



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

June 4, 2010

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

Re: Docket No. EL10-_____
2010-2011 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 methodology used to develop the proposed energy and capacity payments is consistent with the approved avoided cost rate tariffs. 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 2010 through June 2011. The proposed energy payments under Rates 95, 96 and 97 reflect a decrease in the energy payment per Kwh attributable to changing market conditions related to the Company's participation in the Midwest Independent System Operator (MISO) market and the recent addition of wind generation in this region. Traditionally, Montana-Dakota's marginal cost of energy reflected higher marginal costs in the Company's on-peak hours as compared to the marginal costs produced in the off-peak hours. The higher marginal energy costs represented costs to be incurred in time periods of increased customer demand and the use of gas-fired combustion turbines (with higher production costs) or in recent years higher MISO energy prices. Conversely, the off-peak lambdas represented time periods with decreased customer demand met by lower cost coal fired baseload generation.

The proposed energy payment, as shown in Attachment A, page 1, reflects a shift in the determining driver of the Company's marginal costs. Recently, Montana-Dakota has

been able to purchase energy from the MISO market at prices lower than the production costs of the Company's combustion turbines. Therefore, the marginal cost of energy during the Company's on-peak hours has recently moved more toward the MISO purchase prices which are currently lower than the energy cost of a combustion turbine. A second contributing factor to this shift is the recent addition of wind generation in this region, which is a "price taker" generation source, during the Company's off-peak hours. The additional wind generation accompanied by reduced customer demand during the Company's off-peak hours results in the Company's baseload units operating at or close to minimum loads, where these units are least efficient and the produced energy cost is higher. These changing dynamics can result in the off-peak marginal cost at times exceeding the on-peak marginal costs as shown in the months of July and August 2010 of Attachment A, page 1.

Given the changes in energy pricing described above, Montana-Dakota is also requesting a revision to the Company's Short Term Power Purchase Time Differentiated Rate 96 and Long Term Power Purchase Time Differentiated Rate 97 tariffs to remove the time of day provision with respect to the energy payment. The current tariff provides for an on- and off-peak energy payment with the on-peak hours defined as those hours between 12 p.m. and 8 p.m. Monday through Friday in the months of June through September. All remaining hours are defined as off-peak hours. Given the narrowing of the differential between the on-peak and off-peak energy prices, the Company believes at this time a time differentiated provision for the energy payment is no longer warranted. Montana-Dakota currently has no customers taking service under Rate 96 and 97.

The proposed capacity payments for Rate 96 and 97 are the projected costs of an installed peaking facility and baseload unit respectively. The data used to support the proposed energy and capacity payments is included as Attachment A.

Montana-Dakota has reviewed the metering charges applicable under Rates 95, 96 and 97 and has determined no changes in the monthly charge are necessary in this annual update.

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), Montana-Dakota currently has one customer taking service under Rate 95 in South Dakota. The proposed annual change in revenue, assuming the same customer load and generation as the past twelve months, would be diminutive. Included as Attachment B is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26. Also included as Attachment C 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 D 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
Associate 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,



Tamie A. Aberle
Pricing & Tariff Manager

Attachment

SHORT-TERM POWER PURCHASE Rate 96

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 and capable of providing capacity and energy.

RATE:

Metering charge for single phase service \$5.40 per month
 Metering charge for three phase service \$7.10 per month

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

2.494¢ per Kwh

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 = \$7.887 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:

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

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.

(Continued)

(Continued)

Page 2 of 2

SHORT-TERM POWER PURCHASE Rate 96

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 4, 2010
Docket No.

Effective Date: _____

Issued By: Tamie A. Aberle - Pricing & Tariff Manager

Tariffs Reflecting Proposed Changes

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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 \$1.80 per month
 Metering charge for three phase service \$5.20 per month

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

2.7952.494¢ 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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Date Filed: _____ Effective Date: _____
 Docket No. _____

Issued By: Tamie A. Aberle - Pricing & Tariff Manager

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- and capable of providing capacity and energy.

RATE:

Metering charge for single phase service \$5.40 per month
 Metering charge for three phase service \$7.10 per month

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

2.494¢ per Kwh

ON-PEAK

OFF-PEAK

~~3.805¢ per Kwh~~

~~2.723¢ 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 = ~~\$8.0237.887~~ 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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Date Filed: _____ Effective Date: _____
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(Continued)

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SHORT-TERM POWER PURCHASE Rate 96
TIME DIFFERENTIATED

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

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.
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: _____ Effective Date: _____
 Docket No. _____

Issued By: Tamie A. Aberle - Pricing & Tariff Manager

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- and capable of providing capacity and energy.

