DIVIDER

STATE OF NORTH DAKOTA
INFORMATION TECHNOLOGY DEPARTMENT
SFN 2053 (4-2002)

PU-399-03-296
Montana-Dakota Utilities Co., a Division of MDU Re
Electric Rate Increase
Application 03
Filed 5/30/2003 Closed 2/18/2004

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

DEC 15 2003
10-28-03

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

ORDER ON MOTION TO COMPEL

On May 30, 2002, Montana Dakota Utilities Co. (MDU) filed an application to increase its rates for electric utility service. On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session. On August 28, 2003, the Commission issued a Notice of Settlement and Notice of Intervention Deadline.

In the July 16 notice, the Commission states the issues to be considered in this matter. In the August 28 notice, the Commission states two "sub-issues" for the parties to address. One of those sub-issues stated is "[h]ow is the Commission assured that MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?"

On October 1, 2003, intervener Jim Roache filed written discovery requests or interrogatories seeking certain information from MDU (interrogatories 1-8). MDU responded to interrogatories 1,2,7, and 8 and objected to 3-6. On October 13, 2003, Mr. Roache filed a clarification of his discovery requests. On October 20, 2003, Roache filed a motion to compel responses to 3-6. On October 24, 2003, MDU filed a Brief in Response to Motion to Compel.

On October 23, 2003, the ALJ issued a Notice of Prehearing Conference to hear oral argument on the motion to compel. The conference was orally rescheduled and was held on October 28, 2003, at 8:00 a.m. Counsel for MDU, Mr. Kuntz, and Mr. Roache, as well as the

ALJ, were in attendance. The ALJ heard further argument of the parties in attendance. It is based on the motion and related filings by Roache, the brief of MDU and the oral argument of MDU and Mr. Roache, that the ALJ makes the following ruling.

To a large extent, it appears that Mr. Roache is on a fishing expedition, seeing the potential or possibility for improper conduct and activity related to insider dealings, multiple directorships, or dual management with affiliated companies. However, he did not present any bases for articulating his concerns about potential improper conduct and activity other than his suspicions and red flags he sees in the various information already provided by MDU. Mr. Roache has been provided with information relating to interrogatories 1,2,7, and 8, including information about affiliated companies doing business with MDU (#8). It should be noted that the Commission staff has apparently not seen fit to seek the information sought by Mr. Roache in Interrogatories 3-6. If the Commission staff deemed that information relevant and material to the issues, surely it would have requested it.

Mr. Kuntz did offer to provide statements from MDU officers stating that they are not in violation of MDU's Code of Conduct (conflict of interest policies). Mr. Roache says he is only interested in the role of top or key management and only their ties to businesses doing substantial business with MDU's utilities operations.

Accordingly, MDU shall provide to Roache statements from all of its key or top officers, *i.e.*, those making substantial business decisions regarding its utilities business, stating that they have complied with MDU's Code of Conduct and Code of Ethics. Further, MDU shall provide to Roache a list of all its top or key officers that are involved in direct or indirect dealing with MDU through any nonaffiliated firm, person or business doing or seeking to do business with MDU and that have disclosed such an involvement to MDU management. The list shall also

disclose the nature of the involvement and the person, firm or business doing or seeking to do business with MDU that was disclosed by the officer.

Dated at Bismarck, North Dakota this 28th day of October, 2003.

State of North Dakota
Public Service Commission

By: _____
Allen C. Hoberg
Administrative Law Judge
Commission Hearing Officer
Office of Administrative Hearings
1707 North 9th Street
Bismarck, ND 58501-1882
Telephone: (701) 328-3260

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the **ORDER ON MOTION TO COMPEL** were faxed, via facsimile, on the 28th day of October, 2003, to:

Mr. Daniel S. Kuntz
Zuger Kirmis & Smith
P.O. Box 1695
Bismarck, ND 58502
(701) 223-7387

Mr. Jon H. Mielke
Executive Secretary
Public Service Commission
600 E. Boulevard Avenue - Dept. 408
Bismarck, ND 58505-0480
(701) 328-2410

and that a true and correct copy of the above document was mailed, regular mail, on the 28th day of October, 2003, to:

Mr. Jim Roache
P.O. Box 564
Crosby, ND 58730

OFFICE OF ADMINISTRATIVE HEARINGS
Allen C. Hoberg, Administrative Law Judge

Lisa J. Carney

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **23rd day of October, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Order Approving Settlement

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501
Cert. No. 7002 2410 0003 4913 4101

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501
Cert. No. 7002 2030 0003 4913 4118

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695
Cert. No. 7002 2030 0003 4913 4125

Jim Roache
P O Box 564
Crosby ND 58730
Cert. No. 7002 2030 0003 4913 4132

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266
Cert. No. 7002 2030 0003 4913 4149

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **23rd day of October, 2003**.

Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

shandy@kwh.com
Scott Handy
Cass County Elec Coop Inc
P O Box 8
Kindred ND 58051

bschmidt@kwh.com
Brad Schmidt
Cass County Electric Coop
4100 32nd Ave SW
Fargo ND 58104

jason_gustafson@bobcat.com
Jason Gustafson
Melroe Company
P O Box 128
Gwinner ND 58040-0128

craig_scott@bobcat.com
Craig Scott
Melroe Company
P O Box 128
Gwinner ND 58040-0128

mbring@minnkota.com
Mark Bring
Minnkota Power Cooperative
Box 13200
Grand Forks ND 58208-3200

balld@mdu.mdures.com
Don Ball
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

collinsk@mdu.mdures.com
Karen Collins
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

hfuglest@ndarec.com
Harlan Fuqelsten
ND Assn Rural Electric Coops
PO Box 727
Mandan ND 58554-0727

dellefson@otpco.com
Dennis Ellefson
Otter Tail Corporation

tgreene@otpco.com
Tim Greene
Otter Tail Power Company

rmontonye@otpco.com
Ron Montoyne
Otter Tail Power Company

dross@otpco.com
David Ross
Otter Tail Power Company

sschultz@otpco.com
Steve Schultz
Otter Tail Power Company

dweiby@otpco.com
Dan Weiby
Otter Tail Power Company

rdenault@otpco.com
Russ Denault
Otter Tail Power Company
P O Box 400
Devils Lake ND 58301

pbeithon@otpco.com
Pete Beithon
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

bbrutlag@otpco.com
Bernadeen Brutlag
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

wpp@pearce-durick.com
William Pearce
Pearce & Durick Attorneys
PO Box 400
Bismarck ND 58502-0400

mdickerson@state.nd.us
Marcy Dickerson
State Tax Department
State Capitol
Bismarck ND 58505

dave.sederquist@xcelenergy.com
Dave Sederquist
Xcel Energy
P O Box 2747
Fargo ND 58108-2747

F James Moriarty
2333 Plum Grove Dr
O'Fallon MO 63366

Vernon Baszler
Community Action Program Reg VII Inc
1825 S Grandview #15
Bismarck ND 58501

Laurie Baranko
Dakota Resource Council
PO Box 1095
Dickinson ND 58602-1095

Karyn Grass
IPAMS
6620 Denver Club Bldg 518 17th St
Denver CO 80202-4167

KMAV AM/FM RADIO
PO Box 216
Mayville ND 58257-0216

Bruce Imsdahl
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Mike Foley
NARUC
1101 Vermont Avenue NW Ste 200
Washington DC 20005

Dennis Lavallee
Nat'l Assoc Plumbing-Htng-Cooling
PO Box 6808
Falls Church VA 22046-6808

Kim Christianson
ND Department of Commerce
Division of Community Services
Bismarck ND

John Kapsner
The Vogel Law Firm
P O Box 2097
Bismarck ND 58502-2097

Steven Tomac
2498 59th St
St Anthony ND 58566-9640

Will Kaul
Cooperative Power Association
P O Box 800
Elk River MN 55330-0800

Jay Casler
INDEPTH DATA INC
44 S Bdwy 18th Fl
White Plains NY 10601-4425

Rick Jensen
KHND AM Radio
PO Box 6
Harvey ND 58341-0006

Michel Murray
MCI WorldCom Inc
707 17th St Ste 3600
Denver CO 80202

Ron Tipton
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Robert Burns
National Regulatory Research Inst
406 Bevis Hall 1080 Carmack
Columbus OH 43210

Scott Speaker
Natural Gas Week
1401 New York Ave NW Ste 500
Washington DC 20005-2150

Public Utilities Reports Inc
Law Dept
8229 Boone Blvd Ste 401
Vienna VA 22182

LeRoy Neubauer
Valley City Public Works
254 2nd Ave NE
Valley City ND 58072

Paul Lehman
Xcel Energy
512 Nicollet Mall
Minneapolis MN 55402

APPROVED
DATE: 10-22-03
KMF

MOTION

October 22, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission adopt the Order Approving Settlement in Case No. PU-399-03-296, Montana-Dakota Utilities Co., Electric Rate Increase Application.

