
 Executive Director
 South Dakota
 Public Utilities Commission

By: Donald R. Ball
 Director of Regulatory Affairs
 (Name and Title)

DATA REQUIREMENTS
PURSUANT TO DOCKET NO. F-3563

1. Background

Proposed revisions to the existing Fuel Clause Rate 58 have been requested to permit the inclusion of purchased power costs related to renewable energy purchases. The immediate need for approval relates to a Power Purchase Agreement (Agreement) entered into on August 20, 2002, between Dakota I Power Partners LLC (Dakota I) and Montana-Dakota. Under the terms of the Agreement, Dakota I will construct wind generation facilities and Montana-Dakota will purchase the electric energy generated by such facilities. The Agreement is subject to Montana-Dakota receiving satisfactory utility regulatory commission approvals. If such approvals are not received by December 31, 2002, Montana-Dakota may terminate the Agreement without liability.

2. Explanation

A. The proposed rate change will ultimately affect all classes of electric service.

B. The proposed tariff sheets are:

Section No. 3, 4th Revised Sheet No. 27
Fuel Clause Rate 58

C. The proposed rate change applies to all electric customers served by the Company.

D. The affected tariffs are applicable to all areas served with electric service by Montana-Dakota Utilities Co. in South Dakota.

E. There are no additional special conditions, limitations, qualifications or restrictions upon the proposed tariffs.

3. Financial Impact

Not available.

4. Precedential Effect

None.

**On October 28, 2002 Montana-Dakota Utilities Co.,
a Division of MDU Resources Group, Inc., filed
with the South Dakota Public Utilities Commission
a revised Fuel Clause Adjustment Rate 58 which
affects Montana-Dakota Utilities Co.'s electric
customers in South Dakota. The revised rate and
South Dakota rules and regulations are available
in this office for inspection. Please inquire at the
cashier's desk.**

EL 02-023



UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58501

(701) 222-7900

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OCT 28 2002

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

October 25, 2002

Ms. Debra Elofson
Executive Director
South Dakota Public Utilities
Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

Re: Docket No. ____
Request for Confidential Treatment

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith respectfully files an original and ten (10) copies of a Request For Confidential Treatment of Information covering the Power Purchase Agreement (Agreement) by and between Dakota I Power Partners LLC and Montana-Dakota as fully described in the attached Request. Montana-Dakota has concurrently filed for approval of changes to its Fuel Clause Rate 58 which changes relate to the Agreement.

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,

A handwritten signature in cursive script that reads 'Donald R. Ball'.

Donald R. Ball
Director of Regulatory Affairs

Attachment
cc: Douglas W. Schulz
D. Gerdes

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of)
MONTANA-DAKOTA UTILITIES CO., a)
Division of MDU Resources Group, Inc.,)
For Approval of Changes to its)
Fuel Clause Rate 58)

Docket No. ____

REQUEST FOR CONFIDENTIAL TREATMENT OF INFORMATION

COMES NOW, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. and respectfully moves the Commission for confidential treatment of information pursuant to ARSD 20:10:01:41.

The specific information which requires confidential treatment is the Power Purchase Agreement (Agreement) entered into on August 20, 2002 by and between Dakota I Power Partners LLC (Dakota I) and Montana-Dakota. Under the terms of the Agreement, Dakota I will construct wind generation facilities and Montana-Dakota will purchase the electric energy generated by such facilities. Montana-Dakota concurrently filed a request for approval of changes to its Fuel Clause Rate 58 tariff to include the cost of purchasing energy from renewable sources such as those proposed under the Agreement.

Article 9 of the Agreement specifies that "the terms of this Agreement, and the actual charges billed to Buyer under this agreement, constitute the Confidential Business Information of both parties". Accordingly, Montana-Dakota requests that confidential treatment be given to the entire Agreement. Such information is not

publicly available, and is treated as confidential business information in accordance with the provisions of the Agreement. Montana-Dakota believes that disclosure of the information would be of independent economic value to competitors and would create a competitive disadvantage for Montana-Dakota and Dakota I if publicly disclosed to others because of the competitive nature of the Agreement. There are a number of wind farms planned in South Dakota and North Dakota in the near future that will be in competition with each other for sales to the various utilities serving in the area. The Agreement therefore meets the definition of "trade secret" under SDCL §37-29-2(4), the South Dakota Uniform Trade Secrets Act, which is defined as information that derives "independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use...."