RATE:

Metering charge for single phase service \$5.40 per month
 Metering charge for three phase service \$7.10 per month

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

	<u>2.494¢ per Kwh</u>	
<u>ON-PEAK</u>		<u>OFF-PEAK</u>
3.805¢ per Kwh		2.723¢ 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 = ~~\$25.50~~24.918 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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(Continued)

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LONG-TERM POWER PURCHASE Rate 97

TIME-DIFFERENTIATED

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

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 and 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 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.

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Montana-Dakota Utilities Co.

South Dakota Lambda and Capacity Costs
July 2010 through June 2011

Month	Year	Lambda		Total \$/MWh
		On-Peak \$/MWh	Off-Peak \$/MWh	
July	2010	\$21.94	\$23.66	\$23.25
August	2010	21.45	22.85	22.52
September	2010	26.26	23.89	24.47
October	2010		23.64	23.64
November	2010		24.36	24.36
December	2010		30.57	30.57
January	2011		27.91	27.91
February	2011		30.04	30.04
March	2011		23.36	23.36
April	2011		23.29	23.29
May	2011		22.39	22.39
June	2011	25.93	22.60	23.42
Average		\$23.90	\$24.88	\$24.94

Rate 96 Monthly Capacity Payments:
\$7.887 \$/kW-Month
[Cost of an installed peaking combustion turbine]

Rate 97 Monthly Capacity Payments:
\$24.918 \$/kW-Month
[Cost of an installed baseload unit]

Montana-Dakota Utilities Co.

**South Dakota Capacity
July 2010 through June 2011**

Rate 96

Monthly Capacity Payments: \$7.887 \$/kW-Month Cost of an installed peaking combustion turbine

Capital cost of combustion turbine \$750
Escalation rate 4%
Levelized Fixed Charge 12.134%

Rate 96 Capacity Payment formula: = $\$750 \times (1.04) \times .12134 / 12$

Rate 97

Monthly Capacity Payments: \$24.918 \$/kW-Month Cost of an installed baseload unit

Capital cost of installed baseload unit \$2,560
Escalation rate 4%
Levelized Fixed Charge 11.231%

Rate 96 Capacity Payment formula: = $\$2,560 \times (1.04) \times .11231 / 12$

Computation of Levelized Fixed Charges -- Page 1 of 3

Date & Time: Wed May 5 14:30:00 2010

Levelized Fixed Charged Rate for the CT (25-yr BL) and Baseload Unit (33-yr BL)
Book Life = 25 years

Basic assumptions used in this study are shown below:
Conventional bond financing is used.

Weighted cost of capital

Debt	0.03450	
PFD	0.00000	
Common	0.04650	
Composite	0.06786	(at 38.10% tax rate)

Capitalization Ratios

Long term debt	=	50.00 %
Preferred stock	=	0.00 %
Common stock	=	50.00 %

Interest rates

Bonds	=	6.90 %
Preferred stock	=	0.00 %
Common stock	=	9.30 %

Tax rates

Income taxes	=	38.10 %	
Deferred federal income tax	=	35.00 %	
Investment credit	=	0.00 %	Amortized over 0 years

Book life = 25 years Tax life = 20 years
Depreciation method used for tax purposes is TABLE-87
Deferred federal income tax reflects normalization
Salvage value = 0.0 %
General tax rate = 1.15 % on gross plant
Insurance and O&M = 0.00 % on gross plant

The results obtained based on the foregoing assumptions are as follows:

Sum of P.W. values	Capital recovery factor	Levelized fixed charge
128.434	0.09448	12.134
Levelized income tax	Levelized return on capital	
1.795	5.186	

Computation of Levelized Fixed Charges -- Page 2 of 3
 Date & Time: Wed May 5 14:30:00 2010