PJF/sdh

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Motion approving Settlement

by Public Service Commission

10/22/2003 C: Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

ORDER APPROVING SETTLEMENT

October 22, 2003

On May 30, 2002, Montana Dakota Utilities Co. (MDU) filed an application to increase its rates for electric utility service to provide additional annual revenue of $7,788,565 or a 9.1% increase over current rates. MDU estimates the proposed increase for a residential customer using 500 kilowatt-hours in a month would average $10.48. MDU proposes to better align rates for service with costs.

On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session. One of the issues specified in the Notice was the following: "What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?" On July 23, 2003, MDU and Commission Staff filed a Settlement Agreement concerning this issue. MDU and staff agreed to an overall rate of return of 10.016%.

On August 28, 2003 the Commission issued a Notice of Settlement and Notice of Intervention Deadline providing that written comments on the Settlement would be received until September 29, 2003. No comments were received.

The Commission finds the settlement reasonable. The Commission's Findings of Fact, Conclusions of Law and Order will incorporate the settlement provisions regarding the rate of return issue and its impact on rates.

Order

The Settlement Agreement is approved.

PUBLIC SERVICE COMMISSION

Susan E. Wefald	Tony Clark	Kevin Cramer
Commissioner	President	Commissioner

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Order Approving Settlement

by Public Service Commission

10/22/2003 C: Comm Legal PUD (3) Mike ALJ

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson
Aaron K. Webb

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

RECEIVED
OCT 24 2003
ND PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

October 24, 2003

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
State Capitol -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase – Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of Montana-Dakota's Brief in Response to the Motion to Compel brought by the intervener Jim Roache. I am also sending a copy of the brief to Administrative Law Judge Hoberg who I understand will be deciding the intervener's motion on behalf of the Commission.

Sincerely,

Daniel S. Kuntz

Enclosures

c: Don Ball
Bill Binek
Jim Roache
Thomas D. Kelsch

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Cover letter re Brief in Response to
Motion to Compel
by Montana-Dakota Utilities Co., a Division of MDU Re

10/24/2003 C: Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

RECEIVED
OCT 24 2003
ND PUBLIC SERVICE COMMISSION
SECRETARY

Montana-Dakota Utilities Co.	)	Case No. PU-399-03-296
Electric Rate Increase	)	
Application	)	

BRIEF IN RESPONSE TO MOTION TO COMPEL

Montana-Dakota Utilities Co. ("Montana-Dakota") submits this brief in response to a letter dated October 20, 2003 from the intervener Jim Roache ("Roache") requesting the Commission to compel Montana-Dakota to answer discovery requests made by Roache in this proceeding.

Roache sent discovery requests to Montana-Dakota dated October 1, 2003. Attachment 1. Montana-Dakota objected to Requests 3-6 and provided responses to the remaining requests. In his letter to compel answers to the requests, Roache asserts the requested information is necessary to determine if Montana-Dakota's "maintenance and operation expenses are being adversely affected by insider dealings, multiple directorships, or dual management roles with affiliated companies." Presumably in further support of his requests, Roache attaches a copy of the Commission's Notice of Settlement and Notice of Intervention Deadline which requested the parties to present testimony on the following issue:

> How is the Commission assured that MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?

Discovery in administrative proceedings is governed by the North Dakota Administrative Agencies Practice Act. N.D.C.C. § 28-32-33. Motions relating to discovery

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Brief in Response to Motion to Compel
by Montana-Dakota Utilities Co., a Division of MDU Re
10/24/2003 C: Comm Legal PUD (3) Mike ALJ

are to be brought to the designated Hearing Officer for the administrative proceeding. Id. The Hearing Officer may deny discovery requests to protect a party from annoyance, undue burden, or expense. Rule 26(c), N.D.R.Civ.P. Discovery is not to be used as a fishing expedition when a party cannot articulate a reasonable expectation that the requested information will result in admissible evidence. Fichter v. Kadrmas, 507 N.W.2d 72, (N.D. 1993); Smith v. State, 398 N.W.2d 808 (N.D. 1986); Jensen v. State, 373 N.W.2d 894 (N.D. 1985).

Roache's Discovery Requests 3-6 are a fishing expedition which are both harassing and burdensome to Montana-Dakota, its officers and directors. The requests are overly broad and vague. Even if the requests were properly refined by Roache and responses provided by Montana-Dakota, the information would not address the policy questions raised by the Commission nor would it prove that maintenance and operations expenses ("O&M") are unreasonable. Montana-Dakota has provided specific information in response to Roache's Request No. 7 which identifies the nature and amount of transactions between Montana-Dakota and its affiliated companies. Attachment 2. Roache fails to show how the information he has already received from Montana-Dakota is insufficient to address the issues in this proceeding without the information requested in Requests 3-6.

Roache's Requests 3-6 are:

> **Request No. 3.** Are C. Wayne Fox, Ronald D. Tipton, or any other Montana-Dakota officers associated with any companies other than Montana-Dakota Utilities? Do any of these companies do business with Montana-Dakota Utilities?
>
> **Request No. 4.** Do any officers of MDU Resources belong to any other companies' Board of Directors? Who are these companies? Do any of these other companies do business with Montana-Dakota Utilities?

Request No. 5. Are any members of the MDU Resources Board of Directors also a Director in other companies? Who are these companies? Do any of these other companies do business with MDU Resources or any affiliated companies?

Request No. 6. Do any officers of MDU Resources Group or Montana-Dakota Utilities have financial interests in any company doing business with MDU Resources or MDU affiliated companies?

Montana-Dakota objected to each of the requests on the grounds that they are overly broad, vague, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence.

All of the requests are overly broad and vague because they do not define the time period for which information is requested.

Requests 3 and 6 are also overly broad, vague, and burdensome because the term "any officers" is not defined. Montana-Dakota and MDU Resources Group each have officers beyond their corporate executive officers. Many of these officers have no direct involvement or responsibility for purchasing goods and services or selection of vendors. Accordingly, the requests are also not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 3 is also overly broad and vague because the term "associated with any companies" is not defined. Some of Montana-Dakota's employees, including some of its officers are assigned responsibility to provide services for affiliated companies on either a continuing or special project basis and therefore might be considered "associated with" those companies. The affiliated companies are charged for those services. To the extent the term is limited to companies affiliated with Montana-Dakota, Roache has already been

provided with a summary of Montana-Dakota's transactions with affiliated companies, the method used to determine the price for the transactions, and the total charges to the utility. Attachment 2. Other than natural gas transportation and storage services purchased from Williston Basin Interstate Pipeline Company, which are regulated by the Federal Energy Regulatory Commission, the amount of these intercompany transactions are relatively small particularly considering they involve both Montana-Dakota's electric and natural gas utilities.

To the extent "associated with any companies" refers to nonaffiliated companies, the request, in addition to being overly broad and vague, is unduly burdensome and not relevant to the issues in this proceeding. Montana-Dakota's employees may have business or financial interests in other companies that could be considered an "association" with those companies. In most cases, the association would be an investment interest. It would be time consuming and burdensome for Montana-Dakota to identify if any employee that might be considered an "officer" might have an "association" with another company. In many cases, this information is personal and proprietary to the employee. In any instance, the information has no relevance to the issues in this proceeding. To the extent the business interest exists within Montana-Dakota's service area, there will likely be a business relationship between the company and Montana-Dakota because Montana-Dakota probably provides utility services to the company. As discussed below, internal policies of MDU Resources prohibit its officers from having an interest in a company that provides products and services to the MDU companies unless the circumstances are fully disclosed and approved by MDU. In the absence of any

evidence of improper dealings, it would be a significant and burdensome undertaking for Montana-Dakota to identify each company for which its officers may have an "association" and then identify if Montana-Dakota does business with that entity including utility services provided by Montana-Dakota.