Confidentiality is requested for the duration of the Agreement. Montana-Dakota requests that, upon issuance of an order, the material be returned to Montana-Dakota.

Please refer all inquiries regarding this filing to:

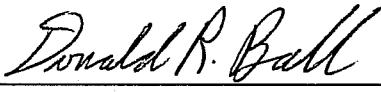
Mr. Donald R. Ball
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Phone: (701) 222-7630

The information for which confidential treatment is requested is printed on yellow paper with each page stamped "confidential" and is included in the attached sealed envelope marked "confidential".

Respectfully submitted this 25th day of October, 2002.

MONTANA-DAKOTA UTILITIES CO.,
A Division of MDU Resources Group, Inc.

By 
Donald R. Ball
Director of Regulatory Affairs

CONFIDENTIAL

|

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of October 24, 2002 through October 30, 2002

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this report. Phone: 605-773-3705 Fax: 605-773-3809

ELECTRIC

EL02-023 In the Matter of the Petition of Montana-Dakota Utilities Co. for Approval of a Revision to its Fuel Clause to Permit the Inclusion of Purchased Power Costs Related to Renewable Energy Purchases.

Application by Montana-Dakota Utilities Co. for approval of tariff revisions which would allow costs of energy produced by renewable resources to be included in and recovered by Fuel Clause Rate 58. Montana-Dakota Utilities Co. has entered into an agreement to purchase electric energy from Dakota I Power Partners LLC which will construct wind generation facilities in the near future. Montana-Dakota Utilities Co. is requesting authority to recover such costs, and specifically the costs of wind generated energy pursuant to the agreement, through Fuel Clause Rate 58.

Staff Analyst: Dave Jacobson
Staff Attorney: Kelly Frazier
Date Docketed: 10/28/02
Intervention Deadline: 11/15/02

TELECOMMUNICATIONS

TC02-172 In the Matter of the Application of CI², Inc. For a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

On October 28, 2002, CI², Inc. filed an application for a Certificate of Authority to provide interexchange telecommunications services in South Dakota. The applicant intends to provide resold intrastate telecommunications services throughout South Dakota.

Staff Analyst: Michele Farris
Staff Attorney: Kelly Frazier
Date Docketed: 10/28/02
Intervention Deadline: 11/15/02

TC02-173 In the Matter of the Application of CI², Inc. for a Certificate of Authority to Provide Local Exchange Services in South Dakota.

CI², Inc. has filed an application for a Certificate of Authority to provide local exchange service in South Dakota. The applicant intends to provide resold local exchange service to end users without using its own network facilities or the unbundled network elements, but those of an underlying local

exchange carrier. The applicant intends to provide service in those areas served by Qwest.

Staff Analyst: Michele Farris
Staff Attorney: Kelly Frazier
Date Docketed: 10/28/02
Intervention Deadline: 11/15/02

TC02-174 In the Matter of the Filing by Qwest Corporation for Approval of Revisions to its Exchange and Network Services Tariff.

On October 28, 2002, Qwest Corporation filed changes to its Exchange and Network Services Tariff. The filing introduces new service options for wireless E911 connectivity in South Dakota providing Phase I and Phase II Selective Routing/Automatic Location Identification (SR/ALI). An effective date of November 28, 2002 is requested.

Staff Analyst: Heather Forney
Staff Attorney: Karen Cremer
Date Docketed: 10/28/02
Intervention Deadline: 11/15/02

TC02-175 In the Matter of the Application of Intelcall Communications, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

Intelcall Communications, Inc. is seeking a Certificate of Authority to provide interexchange telecommunications services in South Dakota. The Applicant intends to offer direct and dial-around outbound dialing, toll free inbound dialing, directory assistance, data services and travel card services.

Staff Analyst: Keith Senger
Staff Attorney: Kelly Frazier
Date Docketed: 10/30/02
Intervention Deadline: 11/15/02

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You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc>**



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

December 12, 2002

Mr. David Jacobson
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501-5070

Re: Docket No. EL02-023

Dear Mr. Jacobson:

Enclosed please find Montana-Dakota Utilities Co.'s responses to the data requests dated November 7, 2002 and November 27, 2002 in the above referenced case.