Year	Supporting Charges			Book Deprectn	General Taxes	O&M and Insurance	Income Tax & Revenue Adj. - Net	Total Charges	Present Worth Factor	Present Worth Value	Accum. PW Value
	Debt	Preferred	Common								
1	3.4500	0.0000	4.6500	4.0000	1.1540	0.0000	2.8746	16.1286	0.9251	14.9201	14.9201
2	3.3150	0.0000	4.4681	4.0000	1.1540	0.0000	2.5889	15.5260	0.8558	13.2864	28.2065
3	3.1381	0.0000	4.2297	4.0000	1.1540	0.0000	2.4693	14.9912	0.7916	11.8675	40.0740
4	2.9678	0.0000	4.0001	4.0000	1.1540	0.0000	2.3531	14.4750	0.7323	10.6003	50.6743
5	2.8035	0.0000	3.7787	4.0000	1.1540	0.0000	2.2400	13.9762	0.6774	9.4681	60.1424
6	2.6449	0.0000	3.5648	4.0000	1.1540	0.0000	2.1298	13.4935	0.6267	8.4561	68.5984
7	2.4913	0.0000	3.3579	4.0000	1.1540	0.0000	2.0223	13.0256	0.5797	7.5512	76.1497
8	2.3426	0.0000	3.1574	4.0000	1.1540	0.0000	1.9173	12.5713	0.5363	6.7418	82.8915
9	2.1983	0.0000	2.9629	4.0000	1.1540	0.0000	1.8006	12.1158	0.4961	6.0107	88.9021
10	2.0547	0.0000	2.7694	4.0000	1.1540	0.0000	1.6815	11.6596	0.4589	5.3509	94.2530
11	1.9112	0.0000	2.5759	4.0000	1.1540	0.0000	1.5624	11.2034	0.4245	4.7563	99.0093
12	1.7676	0.0000	2.3824	4.0000	1.1540	0.0000	1.4432	10.7472	0.3927	4.2207	103.2300
13	1.6240	0.0000	2.1889	4.0000	1.1540	0.0000	1.3241	10.2910	0.3633	3.7387	106.9688
14	1.4804	0.0000	1.9953	4.0000	1.1540	0.0000	1.2050	9.8348	0.3361	3.3053	110.2740
15	1.3368	0.0000	1.8018	4.0000	1.1540	0.0000	1.0859	9.3786	0.3109	2.9158	113.1898
16	1.1933	0.0000	1.6083	4.0000	1.1540	0.0000	0.9668	8.9224	0.2876	2.5661	115.7558
17	1.0497	0.0000	1.4148	4.0000	1.1540	0.0000	0.8477	8.4661	0.2660	2.2524	118.0082
18	0.9061	0.0000	1.2213	4.0000	1.1540	0.0000	0.7286	8.0099	0.2461	1.9714	119.9796
19	0.7625	0.0000	1.0277	4.0000	1.1540	0.0000	0.6095	7.5537	0.2277	1.7198	121.6994
20	0.6189	0.0000	0.8342	4.0000	1.1540	0.0000	0.4903	7.0975	0.2106	1.4948	123.1942
21	0.4754	0.0000	0.6407	4.0000	1.1540	0.0000	0.4833	6.7534	0.1948	1.3158	124.5100
22	0.3588	0.0000	0.4836	4.0000	1.1540	0.0000	0.4980	6.4944	0.1802	1.1705	125.6805
23	0.2691	0.0000	0.3627	4.0000	1.1540	0.0000	0.4236	6.2094	0.1667	1.0353	126.7158
24	0.1794	0.0000	0.2418	4.0000	1.1540	0.0000	0.3492	5.9244	0.1542	0.9137	127.6295
25	0.0897	0.0000	0.1209	4.0000	1.1540	0.0000	0.2747	5.6394	0.1427	0.8046	128.4342

Computation of Levelized Fixed Charges -- Page 3 of 3
 Date & Time: Wed May 5 14:30:00 2010

