



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

June 14, 2007

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

Re: Docket No. EL07-_____
2007-2008 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 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 2007 through June 2008. 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. The increase in the energy payments under Rates 95 and 96 is attributable to the fact that MISO market purchases are now the avoided resource for energy.

The proposed metering charges for Rates 95 and 96 reflect updated meter costs and carrying charges. The workpapers supporting the proposed meter charges are provided in Attachment B.

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. Also 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:

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
Assistant 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,


Donald R. Ball
Vice President – Regulatory Affairs

Attachment

	SD P.U.C	Section No.	3
	22 nd Revised	Sheet No.	28
Cancelling	21 st Revised	Sheet No.	28

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 \$ 1.75 per month
 Metering charge for three phase service \$ 5.70 per month

I
R

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

3.539¢ per Kwh

I

(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: June 14, 2007 **Effective Date:** _____
Docket No. _____

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 \$ 5.75 per month
 Metering charge for three phase service \$ 9.70 per month

R
R

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>
5.085¢ per Kwh	3.409¢ per Kwh

I

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. In 2007 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 11 to March 31 and October 28 to November 3.

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 = \$8.723 per Kw

I

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 14, 2007 **Effective Date:** _____
Docket No. _____

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	\$5.75 per month	R
Metering charge for three phase service	\$9.70 per month	R

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>
5.085¢ per Kwh	3.409¢ 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. In 2007 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 11 to March 31 and October 28 to November 3.

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 = \$19.911 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 14, 2007 **Effective Date:** _____
Docket No. _____

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

Tariffs Reflecting Proposed Changes

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 \$ ~~1,601.75~~ per month
 Metering charge for three phase service \$ ~~5,855.70~~ per month

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

1.8403.539¢ 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:** _____
Docket No. _____

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 \$ ~~5,855.75~~ per month
 Metering charge for three phase service \$ ~~10,159.70~~ 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>
2-0505.085¢ per Kwh	1-7993.409¢ 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. In 2007 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 11 to March 31 and October 28 to November 3.

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 = \$~~6,198.723~~ 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: _____ **Effective Date:** _____
Docket No. _____

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 \$ ~~5.855.75~~ per month
 Metering charge for three phase service \$ ~~10.159.70~~ 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 <u>5.085¢</u> per Kwh	1.799 <u>3.409¢</u> 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. In 2007 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 11 to March 31 and October 28 to November 3.

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~~ \$19.911 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: _____ **Effective Date:** _____
Docket No. _____

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

Montana-Dakota Utilities Co.
South Dakota Lambda
July 2007 - June 2008

		Lambda		
		On-Peak	Off-Peak	Total
<u>Month</u>		<u>\$/MWh</u>	<u>\$/MWh</u>	<u>\$/MWh</u>
July	2007	51.59	31.66	36.38
Aug.	2007	52.30	28.99	34.75
Sep.	2007	54.74	45.75	47.74
Oct.	2007	--	48.12	48.12
Nov.	2007	--	29.50	29.50
Dec.	2007	--	38.81	38.81
Jan.	2008	--	33.26	33.26
Feb.	2008	--	33.52	33.52
Mar.	2008	--	27.74	27.74
Apr.	2008	--	24.31	24.31
May	2008	--	35.83	35.83
June	2008	44.77	31.63	34.69
Average		50.85	34.09	35.39

Rate 96 Monthly Capacity Payments
\$8.723/kW-Month [Cost of installed peaking
combustion turbine]

Rate 97 Monthly Capacity Payments
\$19.911/kW-Month [Cost of installed baseload
unit]

**MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - SOUTH DAKOTA
CALCULATION OF METERING CHARGES
RATE 95
JUNE 2007**

Metering Charge for Single Phase Service

Estimated Cost of a Single Phase Meter Including Installation and Testing	\$106.00
Annual Carrying Cost Rate for Capital	<u>12.106%</u>
Annual Carrying Cost Per Meter	\$12.83
Annual O&M Expense Per Single Phase Meter (\$0.64*12)	<u>7.68</u>
Total Annual Cost of Meter	<u>\$20.51</u>
Monthly Customer Charge	<u>\$1.71</u>

Metering Charge for Three Phase Service

Estimated Cost of a Three Phase Meter Including Installation and Testing	\$417.00
Annual Carrying Cost Rate for Capital	<u>12.106%</u>
Annual Carrying Cost Per Meter	\$50.48
Annual O&M Expense Per Three Phase Meter (\$1.46*12)	<u>17.52</u>
Total Annual Cost of Meter	<u>\$68.00</u>
Monthly Customer Charge	<u>\$5.67</u>

**MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - SOUTH DAKOTA
CALCULATION OF METERING CHARGES
RATE 96
JUNE 2007**

Metering Charge for Single Phase Service

Estimated Cost of a Single Phase TOD Demand Meter Including Installation and Testing	\$323.00
Annual Carrying Cost Rate for Capital 1/	<u>14.106%</u>
Annual Carrying Cost Per Meter	\$45.56
Annual O&M Expense Per Single Phase TOD Meter (\$0.64*12*3) 2/	<u>23.04</u>
Total Annual Cost of Meter	<u><u>\$68.60</u></u>
Monthly Customer Charge	<u><u>\$5.72</u></u>

Metering Charge for Three Phase Service

Estimated Cost of a Three Phase TOD Demand Meter Including Installation and Testing	\$450.00
Annual Carrying Cost Rate for Capital 1/	<u>14.106%</u>
Annual Carrying Cost Per Meter	\$63.48
Annual O&M Expense Per Three Phase TOD Meter (\$1.46*12*3) 2/	<u>52.56</u>
Total Annual Cost of Meter	<u><u>\$116.04</u></u>
Monthly Customer Charge	<u><u>\$9.67</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
3	Long-Term Power Purchase Rate 97	30

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 5, 2006, and were approved by the Commission on August 24, 2006. 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, 2007. 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 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, 2007 through June 30, 2008. The methodology used in developing the proposed energy payments is identical to that used in developing the currently effective rates. 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:

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 14, 2007 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.**