

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

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

March 10, 2005

RECEIVED

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

Re: Fuel Clause Rate 58
Docket No. EL05-

Dear Ms. Bonrud:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith respectfully files an original and ten (10) copies of revised Fuel Clause Rate 58 in accordance with ARSD 20:10:13:27 and the rules and regulations promulgated by the South Dakota Public Utilities Commission.

The Company seeks revisions to its Fuel Clause Rate 58 (FCA) to reflect inclusion of the Midwest Independent System Operator (MISO) energy related costs that will become effective upon implementation of the MISO Energy Market, currently projected to be effective April 1, 2005.

Montana-Dakota is a member of MISO, which serves as a regional transmission organization. On February 16, 2005, MISO filed with the Federal Energy Regulatory Commission (FERC) to certify its readiness for the April 1 launch of the "Day 2 Market" under its Transmission and Energy markets Tariff (TEMT). The Day 2 market is an energy market design consisting of Day-Ahead and Real-Time Energy Markets, based on Locational Marginal Pricing (LMP) and hedged with Financial Transmission Rights (FTRs).

The introduction of the Day 2 market will change the process used by the Company to account for the energy required to serve its retail customers. All Montana-Dakota generation and load will participate in the Day Ahead Markets either through economic dispatch by MISO or bilateral arrangements between Montana-Dakota's generation and load. In addition, Montana-Dakota may participate in the Real Time Markets. Participation in the markets results in the Company bidding generation into the market, and if cleared, selling energy into the market at the market clearing price. The outcome is regional economic dispatch, controlled by MISO. Montana-Dakota's load will also be

bid into the market, with payment at the market price for energy at the load location. The difference in these prices will include costs such as transmission congestion costs and energy losses. These costs are hedged by the Company through FTRs, which entitles Montana-Dakota to receive funds collected from transmission congestion costs.

Presently, Montana-Dakota recovers fuel costs, delivery losses and congestion (in the form of redispatched higher cost units), as well as the cost of purchased energy through the FCA. Many components of the cost of purchased energy exist bundled together in the energy purchase price today, but under the Day 2 market these costs will be unbundled and stated individually. Montana-Dakota will continue to incur these costs, but the name and form of these costs will change. They will be seen as charges and revenues from MISO, but still reflect the fuel and purchased energy costs of serving customers.

Montana-Dakota is proposing to revise the FCA to specify that the net energy cost of energy purchases includes energy related costs associated with the MISO energy market. These energy related costs include such items as congestion and FTR costs, LMP market energy costs, market and FTR administration fees, and marginal loss costs and will be recorded in Account 555.

Montana-Dakota respectfully requests Commission approval of the attached revised tariff by April 1, 2005 to be coincident with the implementation of the Day 2 market.

The Company further requests waiver of the 30 days notice to the Commission required by ARSD 20:10:13:15 and 30 days notice to the public required by ASRD 20:10:13:17.

Montana-Dakota is also providing a copy of the proposed Rate 58 that shows the proposed revisions by underlining the new proposed language as Attachment B. Included as Attachment C is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26. In addition, the Notice shown in Attachment D will be posted in a conspicuous place in each business office in Montana-Dakota's affected electric service territory in South Dakota.

Please refer all inquiries regarding this filing to:

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

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

Mr. Daniel S. Kuntz
Senior Attorney
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650

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
Assistant Vice President –
Regulatory Affairs

Attachment

cc: D. S. Kuntz,
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 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;
 - b. Energy purchased from a renewable energy source, including but not limited to hydropower, wood, windpower, and biomass;
 - c. Energy related costs associated with the Midwest ISO Energy Market.
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 economy energy sales and other energy sold on an economic dispatch basis.

(C)

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: March 10, 2005

Effective Date: _____

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

Docket No.: EL05-

FUEL CLAUSE Rate 58

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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; ~~(E)~~
 - b. Energy purchased from a renewable energy source, including ~~(N)~~ but not limited to hydropower, wood, windpower, and biomass;
 - c. Energy related costs associated with the Midwest ISO Energy Market. (C)
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.

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Date Filed: _____ Effective Date: _____

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

Docket No.: _____

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 Adjustment Rate 58	27

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

Reason for Change Reflect energy related costs associated with the MISO Market

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
 Assistant Vice President - Regulatory Affairs
 (Name and Title)

On March 10, 2005 Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., filed with the South Dakota Public Utilities Commission revised Fuel Clause Rate 58 which affects all of 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 cashier's desk.