Should you have any questions concerning this matter, please contact me.

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

Sincerely,

Donald R. Ball
Director of Regulatory Affairs

**MONTANA-DAKOTA UTILITIES CO.
DOCKET EL02-023
RESPONSES TO DATA REQUEST OF THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
DATED NOVEMBER 7, 2002**

Request No. 1: Please provide any analysis available of the fuel and generation costs, for the last 3 years, which the purchase of energy pursuant to this agreement would offset.

Response: The most appropriate for the energy offset is the System Lambda. Attached is MDU's System Lambda for South Dakota for the years 1999-2001. System Lambda is defined as the rate of change in total generating cost in relation to supply a change in customer load. The attached System Lambda costs are for the next mwh required to provide for an increase in customer load or also could be referred to as marginal cost. The cost data is an average for the month and year shown.

Request No. 2: The continued definition of "Commercial Operation" on page 2 of the Agreement refers to MAPP accreditation of the capacity of the facility. Is this synonymous with the name plate rating of the facility? If not, explain what is meant by capacity. Will MAPP or its predecessor allow a reserve capacity value for this facility? Please provide if available.

Response: The Mid-Continent Area Power Pool (MAPP) Reliability Handbook, Revised July 2000 documents the requirements to accredit variable capacity including wind. Because wind is an intermittent resource, the wind turbines are not capable of operating on demand or every hour of the month. Therefore accreditation is calculated based upon operation. Accreditation is based upon an after the fact calculation of the median generation output value. Generation history is used whereby each month four continuous hours are selected which are to include the normal daily peak hour. Actual wind generation for the selected four-hour period for every day of the month is used to calculate the individual monthly accreditation received from wind. The same process is repeated for all 12 months. Based upon area wind profiles, MDU projects that it can expect MAPP accreditation of about 25-30% of nameplate depending upon specific monthly wind profile. A 27% capacity factor would realize an accreditation level of about 5 megawatts.

**MONTANA-DAKOTA UTILITIES CO.
DOCKET EL02-023
RESPONSES TO DATA REQUEST OF THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
DATED NOVEMBER 7, 2002**

Request No. 3: Page 2 of the application, (paragraph 2) refers to pending federal mandates to include renewable energy in Montana-Dakota's supply portfolio. Please provide a reference to such federal mandates. Page 9, Section 3.16 of the Agreement refers to credits or certificates "resulting from generation of electricity at the Facility... Is this meant to include any beneficial tax treatment or other economic benefits which may be forthcoming from the same pending federal mandates? Please explain. Please describe if or to what degree these benefits will be flowed through to ratepayers and how.

Response: United States Senate bill S 1766 was sponsored by Senator Bingaman of New Mexico and included in Section 263 of the bill was a feature that required the federal government to purchase renewable energy. Section 265 of the same bill mandated a renewable portfolio standard for each retail electric supplier. Although S 1766 did not pass this session of Congress, it is expected that a similar bill will be reintroduced in the next session of Congress. It is MDU's opinion that renewable mandates will be approved and that following such approval, due to increased demand, the cost of renewable energy will significantly increase.

Section 3.16 of the Dakota I Power Partners Agreement with MDU states that all renewable energy credits or so called "green credits" will be for the use and benefit to MDU. Senate bill S 1766, Section 265 would also have established a credit trading and borrowing system. MDU believes that this green credit requirement will also be reintroduced in the next session of Congress. If such legislation is adopted into law, it is expected a very robust trading system in green credits would be established. Depending upon the exact law, MDU may have excess credits available for sale or trade. At such time, a mechanism to distribute the monies received from such a sale would need to be established.

**MONTANA-DAKOTA UTILITIES CO.
DOCKET EL02-023
RESPONSES TO DATA REQUEST OF THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
DATED NOVEMBER 27, 2002**

Request No. 4: What is the affect of the wind purchase on the FCA using the most recent month as an example?

Response: Using the December 2002 FCA, the impact of the wind energy would have changed the FCA from a negative \$0.002435 to a negative \$0.002319, an increase of \$0.000116 per Kwh, assuming a 30% capacity factor for the wind energy and the 2001 System Lambda information for the 3 month period.