	Gross Income Tax	Rev. Adjmts. Flow-thru Accel.Dep	Due to Investmt Tax Crdt	Deferred Federal Income Tx	Current Income Tx Liability	Net Income Tax & Rev. Adjustmnts	Tax Depreciation ----- Accel. Normal	Amortized Investmnt Tax Crdt.	Net Investmnt	Yearly LFCR
1	2.8621	0.0000	0.0000	-0.0875	2.9621	2.8746	3.7500 5.0000	0.0000	100.0000	16.1286
2	2.7501	0.0000	0.0000	1.1266	1.4623	2.5889	7.2190 5.0000	0.0000	96.0875	15.8391
3	2.6034	0.0000	0.0000	0.9369	1.5324	2.4693	6.6770 5.0000	0.0000	90.9609	15.5781
4	2.4621	0.0000	0.0000	0.7620	1.5911	2.3531	6.1770 5.0000	0.0000	86.0239	15.3337
5	2.3258	0.0000	0.0000	0.5995	1.6405	2.2400	5.7130 5.0000	0.0000	81.2620	15.1028
6	2.1942	0.0000	0.0000	0.4497	1.6801	2.1298	5.2850 5.0000	0.0000	76.6624	14.8839
7	2.0668	0.0000	0.0000	0.3108	1.7115	2.0223	4.8880 5.0000	0.0000	72.2127	14.6763
8	1.9434	0.0000	0.0000	0.1827	1.7346	1.9173	4.5220 5.0000	0.0000	67.9019	14.4791
9	1.8237	0.0000	0.0000	0.1617	1.6389	1.8006	4.4620 5.0000	0.0000	63.7192	14.2907
10	1.7046	0.0000	0.0000	0.1617	1.5198	1.6815	4.4620 5.0000	0.0000	59.5575	14.1099
11	1.5855	0.0000	0.0000	0.1617	1.4007	1.5624	4.4620 5.0000	0.0000	55.3958	13.9362
12	1.4664	0.0000	0.0000	0.1617	1.2815	1.4432	4.4620 5.0000	0.0000	51.2341	13.7692
13	1.3473	0.0000	0.0000	0.1617	1.1624	1.3241	4.4620 5.0000	0.0000	47.0723	13.6084
14	1.2282	0.0000	0.0000	0.1617	1.0433	1.2050	4.4620 5.0000	0.0000	42.9106	13.4537
15	1.1090	0.0000	0.0000	0.1617	0.9242	1.0859	4.4620 5.0000	0.0000	38.7489	13.3048
16	0.9899	0.0000	0.0000	0.1617	0.8051	0.9668	4.4620 5.0000	0.0000	34.5872	13.1615
17	0.8708	0.0000	0.0000	0.1617	0.6860	0.8477	4.4620 5.0000	0.0000	30.4255	13.0236
18	0.7517	0.0000	0.0000	0.1617	0.5669	0.7286	4.4620 5.0000	0.0000	26.2638	12.8910
19	0.6326	0.0000	0.0000	0.1617	0.4478	0.6095	4.4620 5.0000	0.0000	22.1021	12.7636
20	0.5135	0.0000	0.0000	0.1617	0.3286	0.4903	4.4620 5.0000	0.0000	17.9404	12.6411
21	0.3944	0.0000	0.0000	-0.6216	1.1049	0.4833	2.2240 0.0000	0.0000	13.7787	12.5257
22	0.2977	0.0000	0.0000	-1.4000	1.8980	0.4980	0.0000 0.0000	0.0000	10.4003	12.4183
23	0.2233	0.0000	0.0000	-1.4000	1.8236	0.4236	0.0000 0.0000	0.0000	7.8003	12.3177
24	0.1488	0.0000	0.0000	-1.4000	1.7492	0.3492	0.0000 0.0000	0.0000	5.2003	12.2232
25	0.0744	0.0000	0.0000	-1.4000	1.6747	0.2747	0.0000 0.0000	0.0000	2.6003	12.1345

Levelized Fixed Charged Rate for the CT (25-yr BL) and Baseload Unit (33-yr BL)
Book Life = 33 years

Basic assumptions used in this study are shown below:
Conventional bond financing is used.

Weighted cost of capital

Debt	0.03450	
PFD	0.00000	
Common	0.04650	
Composite		0.06786 (at 38.10% tax rate)

Capitalization Ratios

Long term debt	=	50.00 %
Preferred stock	=	0.00 %
Common stock	=	50.00 %

Interest rates

Bonds	=	6.90 %
Preferred stock	=	0.00 %
Common stock	=	9.30 %

Tax rates

Income taxes	=	38.10 %	
Deferred federal income tax	=	35.00 %	
Investment credit	=	0.00 %	Amortized over 0 years

Book life = 33 years Tax life = 20 years
Depreciation method used for tax purposes is TABLE-87
Deferred federal income tax reflects normalization
Salvage value = 0.0 %
General tax rate = 1.15 % on gross plant
Insurance and O&M = 0.00 % on gross plant