Request No. 4 is also vague and overly broad in asking if officers of MDU Resources Group belong to any other companies' Board of Directors. Neither of the terms, "officers" nor "any other companies" are defined or limited. Some executive officers of MDU Resources Group serve on the Boards of Directors of various subsidiaries of MDU Resources Group. The corporate positions of these executive officers are described in the Proxy Statement of MDU Resources Group which is publicly available on the MDU Resources website. For example, the Proxy Statement explains that Lester H. Loble II, who serves as Executive Vice President, General Counsel and Secretary of MDU Resources Group, also serves, as would be expected, as a director and/or vice president, general counsel and secretary to the principal subsidiaries of the company. The identification of which executive officers serve as directors on which affiliated companies is not relevant to the issues in this proceeding when Montana-Dakota has already provided Roache with a description of the transactions between Montana-Dakota and the affiliated companies.

To the extent Request No. 4 seeks to determine if officers of MDU Resources Group serve on the Board of Directors of unaffiliated companies, provision of such information is burdensome to Montana-Dakota. As described below, MDU Resources' internal policies

prohibit its employees from being directors in companies that would present a conflict of interest.

Request No. 5 seeks information regarding members of MDU's Board of Directors, all but one of which are independent directors. These independent directors are elected because of the knowledge and the experience they bring to the Board of Directors. The Proxy Statement of MDU Resources Group generally describes the major business interests of each of the directors. Attempting to determine if any affiliate of MDU Resources Group did business with these companies would be burdensome. Indeed, it is doubtful this information could be gathered before the hearing in this proceeding. Even if business dealings did occur, they would not establish any improper dealing. As described below, MDU policies prohibit an independent director from having an affiliation in an organization that has a material relationship with MDU Resources.

Request No. 6 asks if any officer of MDU Resources Group and Montana-Dakota has financial interests in any company that does business with any of the MDU Resources Group affiliated companies. Certainly, officers of MDU Resources or Montana-Dakota have investment interests in other companies. To the extent the other company does business in Montana-Dakota's service territory, Montana-Dakota could be expected to have a business relationship of selling utility services to the other company. The real issue is whether MDU Resources Group, including Montana-Dakota, have adopted policies to prohibit conflicts of interest by its employees, officers, and directors in their investments in companies that might do business with a MDU Resources company.

MDU Resources Group has adopted corporate conflict of interest policies specifically to prohibit inappropriate business conflicts that Roache speculates may exist. The Company's "Code of Conduct" is located on the MDU Resources website – mdu.com. The Code prohibits conflicts of interest between company interests and employee interests. The Code of Conduct is signed by all directors, officers and managerial employees and all employees involved in financial activities on behalf of MDU Resources Group, its subsidiaries and divisions.

In the Code of Conduct, under "Personal Financial Interests," employees are prohibited from having any financial interest in a customer, supplier, or competitor that could cause divided loyalty, or even the appearance of divided loyalty.

Under "Outside Employment," an employee may not perform work or services for an outside organization which has or seeks to have a business relationship with the MDU Resources Companies or which competes with services provided by the MDU Resources Companies, without prior approval from the employee's company president.

Under the MDU Resources Group, Inc. ("MDU") Director Independence Standards adopted by the Board of Directors, a substantial majority of its members must satisfy the director independence standards. Attachment 3. At this time, Martin White who is an MDU Resources officer and employee, is the only non-independent director. To be "independent," a director must have "no material relationship with MDU either directly or as a partner, shareholder or officer of an organization that has a relationship with MDU."

In the "Code of Ethics" entitled "It's a Matter of Ethics," also located on the MDU Resources website, the section on "Conflict of Interest" provides that employees will "not

get involved in direct or indirect dealing with the company unless the complete details of those dealings are fully disclosed to company management. This extends to any firm or person doing or seeking to do business with or competing with the company."

Employees also cannot hold material investments in, nor a position as official or director of another enterprise, that is doing or is seeking to do business, compete or provide service, materials, property, mineral interests or equipment with the company unless those circumstances have been fully disclosed to and approved by the company.

CONCLUSION

The intervener Roache's discovery request are a fishing expedition intended solely to raise speculation of improper business dealings with absolutely no evidence to support such claims. The requests are overly broad, vague, unduly burdensome and not calculated to lead to the discovery of admissible evidence. If Roache has evidence that Montana-Dakota is paying unreasonable prices for goods and services, he should offer the evidence. In the absence of such evidence, Roache's requests are improper discovery. Roache's Motion to Compel should be denied.

Dated this 24th day of October, 2003.

By: _____

Daniel S. Kuntz (ID #03490)
Zuger Kirmis & Smith
Attorneys for Montana-Dakota Utilities Co.
P.O. Box 1695
Bismarck, ND 58502-1695
(701)223-2711

Dan Kuntz
P.O. Box 1695
Bismarck, ND 58502-1695

Oct. 1, 2003

Re: Montana-Dakota Utilities Co. Rate Increase Application, Case No. PU-399-03-296

Dear Mr. Kuntz,

As part of the discovery process, would you please send me the following information:

1. In the construction of the new Glendive plant, was the general contractor, the materials supplied for its construction, or the sub-contractors, affiliated with MDU Resources or any affiliated MDU companies or their officers or directors in any way?

2. Was the contact for the construction of the new Glendive plant put out for bids? What companies bid and what were their bid amounts?

3. Are C. Wayne Fox, Ronald D. Tipton, or any other Montana-Dakota officers associated with any companies other than Montana-Dakota Utilities? Do any of these companies do business with Montana-Dakota Utilities?

4. Do any of the officers of MDU Resources belong to any other companies' Board of Directors? Who are these companies? Do any of these other companies do business with Montana-Dakota Utilities?

5. Are any members of the MDU Resources Board of Directors also a Director in other companies? Who are these companies and do they do business with MDU Resources or any affiliated companies?

6. Do any officers of MDU Resources or Montana-Dakota Utilities have financial interests in any company doing business with MDU Resources or MDU affiliated companies?

7. What companies owned by, affiliated with, or in which MDU Resources has a financial interest in, did business with Montana-Dakota Utilities during 2002? What are the total amounts paid to each company during 2002?

8. From 1997 to 2002, what were the annual wholesale electric sales amounts? How much of these revenues were applied to Montana-Dakota revenues?

Time is short so could you please forward this information as quickly as possible?

Thank you,

Jim Roache

Jim Roache
P.O. Box 564
Crosby, ND 58730

Attachment 1

MONTANA-DAKOTA UTILITIES CO.
DATA REQUEST OF JIM ROACHE
DATED OCTOBER 1, 2003
DOCKET NO. PU-399-03-296

Request No. 7:

What companies owned by, affiliated with, or in which MDU Resources has a financial interest in, did business with Montana-Dakota Utilities during 2002? What are the total amounts paid to each company during 2002?

Response:

Please see Attachment A.

