



# MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

RECEIVED

JUN 05 2006

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

June 2, 2006

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

Re: Docket No. EL06-\_\_\_\_\_  
2006-2007 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 requests Commission approval to revise its 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. 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 2006 through June 2007. 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. Workpapers depicting the calculation of the proposed metering charges are provided in Attachment B and reflect updated meter costs and carrying charges.

The tariffs for Rates 96 and 97 also reflect a change in the months to be included when determining the actual avoidance of capacity. The current tariff indicates capacity payments may be applicable during the months of January, June through September, and December. As Montana-Dakota is no longer a bi-modal peaking utility, a change in language to remove January and December from consideration is being included to reflect the summer peaking nature of the Company's operations. This will not have an adverse impact on existing customers, as there are no customers served under Rate 96 or Rate 97 at this time.

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. In addition, 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:

Donald R. Ball  
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 pleadings to:

Mr. Daniel S. Kuntz  
Assistant General Counsel  
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  
Vice President – Regulatory Affairs

Attachment

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(Continued)

Date Filed: June 5, 2006

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 \$ 5.85 per month  
 Metering charge for three phase service \$10.15 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

2.050¢ per Kwh

1.799¢ 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.

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 = \$6.19 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)

**Date Filed:** June 5, 2006

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

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

(Continued)

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SHORT-TERM POWER PURCHASE Rate 96  
TIME DIFFERENTIATED

$$\text{MCP} = \frac{\text{MCP per Kw} \times \text{MCF}}{.85} \quad \text{X maximum monthly on-peak demand (Kw)}$$

where: MCP = Monthly Capacity Payment  
 MCF = Monthly On-Peak Period Capacity Factor

**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.
4. A written contract with the Company shall be signed stipulating the terms and conditions of the interconnection and sale of the electricity to the Company. The term of the contract hereunder shall be for a minimum term of one year but less than 10 years.
5. The customer has the option of contracting for either the "Standard Payment Option" or "Net Billing Option" for purposes of computing payments as stipulated in the written contract.
6. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the South Dakota Public Utilities Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the South Dakota Public Utilities Commission or its successor. The new rates shall be effective upon approval by the Commission.

Date Filed: June 5, 2006

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

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	\$ 5.85 per month
Metering charge for three phase service	\$10.15 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>
2.050¢ per Kwh	1.799¢ 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.

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 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)

Date Filed: June 5, 2006 Effective Date: \_\_\_\_\_

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

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LONG-TERM POWER PURCHASE Rate 97  
TIME DIFFERENTIATED

$$\text{MCP} = \frac{\text{MCP per Kw} \times \text{MCF}}{.85} \quad \text{X maximum monthly on-peak demand (Kw)}$$

where: MCP = Monthly Capacity Payment  
 MCF = Monthly On-Peak Period Capacity Factor

**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 and large general service, etc.) that is currently on file with the Commission. C

**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.
4. A written contract with the Company shall be signed stipulating the terms and conditions of the interconnection and sale of the electricity to the Company. The term of the contract hereunder shall be 10 years or more.
5. The customer has the option of contracting for either the "Standard Payment Option" or "Net Billing Option" for purposes of computing payments as stipulated in the written contract.
6. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the South Dakota Public Utilities Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the South Dakota Public Utilities Commission or its successor. The new rates shall be effective upon approval by the Commission.

**Date Filed:** June 5, 2006

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

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

# **Tariffs Reflecting Proposed Changes**

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

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

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    \$ ~~1.601-70~~ per month  
 Metering charge for three phase service    \$ ~~5.856-55~~ per month

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

1.8401-356¢ 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)

Date Filed: \_\_\_\_\_ 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 \$5.85-5.45 per month  
 Metering charge for three phase service \$10.15-11.00 per month

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

~~SUMMER — April 1 through September 30~~

ON-PEAK

OFF-PEAK

~~2.050-1.495¢ per Kwh~~

~~1.799-1.208¢ per Kwh~~

~~Summer Peak Periods: — The On-Peak Period is defined as those hours between 7 a.m. and 11 p.m. Central Time 12 p.m. and 8 p.m. local time, Monday through Friday in the months of June through September. in Central Time zones, and between 6 a.m. and 10 p.m. Mountain Time, Monday through Friday in Mountain Time zones. The Off-Peak Period is defined as all other hours.~~

~~WINTER — October 1 through March 31~~

ON-PEAK

OFF-PEAK

~~1.510¢ per Kwh~~

~~1.266¢ per Kwh~~

~~Winter Peak Periods: — The On Peak Period is defined as those hours between 8 a.m. and 10 p.m. Central Time, Monday through Friday in Central Time zones, and between 7 a.m. and 9 p.m. Mountain Time, Monday through Friday in Mountain Time zones. The Off Peak Period is defined as all other hours.~~

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

(Continued)

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

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

(Continued)

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SHORT-TERM POWER PURCHASE Rate 96  
TIME DIFFERENTIATED