The results obtained based on the foregoing assumptions are as follows:

Sum of P.W. values	Capital recovery factor	Levelized fixed charge
128.050	0.08771	11.231
Levelized income tax	Levelized return on capital	
1.789	5.258	

Computation of Levelized Fixed Charges -- Page 2 of 3
 Date & Time: Wed May 5 14:30:00 2010

Year	Supporting Charges			Book Depreictn	General Taxes	O&M and Insurance	Income Tax & Revenue Adj. - Net	Total Charges	Present Worth Factor	Present Worth Value	Accum. PW Value
	Debt	Preferred	Common								
1	3.4500	0.0000	4.6500	3.0303	1.1540	0.0000	2.8261	15.1104	0.9251	13.9781	13.9781
2	3.3368	0.0000	4.4974	3.0303	1.1540	0.0000	2.5584	14.5768	0.8558	12.4742	26.4523
3	3.1816	0.0000	4.2883	3.0303	1.1540	0.0000	2.4569	14.1111	0.7916	11.1708	37.6231
4	3.0331	0.0000	4.0880	3.0303	1.1540	0.0000	2.3586	13.6640	0.7323	10.0064	47.6295
5	2.8905	0.0000	3.8959	3.0303	1.1540	0.0000	2.2636	13.2344	0.6774	8.9655	56.5950
6	2.7536	0.0000	3.7113	3.0303	1.1540	0.0000	2.1715	12.8207	0.6267	8.0345	64.6294
7	2.6218	0.0000	3.5337	3.0303	1.1540	0.0000	2.0820	12.4219	0.5797	7.2012	71.8307
8	2.4948	0.0000	3.3626	3.0303	1.1540	0.0000	1.9950	12.0367	0.5363	6.4551	78.2858
9	2.3723	0.0000	3.1974	3.0303	1.1540	0.0000	1.8963	11.6503	0.4961	5.7797	84.0655
10	2.2504	0.0000	3.0332	3.0303	1.1540	0.0000	1.7953	11.2632	0.4589	5.1690	89.2345
11	2.1286	0.0000	2.8690	3.0303	1.1540	0.0000	1.6942	10.8761	0.4245	4.6173	93.8518
12	2.0068	0.0000	2.7048	3.0303	1.1540	0.0000	1.5931	10.4890	0.3927	4.1193	97.9711
13	1.8849	0.0000	2.5406	3.0303	1.1540	0.0000	1.4920	10.1019	0.3633	3.6700	101.6412
14	1.7631	0.0000	2.3764	3.0303	1.1540	0.0000	1.3910	9.7147	0.3361	3.2649	104.9061
15	1.6413	0.0000	2.2122	3.0303	1.1540	0.0000	1.2899	9.3276	0.3109	2.8999	107.8060
16	1.5194	0.0000	2.0479	3.0303	1.1540	0.0000	1.1888	8.9405	0.2876	2.5713	110.3773
17	1.3976	0.0000	1.8837	3.0303	1.1540	0.0000	1.0878	8.5534	0.2660	2.2756	112.6529
18	1.2758	0.0000	1.7195	3.0303	1.1540	0.0000	0.9867	8.1663	0.2461	2.0098	114.6628
19	1.1539	0.0000	1.5553	3.0303	1.1540	0.0000	0.8856	7.7792	0.2277	1.7711	116.4339
20	1.0321	0.0000	1.3911	3.0303	1.1540	0.0000	0.7845	7.3921	0.2106	1.5569	117.9907
21	0.9103	0.0000	1.2269	3.0303	1.1540	0.0000	0.7955	7.1170	0.1948	1.3866	119.3773
22	0.8155	0.0000	1.0991	3.0303	1.1540	0.0000	0.8283	6.9271	0.1802	1.2485	120.6259
23	0.7475	0.0000	1.0075	3.0303	1.1540	0.0000	0.7719	6.7112	0.1667	1.1190	121.7448
24	0.6796	0.0000	0.9159	3.0303	1.1540	0.0000	0.7155	6.4953	0.1542	1.0018	122.7466
25	0.6116	0.0000	0.8243	3.0303	1.1540	0.0000	0.6591	6.2794	0.1427	0.8959	123.6425
26	0.5436	0.0000	0.7327	3.0303	1.1540	0.0000	0.6028	6.0635	0.1320	0.8003	124.4428
27	0.4757	0.0000	0.6412	3.0303	1.1540	0.0000	0.5464	5.8475	0.1221	0.7140	125.1568
28	0.4077	0.0000	0.5496	3.0303	1.1540	0.0000	0.4900	5.6316	0.1129	0.6361	125.7929
29	0.3398	0.0000	0.4580	3.0303	1.1540	0.0000	0.4336	5.4157	0.1045	0.5659	126.3587
30	0.2718	0.0000	0.3664	3.0303	1.1540	0.0000	0.3773	5.1998	0.0967	0.5026	126.8613
31	0.2039	0.0000	0.2748	3.0303	1.1540	0.0000	0.3209	4.9839	0.0894	0.4456	127.3070
32	0.1359	0.0000	0.1832	3.0303	1.1540	0.0000	0.2645	4.7679	0.0827	0.3944	127.7013
33	0.0680	0.0000	0.0916	3.0303	1.1540	0.0000	0.2081	4.5520	0.0765	0.3483	128.0496