Company Name: Montana-Dakota Utilities Co. Year: 2002

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility
1	**KNIFE RIVER CORPORATION**	Expense	Actual Costs Incurred	
2		Air Service		$329
3		Employee Training		47
4		Software Maintenance		67,113
5				
6				
7		Capital	Actual Costs Incurred	
8		Consulting		842
9		Other Reimbursables		11
10				
11		Other Transactions/Reimbursements		
12		Miscellaneous		130,937
13				
14				
15				
16				
17				
18				
19				
20	**TOTAL**	**Grand Total Affiliate Transactions**		$199,280

Company Name: Montana-Dakota Utilities Co. Year: 2002

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Line No.	(a) Affiliate Name	(b) cts & Services	(c) Method to Determine Price	(d) Charges to Utility
1	**WBI HOLDINGS, INC.**	Expense	Actual Costs Incurred	
2		Contract Services		$9,808
3		Personal Vehicle Use		84
4		Office Supplies		1,442
5		Meals, Lodging and Other		250
6		Seminars & Meeting Reg.		1,633
7				
8				
9				
10				
11		Capital	Actual Costs Incurred	
12		Other Reimbursables		1
13		Vehicles		20,525
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30	**TOTAL**	**Grand Total Affiliate Transactions**		$33,743

Company Name: Montana-Dakota Utilities Co. Year: 2002

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility
1	**UTILITY SERVICES, INC.**	Expense	Actual Costs Incurred	
2		Materials		$13,244
3				
4				
5				
6				
7				
8				
9		Capital	Actual Costs Incurred	
10		Contract Service		15,608
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29	**TOTAL**	**Grand Total Affiliate Transactions**		$28,852

Company Name: Montana-Dakota Utilities Co. Year: 2002

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility
1	**CENTENNIAL HOLDINGS**	Expense	Actual Costs Incurred	
2	**CAPITAL CORP.**	Corporate Aircraft		$43,695
3				
4				
5				
6				
7				
8				
9		Capital	Actual Costs Incurred	
10		Corporate Aircraft		2,234
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29	**TOTAL**	**Grand Total Affiliate Transactions**		$45,929

Company Name: Montana-Dakota Utilities Co. Year: 2002

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - GAS

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility
1	**KNIFE RIVER CORPORATION**	Expense	Actual Costs Incurred	
2		Air Service		$288
3		Materials		6,385
4		Software Maintenance		47,989
5				
6		Capital	Actual Costs Incurred	
7		Materials		10,193
8		Other Reimbursables		11
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25	**TOTAL**	**Grand Total Affiliate Transactions**		$64,866

Company Name: Montana-Dakota Utilities Co. Year: 2002

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - GAS

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility
1	**WBI HOLDINGS, INC**	Natural Gas	Actual Costs Incurred	
2		Purchases/Transportation		$55,013,796
3				
4				
5				
6		Expense	Actual Costs Incurred	
7		Contract Services		6,972
8		Legal Fees		54,047
9		Materials		1,330
10		Employee Training		2,223
11		Office Supplies		1,963
12		Meals, Lodging & Other		73
13		Reference Materials		2,343
14		Miscellaneous		661
15				
16		Capital	Actual Costs Incurred	
17		Other Reimbursables		1
18		Materials		102
19		WBI Subcontract Labor		192
20		Vehicles		11,025
21				
22		Other Transactions/Reimbursements	Actual Costs Incurred	
23		Miscellaneous		26,576
24		Auto Clearing		663
25				
26				
27				
28				
29				
30				
31	**TOTAL**	**Grand Total Affiliate Transactions**		$55,121,967

Company Name: Montana-Dakota Utilities Co. Year: 2002

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - GAS

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility
1	**UTILITY SERVICES, INC.**	Expense		
2		Contract Services	Actual Costs Incurred	$88,130
3				
4				
5				
6				
7		Capital		
8		Contract Services	Actual Costs Incurred	3,097
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
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26				
27				
28				
29				
30				
31				
32	**TOTAL**	**Grand Total Affiliate Transactions**		$91,227

Company Name: Montana-Dakota Utilities Co. Year: 2002

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - GAS

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility
1	**CENTENNIAL HOLDINGS**	Expense	Actual Costs Incurred	
2	**CAPITAL CORP.**	Corporate Aircraft		$41,938
3				
4				
5				
6		Capital		
7		Corporate Aircraft	Actual Costs Incurred	2,161
8				
9				
10				
11				
12				
13				
14				
15				
16				
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23				
24				
25				
26				
27				
28				
29	**TOTAL**	**Grand Total Affiliate Transactions**		$44,099

EXHIBIT A

MDU Resources Group, Inc.

("MDU")

Statement of Policy

Director Independence Standards

I.

Policy

It is the sense of this Board that the expertise and perspective of independent directors is of great value and benefit to MDU and its stockholders. Accordingly, and in keeping with the other high standards of corporate governance which this Board has established for itself, the listing standards of the New York Stock Exchange, and laws and regulations applicable to MDU, this Board establishes the following guidelines on director independence and for determining whether its members are independent.

II.

Director Independence – General

The Board believes that a substantial majority of its members should satisfy these standards for independence.

No director may be deemed independent unless the Board affirmatively determines, after due deliberation, that the director has no material relationship with MDU either directly or as a partner, shareholder or officer of an organization that has a relationship with MDU. In each case, the Board shall broadly consider all the relevant facts and circumstances and shall apply these standards. Trivial or *de minimis* affiliations or connections to MDU by a director or his or her immediate family will not generally be cause for the Board to determine that the director is not independent. In addition:

(1) A director who receives, or whose immediate family member receives, more than $100,000 per year in direct compensation from MDU, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), will be presumed not to be independent until five years after he or she ceases to receive more than $100,000 per year in such compensation. The Board may overcome this presumption, if

the Board determines (and no independent director dissents) that, based on the relevant facts and circumstances, the compensatory relationship is not material.

(2) A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former auditor of MDU is not independent until five years after the termination of either the affiliation or the auditing relationship.

(3) A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of MDU's present executives serves on that company's compensation committee is not independent until five years after the termination of such service or employment relationship.

(4) A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of another company (A) that accounts for at least 2% or $1 million, whichever is greater, of MDU's consolidated gross revenues, or (B) for which MDU accounts for at least 2% or $1 million, whichever is greater, of such other company's consolidated gross revenues, in each case is not independent until five years after consolidated gross revenues fall below that threshold. Relationships involving a director's affiliation with another company that account for lesser amounts than those specified in (A) or (B) will not be considered to be material relationships that would impair the director's independence, provided that the related payments for goods or services or in connection with other contractual arrangements (i) are made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties, or (ii) involve the rendering of services as a public utility at rates or charges fixed in conformity with law or governmental authority.

(5) The following not-for-profit relationships will not be considered to be material relationships that would impair a director's independence: if a director (or an immediate family member of the director) serves as an officer, director or trustee of a not-for-profit organization, and MDU's discretionary charitable contributions to the organization are less than 2% or $1 million, whichever is greater, of that organization's total annual charitable receipts during its preceding fiscal year. MDU's automatic matching of employee charitable contributions will not be included in the amount of MDU's charitable contributions for this purpose.

(6) A director who is (or who is affiliated with an organization that is) a significant advisor, counsel or consultant to MDU is not independent.

(7) The ownership of stock of MDU by directors is encouraged and substantial stock ownership will not affect the independence status of a director.

The Board will annually review the commercial, industrial, banking, consulting, legal, accounting and charitable relationships between MDU's directors and the organizations with which they and the members of their immediate families have material interests. For

relationships that are either not covered by or do not satisfy these guidelines, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors satisfying the independence guidelines.

III.

Director Independence – Audit Committee Members

No director who is a member of the Audit Committee of the Board may accept any consulting, advisory or compensatory fee from MDU, or from any of its subsidiary companies, other than in that director's capacity as a member of the Board or any of the Board's several committees.

In addition, no director who is a member of the Audit Committee may be an affiliated person of MDU or any of its subsidiary companies apart from affiliation occasioned by the director's service as a member of the Board or any of the Board's several committees. A director would be deemed an affiliated person of MDU if that director directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with MDU.

IV.

Approval and Adoption

This Statement of Policy of the Board of Directors of MDU Resources Group, Inc. was approved and adopted by resolution of the Board of Directors of MDU at a meeting thereof held this 13th day of August, 2003.

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate Increase Application	)))	Case No. PU-399-03-296

AFFIDAVIT OF MAILING

STATE OF NORTH DAKOTA	)
	: ss.
COUNTY OF BURLEIGH	)

The undersigned, being duly sworn, deposes and says that: I am a United States citizen, over 18 years of age, and on October 24, 2003, I served a copy of the attached:

BRIEF IN RESPONSE TO MOTION TO COMPEL

by placing a true copy in a postage paid envelope or envelopes addressed to each person named below, at the address stated below, which is the last known address of the addressee, and by depositing said envelope in the United States mail at Bismarck, North Dakota.

Thomas D. Kelsch
Attorney at Law
P.O. Box 1266
Mandan, ND 58554-7266

Jim Roache
P.O. Box 564
Crosby, ND 58730

William Binek
ND Public Service Commission
State Capitol –12th Floor
Bismarck, ND 58505-0480

Karol A. Cossette

Subscribed and sworn to before me, today, October 24, 2003.