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

Monthly capacity payment = ~~\$6.19-7.50~~ per Kw

Monthly capacity payments will be made based on a monthly 85 percent on-peak period capacity factor for the months of ~~January~~, June through September, ~~and December~~. 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 ~~January~~, June through September, ~~and December~~ will be made based on the following formula:

$$\text{MCP} = \frac{\text{MCP per Kw} \times \text{MCF}}{.85} \times \text{maximum monthly on-peak demand (Kw)}$$

where: MCP = Monthly Capacity Payment  
 MCF = Monthly On-Peak Period Capacity Factor

**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.

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

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      \$ 5.855-45 per month  
 Metering charge for three phase service      \$ 10.151-1.00 per month

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

~~SUMMER~~ — April 1 through September 30

<u>ON-PEAK</u>	<u>OFF-PEAK</u>
<del>2.050</del> <u>1.495</u> ¢ per Kwh	<del>1.799</del> <u>1.208</u> ¢ per Kwh

~~Summer Peak Periods:~~ The On-Peak Period is defined as those hours between 7 a.m. and 11 p.m. Central Time ~~12 p.m. and 8 p.m. local time, Monday through Friday in the months of June through September. in Central Time zones, and between 6 a.m. and 10 p.m. Mountain Time, Monday through Friday in Mountain Time zones.~~ The Off-Peak Period is defined as all other hours.

~~WINTER~~ — October 1 through March 31

<del>ON PEAK</del>	<del>OFF PEAK</del>
<del>1.510</del> ¢ per Kwh	<del>1.266</del> ¢ per Kwh

~~Winter Peak Periods:~~ The On Peak Period is defined as those hours between 8 a.m. and 10 p.m. Central Time, Monday through Friday in Central Time zones, and between 7 a.m. and 9 p.m. Mountain Time, Monday through Friday in Mountain Time zones. The Off Peak Period is defined as all other hours.

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

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

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

(Continued)

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LONG-TERM POWER PURCHASE Rate 97  
TIME DIFFERENTIATED

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

Monthly capacity payment = \$14.50 per Kw

Monthly capacity payments will be made based on a monthly 85 percent on-peak period capacity factor for the months of ~~January, June through September, and December~~. 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 ~~January, June through September, and December~~ will be made based on the following formula:

$$MCP = \frac{MCP \text{ per Kw} \times MCF}{.85} \times \text{maximum monthly on-peak demand (Kw)}$$

where: MCP = Monthly Capacity Payment  
 MCF = Monthly On-Peak Period Capacity Factor

**ENERGY SALES TO SMALL QUALIFYING FACILITY:**

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(Continued)

**Date Filed:** \_\_\_\_\_ **Effective Date:** \_\_\_\_\_

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

### South Dakota Lambda 2006

<u>Month</u>		<u>Lambda</u>		
		<u>On-Peak</u> <u>\$/MWh</u>	<u>Off-Peak</u> <u>\$/MWh</u>	<u>Total</u> <u>\$/MWh</u>
July	2006	22.32	14.79	16.49
Aug.	2006	20.17	14.48	15.89
Sep.	2006	15.96	14.17	14.59
Oct.	2006	--	14.74	14.74
Nov.	2006	--	22.10	22.10
Dec.	2006	--	23.69	23.69
Jan.	2007	--	19.16	19.16
Feb.	2007	--	19.99	19.99
Mar.	2007	--	18.96	18.96
Apr.	2007	--	18.52	18.52
May	2007	--	17.67	17.67
June	2007	23.55	17.61	18.99
Average		20.50	17.99	18.40

Rate 96 Monthly Capacity Payments  
\$6.19/kW-Month [Cost of installed peaking combustion  
turbines]

Rate 97 Monthly Capacity Payments  
\$14.50/kW-Month [Cost of installed baseload unit]

**MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - SOUTH DAKOTA  
CALCULATION OF METERING CHARGES  
RATE 95  
JUNE 2006**

**Metering Charge for Single Phase Service**

Estimated Cost of a Single Phase Meter Including Installation and Testing	\$90.00
Annual Carrying Cost Rate for Capital	<u>12.760%</u>
Annual Carrying Cost Per Meter	\$11.48
Annual O&M Expense Per Single Phase Meter (\$0.64*12)	<u>7.68</u>
Total Annual Cost of Meter	<u>\$19.16</u>
Monthly Customer Charge	<u>\$1.60</u>

**Metering Charge for Three Phase Service**

Estimated Cost of a Three Phase Meter Including Installation and Testing	\$415.00
Annual Carrying Cost Rate for Capital	<u>12.760%</u>
Annual Carrying Cost Per Meter	\$52.95
Annual O&M Expense Per Three Phase Meter (\$1.46*12)	<u>17.52</u>
Total Annual Cost of Meter	<u>\$70.47</u>
Monthly Customer Charge	<u>\$5.87</u>

**MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - SOUTH DAKOTA  
CALCULATION OF METERING CHARGES  
RATE 96  
JUNE 2006**

**Metering Charge for Single Phase Service**

Estimated Cost of a Single Phase TOD Demand Meter Including Installation and Testing	\$319.00
Annual Carrying Cost Rate for Capital 1/	<u>14.760%</u>
Annual Carrying Cost Per Meter	\$47.08
Annual O&M Expense Per Single Phase TOD Meter (\$0.64*12*3) 2/	<u>23.04</u>
Total Annual Cost of Meter	<u>\$70.12</u>
Monthly Customer Charge	<u><u>\$5.84</u></u>

**Metering Charge for Three Phase Service**

Estimated Cost of a Three Phase TOD Demand Meter Including Installation and Testing	\$468.00
Annual Carrying Cost Rate for Capital 1/	<u>14.760%</u>
Annual Carrying Cost Per Meter	\$69.08
Annual O&M Expense Per Three Phase TOD Meter (\$1.46*12*3) 2/	<u>52.56</u>
Total Annual Cost of Meter	<u>\$121.64</u>
Monthly Customer Charge	<u><u>\$10.14</u></u>

- 1/ Per Malcolm R. Ketchum's testimony (Appendices C and D), for an EPRI rate design study, topic 5, task force 5, it was indicated that the annual carrying cost for an electric TOD meter is 3% higher than a conventional meter. Montana-Dakota used 2%.
- 2/ Per Malcolm R. Ketchum's testimony (Appendices C and D), for an EPRI rate design study, topic 5, task force 5, it was indicated that the O&M for an electric TOD meter will be three times greater than a conventional meter.

Report of Tariff Schedule Change

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

<u>Section No.</u>	<u>Class of Service</u>	<u>New Sheet No.</u>
3	Occasional Power Purchase Rate 95	28
3	Short-Term Power Purchase Rate 96	29 - 29.1
3	Long-Term Power Purchase Rate 97	30 - 30.1

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

Reason for Change Reflect updated metering costs and avoided energy costs

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  
 Vice President - Regulatory Affairs  
 (Name and Title)

**DATA REQUIREMENTS**  
**PURSUANT TO DOCKET NO. F-3563**

1. Background

The currently effective Rates 95, 96 and 97 were filed on June 2, 2003, and were approved by the Commission on July 14, 2003. The energy payments currently on file for these rates were generated by Montana-Dakota's production costing model (ProSym) for the 12 months ending June 30, 2004. The capacity payments in effect for Rates 96 and 97 are based on the Mid-Continent Area Power Pool (MAPP) purchase prices under which Montana-Dakota may purchase capacity in six-month increments which themselves are based on combustion turbine and base load generation costs. The current monthly capacity payment for Rate 96 reflects a MAPP Schedule J purchase price. The current monthly capacity payment for Rate 97 reflects a MAPP Schedule B purchase price. In addition, in accordance with the Commission's Decision and Order (F-3365), the currently effective rate schedules reflect the fact that no capacity payments will be made until capacity can actually be shown to be avoided.

After reviewing the metering charges and energy and capacity payments currently on file for Rates 95, 96 and 97, Montana-Dakota believes that these rate schedules need to be updated to reflect the projected metering costs and the avoided energy and capacity costs for the test year of July 1, 2006 through June 30, 2007. The methodology used in developing the proposed energy payments is identical to that used in developing the currently effective rates. The proposed capacity payments for Rates 96 and 97 are reflective of the Company's projected costs of an installed peaking facility and baseload generating unit, respectively. The meter charges filed reflect updated meter costs and carrying charges.

2. Explanation

A. The proposed rate changes affect all classes of cogeneration and small power production service; however, there are no customers presently on any of Montana-Dakota's cogeneration or small power production rates in South Dakota.

B. The proposed tariff sheets are:

Volume 1, 11th Revised Sheet No. 1  
Table of Contents

Section No. 3, 21st Revised Sheet No. 28  
Occasional Power Purchase Non-Time Differentiated Rate 95

Section No. 3, 21st Revised Sheet No. 29 and 14th Revised Sheet No. 29.1  
Short-Term Power Purchase Time Differentiated Rate 96

Section No. 3, 21st Revised Sheet No. 30 and 15th Revised Sheet No. 30.1  
Long-Term Power Purchase Time Differentiated Rate 97

- C. The proposed rate changes apply to cogeneration and small power production services with a design capacity of 100 Kw or less, that are Qualifying Facilities as defined under 18 CFR, Part 292.
- D. The affected tariffs are applicable to all areas served 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 applicable since no customers are presently served on Rates 95, 96 or 97.

4. Precedential Effect

None.

**On June 5, 2006 Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., filed with the South Dakota Public Utilities Commission revised Rates 95, 96 & 97 which affect Montana-Dakota Utilities Co.'s Cogeneration electric customers in South Dakota. The revised rates and South Dakota rules and regulations are available in this office for inspection. Please inquire at cashier's desk.**