Computation of Levelized Fixed Charges -- Page 3 of 3
 Date & Time: Wed May 5 14:30:00 2010

	Gross Income Tax	Rev. Adjmts. Flow-thru Accel.Dep	Due to Investmt Tax Crdt	Deferred Federal Income Tx	Current Income Tx Liability	Net Income Tax & Rev. Adjustmnts	Tax Depreciation ----- Accel. Normal		Amortized Investmnt Tax Crdt.	Net Investmnt	Yearly LFCR
1	2.8621	0.0000	0.0000	0.2519	2.5742	2.8261	3.7500	5.0000	0.0000	100.0000	15.1104
2	2.7682	0.0000	0.0000	1.4660	1.0924	2.5584	7.2190	5.0000	0.0000	96.7178	14.8540
3	2.6395	0.0000	0.0000	1.2763	1.1805	2.4569	6.6770	5.0000	0.0000	92.2215	14.6254
4	2.5162	0.0000	0.0000	1.1013	1.2573	2.3586	6.1770	5.0000	0.0000	87.9148	14.4124
5	2.3980	0.0000	0.0000	0.9389	1.3247	2.2636	5.7130	5.0000	0.0000	83.7832	14.2120
6	2.2844	0.0000	0.0000	0.7891	1.3823	2.1715	5.2850	5.0000	0.0000	79.8139	14.0228
7	2.1751	0.0000	0.0000	0.6502	1.4318	2.0820	4.8880	5.0000	0.0000	75.9945	13.8439
8	2.0697	0.0000	0.0000	0.5221	1.4729	1.9950	4.5220	5.0000	0.0000	72.3140	13.6746
9	1.9680	0.0000	0.0000	0.5011	1.3952	1.8963	4.4620	5.0000	0.0000	68.7616	13.5132
10	1.8670	0.0000	0.0000	0.5011	1.2942	1.7953	4.4620	5.0000	0.0000	65.2302	13.3586
11	1.7659	0.0000	0.0000	0.5011	1.1931	1.6942	4.4620	5.0000	0.0000	61.6988	13.2103
12	1.6648	0.0000	0.0000	0.5011	1.0920	1.5931	4.4620	5.0000	0.0000	58.1674	13.0677
13	1.5637	0.0000	0.0000	0.5011	0.9910	1.4920	4.4620	5.0000	0.0000	54.6360	12.9306
14	1.4627	0.0000	0.0000	0.5011	0.8899	1.3910	4.4620	5.0000	0.0000	51.1046	12.7988
15	1.3616	0.0000	0.0000	0.5011	0.7888	1.2899	4.4620	5.0000	0.0000	47.5732	12.6719
16	1.2605	0.0000	0.0000	0.5011	0.6877	1.1888	4.4620	5.0000	0.0000	44.0418	12.5499
17	1.1595	0.0000	0.0000	0.5011	0.5867	1.0878	4.4620	5.0000	0.0000	40.5104	12.4326
18	1.0584	0.0000	0.0000	0.5011	0.4856	0.9867	4.4620	5.0000	0.0000	36.9790	12.3198
19	0.9573	0.0000	0.0000	0.5011	0.3845	0.8856	4.4620	5.0000	0.0000	33.4476	12.2113
20	0.8562	0.0000	0.0000	0.5011	0.2834	0.7845	4.4620	5.0000	0.0000	29.9162	12.1072
21	0.7552	0.0000	0.0000	-0.2822	1.0777	0.7955	2.2240	0.0000	0.0000	26.3848	12.0094
22	0.6765	0.0000	0.0000	-1.0606	1.8889	0.8283	0.0000	0.0000	0.0000	23.6367	11.9189
23	0.6201	0.0000	0.0000	-1.0606	1.8325	0.7719	0.0000	0.0000	0.0000	21.6670	11.8345
24	0.5638	0.0000	0.0000	-1.0606	1.7761	0.7155	0.0000	0.0000	0.0000	19.6973	11.7556
25	0.5074	0.0000	0.0000	-1.0606	1.7198	0.6591	0.0000	0.0000	0.0000	17.7276	11.6818
26	0.4510	0.0000	0.0000	-1.0606	1.6634	0.6028	0.0000	0.0000	0.0000	15.7579	11.6126
27	0.3946	0.0000	0.0000	-1.0606	1.6070	0.5464	0.0000	0.0000	0.0000	13.7882	11.5476
28	0.3383	0.0000	0.0000	-1.0606	1.5506	0.4900	0.0000	0.0000	0.0000	11.8185	11.4866
29	0.2819	0.0000	0.0000	-1.0606	1.4943	0.4336	0.0000	0.0000	0.0000	9.8488	11.4292
30	0.2255	0.0000	0.0000	-1.0606	1.4379	0.3773	0.0000	0.0000	0.0000	7.8791	11.3753
31	0.1691	0.0000	0.0000	-1.0606	1.3815	0.3209	0.0000	0.0000	0.0000	5.9094	11.3244
32	0.1128	0.0000	0.0000	-1.0606	1.3251	0.2645	0.0000	0.0000	0.0000	3.9397	11.2765
33	0.0564	0.0000	0.0000	-1.0606	1.2688	0.2081	0.0000	0.0000	0.0000	1.9700	11.2314