NOTARY PUBLIC
State of North Dakota
My commission expires: 1/24/08

Kathi Osteen

KATHI OSTEEN
Notary Public
State of North Dakota
My Commission Expires Jan. 24, 2008

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson
Aaron K. Webb

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

RECEIVED
OCT 22 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

October 22, 2003

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
State Capitol -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase – Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of a Notice of Settlement Discussions.

Sincerely,

Daniel S. Kuntz

Enclosures

c: Don Ball
Bill Binek
Jim Roache
Thomas D. Kelsch

90 PU-399-03-296 Pages: 1

Cover Letter for Notice of Settlement Discussions
by Zuger Kirmis & Smith by Dan Kunz, Attorney for MD

10/22/2003 C: Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

RECEIVED
OCT 22 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
SECRETARY

Montana-Dakota Utilities Co.	)	Case No. PU-399-03-296
Electric Rate Increase	)	
Application	)	

NOTICE OF SETTLEMENT DISCUSSIONS

Notice is hereby given pursuant to the Settlement Guidelines of the North Dakota Public Service Commission (Policy 4-01-95(O) – January 4, 1995) that Montana-Dakota Utilities Co. ("Montana-Dakota") contemplates engaging in settlement discussions with the advocacy staff of the North Dakota Public Service Commission regarding all outstanding issues in this proceeding. Discussions will be held October 29, 2003 at 9:00 a.m. Central Time at the offices of Zuger Kirmis & Smith, 316 North 5th Street, Bismarck, ND. All parties of record may participate in the settlement discussions. Parties or their representatives may participate in the discussions by telephone by contacting the undersigned for connecting information.

Dated this 22nd day of October, 2003.

By: _____

Daniel S. Kuntz (ID #03490)
Zuger Kirmis & Smith
Attorneys for Montana-Dakota Utilities Co.
P.O. Box 1695
Bismarck, ND 58502-1695
(701)223-2711

89 PU-399-03-296 Pages: 3
Notice of Settlement Discussions
by Montana-Dakota Utilities Co., a Division of MDU Re
10/22/2003 C: Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate Increase Application	)))	Case No. PU-399-03-296

AFFIDAVIT OF MAILING

STATE OF NORTH DAKOTA)
: ss.
COUNTY OF BURLEIGH)

The undersigned, being duly sworn, deposes and says that: I am a United States citizen, over 18 years of age, and on October 22, 2003, I served a copy of the attached:

NOTICE OF SETTLEMENT DISCUSSIONS

by placing a true copy in a postage paid envelope or envelopes addressed to each person named below, at the address stated below, which is the last known address of the addressee, and by depositing said envelope in the United States mail at Bismarck, North Dakota.

Thomas D. Kelsch
Attorney at Law
P.O. Box 1266
Mandan, ND 58554-7266

Jim Roache
P.O. Box 564
Crosby, ND 58730

William Binek
ND Public Service Commission
State Capitol –12th Floor
Bismarck, ND 58505-0480

Karol A. Cossette

Subscribed and sworn to before me, today, October 22, 2003.

NOTARY PUBLIC
State of North Dakota
My commission expires: 1/24/08

KATHI OSTEEN
Notary Public
State of North Dakota
My Commission Expires Jan. 24, 2008

Kathi Osteen

RECEIVED
OCT 21 2003
ND PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

Oct. 20,2003

Jon H. Mielke, Executive Secretary
Public Service Commission
600 E. Boulevard Ave.
Bismarck, ND 58505

Re: Montana-Dakota Utilities Co. Electric Rate Increase Application Case No. PU-399-03-296

MOTION TO COMPEL DISCOVERY ANSWERS

Dear Mr. Mielke,

I request the Commission to compel Montana-Dakota Utilities Co. to answer my discovery requests dated Oct. 1, 2003 and again on Oct. 13, 2003. I have enclosed my discovery requests and MDU responses. MDU's objections and refusal to provide the needed information make it impossible to determine if there are conflicts of interest within the MDU Resources Inc. organization and its affiliates as this applies to Montana-Dakota Utilities, and within Montana-Dakota Utilities itself.

Only Montana-Dakota Utilities and MDU Resources can provide the requested information and without this information there is no way that I, nor the Commission, can determine if maintenance and operation expenses are being adversely affected by insider dealings, multiple directorships, or dual management roles with affiliated companies. Without being assured that Montana-Dakota Utilities' expenses are appropriate, there's no way to determine what a just and reasonable rate of return to Montana-Dakota Utilities should be.

Due to the lack of Montana-Dakota Utilities' compliance to discovery requests, I ask the Commission to dismiss this case, PU-399-03-296.

Sincerely,

Jim Roache'

Jim Roache
P.O. Box 564
Crosby, ND 58730
(701) 965-5564

CC Donald R. Ball
Montana-Dakota Utilities Co.
400 N. 4th St.
Bismarck, ND 58501

88 **PU-399-03-296** Pages: 12
Motion to Compel Discovery Answers
by Jim Roache
10/21/2003 C: Comm Legal PUD (3) Mike ALJ .

Douglas W. Schulz
Montana-Dakota Utilities Co.
400 N. 4th. St.
Bismarck, ND 58501

Dan Kuntz
P.O. Box 1695
Bismarck, ND 58502

Thomas D. Kelsch
Kelsch Kelsch Ruff & Kranda
P.O. Box 1266
Mandan, ND 58554

Allen C. Hoberg, Director
Office of Administrative Hearings
1707 N. 9th St.
Bismarck, ND 58501

Dan Kuntz
P.O. Box 1695
Bismarck, ND 58502-1695

Oct. 1, 2003

Re: Montana-Dakota Utilities Co. Rate Increase Application, Case No. PU-399-03-296

Dear Mr. Kuntz,

As part of the discovery process, would you please send me the following information:

1. In the construction of the new Glendive plant, was the general contractor, the materials supplied for its construction, or the sub-contractors, affiliated with MDU Resources or any affiliated MDU companies or their officers or directors in any way?

2. Was the contact for the construction of the new Glendive plant put out for bids? What companies bid and what were their bid amounts?

3. Are C. Wayne Fox, Ronald D. Tipton, or any other Montana-Dakota officers associated with any companies other than Montana-Dakota Utilities? Do any of these companies do business with Montana-Dakota Utilities?

4. Do any of the officers of MDU Resources belong to any other companies' Board of Directors? Who are these companies? Do any of these other companies do business with Montana-Dakota Utilities?

5. Are any members of the MDU Resources Board of Directors also a Director in other companies? Who are these companies and do they do business with MDU Resources or any affiliated companies?

6. Do any officers of MDU Resources or Montana-Dakota Utilities have financial interests in any company doing business with MDU Resources or MDU affiliated companies?

7. What companies owned by, affiliated with, or in which MDU Resources has a financial interest in, did business with Montana-Dakota Utilities during 2002? What are the total amounts paid to each company during 2002?

8. From 1997 to 2002, what were the annual wholesale electric sales amounts? How much of these revenues were applied to Montana-Dakota revenues?

Time is short so could you please forward this information as quickly as possible?

Thank you,

Jim Roache

Jim Roache
P.O. Box 564
Crosby, ND 58730

MONTANA-DAKOTA UTILITIES CO.
DATA REQUEST OF JIM ROACHE
DATED OCTOBER 1, 2003
DOCKET NO. PU-399-03-296

Request No. 3

Are C. Wayne Fox, Ronald D. Tipton, or any other Montana-Dakota officers associated with any companies other than Montana-Dakota Utilities? Do any of thse companies do business with Montana-Dakota Utilities?

Response:

Objection is made to this request on the grounds that the request is overly broad, vague, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence. The request is not relevant to the issues in this proceeding and does not reference or appear to relate to any specific witness's testimony in Montana-Dakota Utilities Docket No. PU-399-03-296. The data request appears to seek general information only and therefore is irrelevant to the docket. If the intervenor references a specific witness's testimony along with testimony pages and line numbers to show the relevance of the question, Montana-Dakota will attempt to answer accordingly.