South Dakota Lambda 1999-2001

<u>Month</u>	<u>Lambda</u>		
	<u>1999</u> <u>\$/MWh</u>	<u>2000</u> <u>\$/MWh</u>	<u>2001</u> <u>\$/MWh</u>
Jan.	12.41	16.05	16.87
Feb.	13.03	16.67	17.21
Mar.	12.73	16.23	17.27
Apr.	11.48	15.85	15.71
May	11.82	13.49	16.76
June	12.43	15.24	16.38
July	14.59	15.75	14.39
Aug.	14.98	16.53	14.53
Sep.	14.02	14.96	15.05
Oct.	14.35	13.96	13.55
Nov.	15.40	16.19	14.38
Dec.	15.04	15.37	14.11
Average	13.52	15.52	15.52

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE FILING BY)	ORDER APPROVING TARIFF
MONTANA-DAKOTA UTILITIES CO., A)	REVISIONS
DIVISION OF MDU RESOURCES GROUP, INC.)	
FOR APPROVAL OF REVISIONS TO ITS FUEL)	EL02-023
CLAUSE TO PERMIT THE INCLUSION OF)	
PURCHASED POWER COSTS RELATED TO)	
RENEWABLE ENERGY PURCHASES)	

On October 28, 2002, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., Bismarck, North Dakota (MDU), filed with the Public Utilities Commission (Commission) proposed revisions which would allow costs of energy produced by renewable resources to be included in and recovered by Fuel Clause Rate 58. MDU has entered into an agreement to purchase electric energy from Dakota I Power Partners LLC which will construct wind generation facilities in the near future. MDU is requesting authority to recover such costs, and specifically the costs of wind generated energy pursuant to the agreement, through Fuel Clause Rate 58. MDU requested approval prior to December 31, 2002. The proposed tariff sheet is:

Volume 3, 4th Revised Sheet No. 27, cancelling 3rd Revised Sheet No. 27

At its regularly scheduled meeting of December 19, 2002, the Commission considered approval of the application. Commission Staff recommended approval.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-34A. Further, the revisions are just and reasonable and shall be approved. Further, the Commission finds that the purchase of wind generated energy from Dakota I Power Partners pursuant to the agreement filed in this application is approved. As the Commission's final decision in this matter, it is therefore

ORDERED, that MDU's revised tariff as described above is approved and shall be effective for service rendered on and after December 30, 2002, and that the purchase of wind generated energy from Dakota I Power Partners pursuant to the agreement filed in this application is approved.

Dated at Pierre, South Dakota, this 3rd day of January, 2003.

CERTIFICATE OF SERVICE
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.
By: <u>Helsinki Kolbo</u>
Date: <u>1/6/03</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Robert K. Sahr
ROBERT K. SAHR, Commissioner



A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

January 31, 2003

Ms. Pam Bonrud
Executive Director
South Dakota Public Utilities
Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

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FEB 03 2003

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

Re: Fuel Clause Rate 58
Docket No. EL02-23

Dear Ms. Bonrud:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits Volume 3, 4th Revised Sheet No. 27 entitled Fuel Clause Rate 58 reflecting the effective date of Service Rendered on and after December 30, 2002 pursuant to the Commission's Order approving the tariff sheet in the above referenced Docket.

The original and ten (10) copies of this letter and tariff have been provided to the South Dakota Public Utilities 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,

A handwritten signature in cursive script that reads 'Tamie A. Aberle'.

Tamie A. Aberle
Pricing & Tariff Manager

Attachment

FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .0009¢ (nine ten-thousandths of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be 1.4704¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent three month period as herein defined.

1. The cost of fossil and other fuels, including but not limited (N) to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fuel consumed in jointly owned generating stations as recorded in Account 151.
2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:
 - a. Energy that is purchased on an economic dispatch basis; (L)
 - b. Energy purchased from a renewable energy source, including (N) but not limited to hydropower, wood, windpower, and biomass;
3. The actual indentifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above, less;
4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to (N) economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent three month period as herein defined.

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent three month period for which actual cost data is available. The Company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent three month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

Date Filed: October 28, 2002

Effective Date: Service Rendered on and after
December 30, 2002

Issued By: Donald R. Ball
Director of Regulatory Affairs

Docket No.: EL02-023