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.
1	Table of Contents	12th Revised Sheet No. 1
3	Occasional Power Purchase Rate 95	24 th Revised Sheet No. 28
3	Short-Term Power Purchase Rate 96	25 th Revised Sheet No. 29
3	Short-Term Power Purchase Rate 96	15 th Revised Sheet No. 29.1
3	Long-Term Power Purchase Rate 97	25 th Revised Sheet No. 30
3	Long-Term Power Purchase Rate 97	16 th Revised Sheet No. 30

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

Reason for Change Reflect updated avoided energy and capacity costs

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

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	1	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: Tamie A. Aberle
 Pricing & Tariff Manager
 (Name and Title)

DATA REQUIREMENTS
PURSUANT TO DOCKET NO. F-3563

1. Background

The currently effective Rates 95, 96 and 97 were filed on July 1, 2009, and were approved by the Commission on August 19, 2009. The energy payments currently on file for these rates were generated by Montana-Dakota's production costing model (ProSym) for the twelve months ending June 30, 2010. The capacity payments in effect for Rates 96 and 97 are based on the projected costs of an installed peaking facility and baseload unit, respectively. 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 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 avoided energy and capacity costs for the test year of July 1, 2010 through June 30, 2011. The methodology used in developing the proposed energy payments is identical to that used in developing the currently effective rates.

2. Explanation

A. The proposed rate changes affect all classes of cogeneration and small power production service. Montana-Dakota currently has one customer on Occasional Power Purchase Rate 95 Non-Time Differentiated in South Dakota.

B. The proposed tariff sheets are:

Volume No. 1, 12th Revised Sheet No. 1
Table of Contents

Section No. 3, 24th Revised Sheet No. 28
Occasional Power Purchase Non-Time Differentiated Rate 95

Section No. 3, 25th Revised Sheet No. 29
Short-Term Power Purchase Time Differentiated Rate 96

Section No. 3, 15th Revised Sheet No. 29.1
Short-Term Power Purchase Time Differentiated Rate 96

Section No. 3, 25th Revised Sheet No. 30
Long-Term Power Purchase Time Differentiated Rate 97

Section No. 3, 16th 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

The proposed change to customers would be diminutive.

4. Precedential Effect

None.

**On June 4, 2010 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.**