The foregoing objection was interposed for the undersigned counsel for Montana-Dakota Utilities Co.

Daniel S. Kuntz

MONTANA-DAKOTA UTILITIES CO.
DATA REQUEST OF JIM ROACHE
DATED OCTOBER 1, 2003
DOCKET NO. PU-399-03-296

Request No. 4

Do any of the officers of MDU Resources belong to any other companies' Board of Directors? Who are these companies? Do any of these other companies do business with Montana-Dakota Utilities?

Response:

Objection is made to this request on the grounds that the request is overly broad, vague, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence. The request is not relevant to the issues in this proceeding and does not reference or appear to relate to any specific witness's testimony in Montana-Dakota Utilities Docket No. PU-399-03-296. The data request appears to seek general information only and therefore is irrelevant to the docket. If the intervenor references a specific witness's testimony along with testimony pages and line numbers to show the relevance of the question, Montana-Dakota will attempt to answer accordingly.

The foregoing objection was interposed for the undersigned counsel for Montana-Dakota Utilities Co.

Daniel S. Kuntz

MONTANA-DAKOTA UTILITIES CO.
DATA REQUEST OF JIM ROACHE
DATED OCTOBER 1, 2003
DOCKET NO. PU-399-03-296

Request No. 5

Are any members of the MDU Resources Board of Directors also a Director in other companies? Who are these companies? Do any of these other companies do business with MDU Resources or any affiliated companies?

Response:

Objection is made to this request on the grounds that the request is overly broad, vague, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence. The request is not relevant to the issues in this proceeding and does not reference or appear to relate to any specific witness's testimony in Montana-Dakota Utilities Docket No. PU-399-03-296. The data request appears to seek general information only and therefore is irrelevant to the docket. If the intervenor references a specific witness's testimony along with testimony pages and line numbers to show the relevance of the question, Montana-Dakota will attempt to answer accordingly.

The foregoing objection was interposed for the undersigned counsel for Montana-Dakota Utilities Co.

Daniel S. Kuntz

MONTANA-DAKOTA UTILITIES CO.
DATA REQUEST OF JIM ROACHE
DATED OCTOBER 1, 2003
DOCKET NO. PU-399-03-296

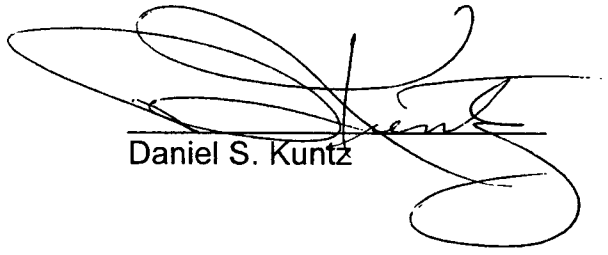
Request No. 6

Do any officers of MDU Resources or Montana-Dakota Utilities have financial interests in any company doing business with MDU Resources of MDU affiliated companies?

Response:

Objection is made to this request on the grounds that the request is overly broad, vague, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence. The request is not relevant to the issues in this proceeding and does not reference or appear to relate to any specific witness's testimony in Montana-Dakota Utilities Docket No. PU-399-03-296. The data request appears to seek general information only and therefore is irrelevant to the docket. If the intervenor references a specific witness's testimony along with testimony pages and line numbers to show the relevance of the question, Montana-Dakota will attempt to answer accordingly.

The foregoing objection was interposed for the undersigned counsel for Montana-Dakota Utilities Co.



Daniel S. Kuntz

Donald R. Ball
Montana- Dakota Utilities Co.
400 N. 4th St.
Bismarck, ND 58501

Oct. 13, 2003

RE; Case No. PU-399-03-296

Dear Mr. Ball,

In response to Montana-Dakota Utilities Co.'s objections for my data request in items numbers 3,4,5,6, I offer the following:

1. Public Service Commission "NOTICE OF SETTLEMENT and NOTICE OF INTERVENTION DEADLINE" dated August 28, 2003. Please note item number 1 in this NOTICE. "How is the Commission assured that MDU ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?"
   In order to be assured that there are no conflicts of interest, real or potential, within the MDU Resources Group as this may apply to Montana-Dakota Utilities, request numbers 3,4,5,6 have to be answered.

2. As to my requests not being relevant to the issues in the proceeding and does not reference or appear to relate to any specific witness's testimony in Montana-Dakota Utilities Docket No PU-399-03-296, I offer the above "NOTICE" from the Commission and the following testimony:

   a. Testimony of C. W. Fox, page 5, lines 3 through 6, dealing with increased operating expenses. Are Montana-Dakota Utilities expenses being affected by MDU Resources governance and corporate structure? Only by Montana-Dakota Utilities responding to my requests numbered 3,4,5,6 can the Commission and myself be assured that there are no problems in this area.

   b. All of the following testimony have to do with costs to Montana-Dakota Utilities. Again, by responding to my requests numbered 3,4,5,6 the Montana-Dakota Utilities Co. will be able to assure the Commission and the ratepayers that the MDU Resources corporate structure and business practices are not harming the ratepayers.
      Exhibit No. LAC-12, pages 1and 2
      LAC-13, page1
      CAK-2, page 1
      CAK-3. Page 1
      LAK-9, pages 1, 2, 3
      STATEMENT M-2
      STATEMENT N. LAC-10, pages 1, 3
      STATEMENT N LAC-11, page 1

I once again request data on items 3,4,5,6 so that the concerns of MDU Resources corporate structure and possible conflicts of interest having to do with Montana-Dakota Utilities and within Montana-Dakota Utilities itself can be put to rest. I believe it would in the best interest for Montana-Dakota Utilities to be able to assure the Commission and the ratepayers that there are no problems in this area. By responding positively to my request this can be done.

Sincerely,

Jim Roache

Jim Roache
P.O. Box 564
Crosby, ND 58730
(701) 965-5564

cc Daniel S. Kuntz
P.O. Box 1695
Bismarck, ND 58502

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

NOTICE OF SETTLEMENT and NOTICE OF INTERVENTION DEADLINE

August 28, 2003

On May 30, 2002, Montana Dakota Utilities Co. (MDU) filed an application to increase its rates for electric utility service to provide additional annual revenue of $7,788,565 or a 9.1% increase over current rates. MDU estimates the proposed increase for a residential customer using 500 kilowatt-hours in a month would average $10.48. MDU proposes to better align rates for service with costs.

On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session. One of the issues specified in the Notice was the following: "What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?" On July 23, 2003, MDU and Commission Staff filed a Settlement Agreement concerning this issue. MDU and staff agreed to an overall rate of return of 10.016%.

PLEASE TAKE NOTICE that written comments on the settlement will be received until **September 29, 2003**. The issue to be considered is whether the settlement is reasonable.

FURTHER, PLEASE TAKE NOTICE that persons wishing to intervene in this proceeding must file a petition to intervene by **September 29, 2003**.

In addition to any testimony presented on the issues identified in the July 16, 2003 Notice of Hearing, the Commission asks that MDU, staff and other parties to the proceeding present testimony on the following sub-issues:

1. How is the Commission assured that MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?

2. How is the Commission assured that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base?

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400 or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify, Jon H. Mielke, Executive Secretary, at least 24 hours prior.

PUBLIC SERVICE COMMISSION

Susan E. Wefald **Commissioner**	**Tony Clark** **President**	**Kevin Cramer** **Commissioner**

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson
Aaron K. Webb

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

October 17, 2003

Mr. Jim Roache
P.O. Box 564
Crosby, ND 58730-0564

Re: Montana-Dakota Utilities Co. Rate Proceeding – NDPSC Case No. PU-399-03-296

Dear Mr. Roache:

In response to your letter to Don Ball of October 13, 2003, Montana-Dakota Utilities Co. stands by its objections to your Discovery Requests 3, 4, 5 and 6.

Sincerely,

Daniel S. Kuntz

c: Don Ball

P:\DKUNTZ\11056 MDU 2003 electric case\l-roache2.doc

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY FIRST CLASS MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sandra L. Scott deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **16th day of October, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with first class mail, fully prepaid, securely sealed and each containing a photocopy of:

> **Response to Commissioner Wefald's October 10, 2003 request for additional information.**

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695

Jim Roache
P O Box 564
Crosby ND 58730

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sandra L Scott

Subscribed and sworn to before me
this **16th day of October, 2003**.

