Data Request 5 through 9

5. Considering BHP's increased cost of coal, has BHP conducted any analysis of alternative sources of coal or power? If so, please describe the result of that analysis.

RESPONSE: We have conducted an analysis of utilizing a train facility to bring in coal from other mines. This analysis assumed significant capital costs to be incurred to build a train load-in area, supporting infrastructure for those facilities and the operating and maintenance costs associated with a 24 hours train facility. Based on this analysis, our Statement R coal costs are a better deal for customers. In addition, by using a train loan-in facility and another coal mine, this introduces market conditions that can dramatically swing the price of coal based on current market conditions including the cost of train transportation. There are additional benefits of having a life of generation unit coal contract for the utility since the life of the plant can be longer or shorter depending on factors outside the control of the utility. This allows the utility to operate the coal generation units in the most cost effective manner without the concern of canceling a coal contract or having to extend a coal contract in bad market times. The mine mouth generation has the added benefit of allowing the utility to not need stockpile coal and therefore this benefit is passed along to customers. Another benefit of having the coal mine next to the generation unit is the ability to help adjust the blend of the coal that is burned in the units quickly since the mine can make some changes to the blending of the top and bottom seam coal that have different sulfur content.

a. As for looking for other sources of power, we are purchasing as much economic energy as we can to help reduce this cost to our customers. We are in the process of performing an additional study to shut down the Ben French generation unit in light of the cheap purchase power on the market at this point in time. We haven't completed this study but we are trying to find other ways to lower our costs to customers.

6. In a recent press release by Black Hills Corp. concerning 2012 first quarter financial results, it was stated "The Coal Mining segment's unprofitable train load-out coal contract expired at year end. In addition, the mine received all necessary permits and approval for its revised mine plan. The revised plan will relocate mining operations to an area in the mine with lower overburden and shorter haul distances, reducing overall mining costs".
Please provide a description of the above mentioned mine plan, the expected effect on BHP's ECA in the future and the timing of that effect.

RESPONSE: The attachment shows a picture of what the new mining plan will be starting in 2012. This change in the mining plan can't begin overnight and there will be start-up time and equipment movement to deal with but we are hopeful there will be some benefit in 2012 as compared to the 2011 coal price and with a full year in 2013 a better improvement in the coal price is currently projected.

See Attached Map

7. Please explain the approximate 50% increase in Industrial Contract Service volumes as shown on proposed Sheet 17, item 14.

RESPONSE: The primary driver for the increase in this area is the prior year had a customer misclassified as Large General instead of Industrial.

8. Regarding Section 3C, proposed sheet 16, please explain why Power Marketing Transmission Costs (line 2) decreased approximately 16% and why Transmission Costs Reimbursed by Others (line 3) increased approximately 27% from last year's adjustment.

RESPONSE: The Power Marking Transmission Costs decreased primarily due to market conditions. The sales price per MWh were lower this year than last year so the ability to utilize the transmission system for Power Marketing wasn't a good as last year. The increase in Transmission costs Reimbursed by Others is due to the increase in the PacifiCorp transmission rates. These rates went into effect on January 1, 2012 and they are passed along to MDU in accordance with their contract. I would anticipate this to be much higher in next year's ECA filing.

9. Item 8 on page 3 of the application lists certain reasons for the increase in Fuel and Purchased Power Adjustment. If possible, please quantify the approximate financial impact each of the listed cost changes were responsible for. In other words, please provide a description/discussion of, and corresponding financial quantification of, the major cost changes that have occurred which result in the new higher Fuel and Purchased Power Adjustment.

RESPONSE: You are correct that it's difficult to correlate these impacts to certain financial terms but in general here are some numbers related to the cost impacts. The increase cost of purchase power related to the plant outages was approximately $500,000. The increase to coal costs was approx.. $6,000,000 from the Statement R price increase. This Statement R price increase was driven by approx.. diesel fuel increase of $2,000,000; clay parting removal of $1,000,000; and increased overburden costs for the remainder. The Statement R price increases are difficult to pin point since the cost of removing the overburden are spread over several cost categories such as labor, depreciation and mine reclamation liability expense.