Susan K. Richter
Notary Public

SEAL

SUSAN K. RICHTER
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 15, 2004

87 **PU-399-03-296** Pages: 1

Affidavit of Service (Response to Comm. Wefald)
by Public Service Commission

10/16/2003 C: Comm Legal PUD (3) Mike ALJ .

Public Service Commission
State of North Dakota

RECEIVED
OCT 16 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

October 16, 2003

Susan E. Wefald
Commissioner
North Dakota Public Service Commission
600 East Boulevard
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase Application
Case No. PU-399-03-296

Dear Commissioner Wefald:

This is in response to your request for additional information on the mechanism suggested in the direct testimony of Charles W. King for a symmetrical sharing of off-system sales margins.

In response to your request, Mr. King has prepared the attached tariff page, which he hopes is self-explanatory. He indicates that he would be happy to respond to any questions or comments you may have concerning it.

Sincerely,

William W. Binek
Chief Counsel

86 PU-399-03-296 Pages: 2

Response to Commissioner Wefald's
request for add'l information
by Public Service Commission

10/16/2003 C. Comm Legal PUD (3) Mike ALJ .

WHOLESALE MARGIN ADJUSTMENT Rate 57

Applicability

This schedule is applicable to the electric energy delivered to all North Dakota retail customers served under Company electric rate schedules.

Wholesale Margin Adjustment

The wholesale margin adjustment shall be computed by dividing 60 percent of the difference between actual wholesale sales margins earned over a 12-month period and allocable to North Dakota and the base margin of $5,579,400 by the actual North Dakota jurisdictional retail energy kilowatt-hour sales for the same defined 12-month period. If the allocated fractional (60%) difference is negative, the adjustment shall be a surcharge to customers; if it is positive, the adjustments shall be a credit to customers. The kilowatt-hour sales shall be all kilowatt-hours sold in North Dakota excluding intersystem sales for the defined 12-month period as herein defined.

The adjustment shall be calculated annually and shall be based on the wholesale sales margins earned by the Company for the most recent 12-month period. The Company shall file with the Commission at least thirty days prior to making the adjustment. Any adjustment in rates shall be effective with the bills rendered on and after the first day of the month following the Notice period, unless otherwise ordered by the Commission.

Annual True-up

The difference between the total 60% wholesale margin differential computed for the North Dakota jurisdiction and the sum of the actual adjustments credited or debited to North Dakota retail customers during a 12-month period shall be deferred and used to adjust the subsequent 12-month adjustment credit or debit. Any such deferrals shall accrue interest while deferred.

Base Adjustment

Montana-Dakota shall file a recalculated adjustment and a revised credit or debit on the anniversary of the initial adjustment filing and on each anniversary thereafter. The Company must file for a revision in the base amount if the differential between that amount and the actual wholesale sales margin during the most recent 12-month period exceeds 25 percent.

Kelsch Kelsch Ruff & Kranda

C.F. Kelsch
1890-1987

Attorneys at Law
Mandan, North Dakota

William C. Kelsch
Retired

THOMAS F. KELSCH
ARLEN M. RUFF, P.C.
THOMAS D. KELSCH, P.C.
TODD D. KRANDA, P.C.*
WILLIAM J. DELMORE
CYNTHIA WAGNER GOULET
ANNETTE BENDISH

*Also Licensed in Minnesota

MERITAS LAW FIRMS WORLDWIDE

103 Collins Avenue
P.O. Box 1266
Mandan, ND 58554-7266
Phone (701) 663-9818
1-888-663-9818
Fax (701) 663-9810
Website www.kelschlaw.com

October 15, 2003

RECEIVED
OCT 15 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

HAND DELIVERED
JON H MEILKE
EXECUTIVE SECRETARY
PUBLIC SERVICE COMMISSION
600 E BLVD AVE DEPT 408
BISMARCK ND 58505

RE: MDU Electric Rate Increase Application
Case No. PU-399-03-296
Our File No. 10719

Dear Mr. Meilke:

Enclosed for filing by electronic and hand delivery is the original and seven copies of the Testimony of Ronald J. Binz on Behalf of AARP consisting of the following documents:

1. Testimony of Ronald J. Binz on Behalf of AARP;
2. Appendix A;
3. Exhibit RJB-1, Poverty Status in North Dakota-Persons;
4. Exhibit RJB-2, Residential Rate Class 10;
5. Exhibit RJB-3, Detail of MDU's Estimate of Test Year Expenses;
6. Exhibit RJB-4, Revised Projections of Test Year O&M Expenses;
7. Exhibit RJB-5; Revenue Effect of ROE Stipulation; and
8. Certificate of Service.

Thank you for your attention to this matter and if you have any questions please contact me.

Respectfully yours,

Thomas D. Kelsch

ve
Encs
c: AARP (w/out encs)
Ronald J. Binz (w/out encs)

ATTORNEYS AT LAW
Kelsch, Kelsch, Ruff & Kranda

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Cover letter re AARP Testimony

by AARP North Dakota by Thomas D. Kelsch, Attorney

10/15/2003 C. Comm Legal PUD (3) Mike ALJ .

BEFORE THE PUBLIC SERVICE COMMISSION OF NORTH DAKOTA

In the Matter of the Notice of Montana-Dakota Utilities Co. For an Electric Rate Change	)))	Case No. PU-399-03-296

RECEIVED
OCT 15 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

TESTIMONY OF RONALD J. BINZ ON BEHALF OF AARP

Filed: October 15, 2003

84 **PU-399-03-296** Pages. 53

Testimony of Ronald J. Binz on Behalf of AARP
by AARP North Dakota

10/15/2003 C: Comm Legal PUD (3) Mike ALJ .

DIRECT TESTIMONY OF RONALD J. BINZ

Q. What is your name and address?

A. My name is Ronald J. Binz. My business address is 333 Eudora Street, Denver, Colorado 80220-5721.

Q. On whose behalf are you testifying in this case?

A. I am testifying on behalf of AARP, a nonprofit, nonpartisan membership organization for people aged fifty and over. AARP provides information and resources; advocates on legislative, consumer, and legal issues; assists members to serve their communities; and offers a wide range of products and services to its members. Nationally, AARP has more than thirty-five million members, including more than 72,500 members in North Dakota.

Q. What is your occupation?

A. I am President of Public Policy Consulting, a firm specializing in energy and telecommunications regulatory matters. I provide consulting services to a variety of public-sector and private-sector clients in the energy and telecommunications industries, primarily in the regulatory arena. My consulting practice dates to 1979, except for the period of 1984-1995 when I served as the Colorado Consumer Counsel.

From 1996 to 2002 I also served as the President of the Competition Policy Institute (CPI) in Washington, D.C. CPI is a non-profit organization that I founded in March 1996 and describe as a combination consumer group and "think

tank." CPI's activities have included advocacy before regulators and lawmakers, education, research and working with other consumer organizations. We recently suspended our advocacy work, focusing efforts on the educational role of the organization.

Q. Please summarize your experience in utility regulation.

A. For eleven years prior to Public Policy Consulting and CPI, I was Consumer Counsel for the State of Colorado. In that role, I represented the interests of residential and small business consumers of telecommunications and energy before the Colorado Public Utilities Commission, the Federal Communications Commission (FCC), the Federal Energy Regulatory Commission (FERC), the courts and legislative bodies.

During my tenure as Consumer Counsel I served as the President of the National Association of State Utility Consumer Advocates (NASUCA) for two years and chaired the organization's Telecommunications Committee for three years. In those roles (and at CPI) I have testified fifteen times before Congressional committees on energy and telecommunications matters.

Prior to my work with the Office of Consumer Counsel, I was a consulting utility rate analyst. Over my career, I have represented a wide variety of clients before regulatory commissions, courts and arbitration panels in ten states. These clients included consumer organizations, senior citizen groups, agricultural utility consumers, homebuilders, telecommunications resellers, local exchange carriers, commercial customer associations and local governments.

I am a frequent speaker and presenter at industry, regulatory and legislative conferences and symposia. I am a member of the Harvard Electricity Policy Group and recently served on two advisory commissions to the Federal Communications Commission. My full resume is attached as Appendix A to this testimony.

What is your educational background?

A. I received a B.A, in Philosophy from St. Louis University in 1971 and an M.A. in Mathematics from the University of Colorado in 1978. I completed 27 hours of graduate work in Economics and I was researching my Masters Thesis on Regulated Industries in 1983 when I was appointed to the Colorado Public Utilities Commission by Colorado Governor Richard Lamm.

Q. What is the purpose of your testimony in this case?

A. I was asked by AARP to review the rate request filed by Montana-Dakota Utilities (MDU) and make recommendations to the Commission. MDU is requesting an additional $7.8 million in base rates, an increase of 9.1%. The Company has also proposed a cost allocation study that shifts cost responsibility toward residential customers, with the result that the proposed increase for the residential class is 16.9%, much larger than the average increase.

Q. How is your testimony organized?

A. First, I present an introduction to the testimony and a summary of my findings and recommendations. Second, I review and critique some of the Company's cost

of service proposals, specifically its estimate of Operation and Maintenance expenses costs and its treatment of wholesale energy sales margins. Next, I examine the cost allocation study submitted by MDU and recommend changes to certain allocation factors chosen by the Company. In this section of testimony I also examine MDU's proposed rate design for residential customers. Finally, I conclude with a section that summarizes my recommendations to the Commission.

I. INTRODUCTION AND SUMMARY OF TESTIMONY

Q. Please summarize the Company's request in this case.

A. MDU is requesting to increase its base rates by 9.1% per year. This percentage is the outcome of numerous factors, but the major components of the increase include the following:

- Increasing the authorized rate of return on equity;
- Increasing rate base to include investment in a additional peaking unit at the Glendive generation plant;
- Increasing the level of Operation and Maintenance (O&M) expenses included in rates;
- Including the costs of the Supplemental Income Security Plan (SISP) for officers and senior managers;
- Removing energy sales margins from the revenues in the cost of service study and sharing those margins between ratepayers and shareholders.

In addition to proposing an increase in base rates, the Company has submitted a new class cost allocation study. This allocation study follows the common industry practice of fully distributing the Company's costs using a variety of cost

allocation factors. However, the Company is proposing some novel allocation factors and a new rate design for residential customers. For AARP, the main issues raised by the cost allocation study include:

- Allocating "base" generation and transmission costs using a measure of class non-coincident peak;
- Allocating certain distribution costs on a per-customer basis;
- Increasing the monthly customer charge from its current level of $3.50 to a new level of $17.00.

The combined effect of the Company's cost allocation proposal is to allocate substantially more costs to the residential class and to shift costs within the residential class from large residential users toward small residential users. In fact, the bills for residential users with large usage will decline under the Company's proposal.

Q. Mr. Binz, why is this case important to AARP members in North Dakota?

A. MDU's proposal will add more than $10 to the monthly bill of the average Schedule 10 residential customer – about $120 per year.

An increase of this size for an essential service like electricity can be a significant burden for persons on a fixed income. For the residential customer using 670 kilowatt-hours of electricity per month (the average residential usage), the annual increase works out to about 21%. The relative size of the increase is even larger for customers using smaller amounts of electricity. For example, a customer who averages 300 kilowatt-hours of electricity per month will experience an annual increase of about 51%.

Of course, these rates of increase are much greater than the rate at which other commodities rose in the past year: the annual inflation rate as measured by the Consumer Price Index is only about 2.2% at the present time. Many of AARP's members have fixed incomes that grow slowly, if at all. For that reason, AARP members are very concerned about the quality of their utility service and the fairness of rates.

Q. What is the impact of the rate increase on low-income customers?

A. An increase of this magnitude poses a special hardship for low-income households. In 2002, almost one in four persons in North Dakota lived in households with incomes below 150% of the Federal poverty guidelines. This benchmark is very close to the eligibility standard used by the North Dakota Department of Human Services for heating assistance. A two-person household with income at this level earns only $17,910; a four-person household with income at this level earns only $27,150.

While nearly one-fourth of all North Dakotans – almost 143,000 persons -- live in households with incomes below 150% of the federal poverty guidelines, the situation is even worse for persons over 65 years of age. In 2002, more than 27% of North Dakota seniors in lived in households with incomes below 150% of the federal poverty guidelines. Exhibit RJB-1 details these statistics and includes the current federal poverty guidelines. I have also prepared exhibit RJB-2 which shows the effects of MDU's proposed rates and rate structures on annual residential electric bills.

Q. Please summarize your conclusions and recommendations to the Commission.

A. After reviewing the Company's testimony and exhibits and discovery responses provided by MDU to the Commission staff and to AARP, I have the following conclusions and recommendations:

- The Company's claim of a revenue deficiency is substantially overstated. After correcting three major features of the Company's cost study and including the effect of the stipulated rate of return, I recommend that the Commission grant an increase of no more than $84,000 of the $7.7 million requested. Depending on the disposition of other issues in the case, my recommended increase might be lower.
- The Company's request to divorce energy sales revenues from the standard ratemaking process should be rejected by the Commission. Fairness requires that the full test year revenues from wholesale energy sales be used to offset the cost of utility plant used to produce those energy sales. It is not necessary to offer the Company a special incentive to make these sales.
- The Company's choice for several allocation factors in its class cost study improperly and unfairly shifts costs onto residential customers. If the Commission grants MDU an increase at all, the Company's cost study should be recalculated using appropriate allocation factors.
- The Company's proposal to increase monthly fixed charge for residential customers from $3.50 to $17.00 is not supported by the evidence in this case. This rate structure is out of line with other utilities in the region and would have a negative impact on energy conservation.
- MDU has not met its burden of proof and its filed case does not provide the Commission a reliable basis for setting new rates. The Company used an unacceptable method to estimate O&M expenses, the largest single component of operating expenses. This method triggers problems with the cost allocation study that should fairly allocate costs among customer classes, rendering the results of that study suspect.
- The Commission should consider dismissing the case and require the Company to re-file with a substantially improved method for predicting O&M costs and an improved cost allocation study.

II. THE COMPANY'S REVENUE REQUIREMENT

Q. Please describe the Company's calculation of its revenue requirement.

A. MDU bases it revenue requirement calculation on a test year ending December 31, 2003. Since the test year was a fully future period when the case was prepared, the revenues and expenses in the test year are based in part on actual revenue and expenses that occurred in prior periods. For the most part, the Company based the test year projections on the twelve month period ending June 30, 2002. These "base year" numbers were presumably examined and normalized to remove non-recurring items and to annualize changes that occurred during the base year. The base year values were then projected into the future test year. This is, of course, fairly standard practice for a utility in a jurisdiction that allows or requires the use of a future test period. However, I have substantial concerns with the method used by the Company to project its expenses into the future test period. The escalation factors are arbitrary and too large; further, the uniform across-the-board manner of estimating O&M expenses creates problems for the cost allocation study that uses the results of the revenue requirements study as an input. On the revenue side, I disagree with the Company's proposed treatment of revenues from off-system energy sales.

Q. How has the Company estimated Operation and Maintenance Expenses for the test year ending December 31, 2003?

A. For some of the O&M accounts, the Company adjusted the actual values in the FERC accounts based on quantifiable changes. An example would be FERC

Account 925, Injuries and Damages. A few O&M accounts were estimated based on a computer dispatch model of the system operating conditions called PROSYM. Fuel and Purchased Power were estimated in this way. But the vast majority of expense accounts were estimated simply by escalating the account balances for the 12-month period ending June 30, 2002 by 20%. Exhibit RJB-3 shows the percentage increase in each of the O&M accounts assumed by the Company. Examining this three-page exhibit, it can be seen that the Company escalated approximately 65 of the 76 identified expense accounts by 20%.

Q. Do you agree with the Company's method for estimating O&M expenses for the test year?

A. No. The simplistic approach taken by the Company is very unlikely to yield test year values on which just and reasonable rates can be based. While it is appropriate to reflect known changes in the estimates and to use a production cost model to project fuel and purchased power costs, it is unacceptable to use a uniform escalation factor of 20% to estimate the balance of the O&M costs. One would expect that a major utility company would at least attempt to quantify cost changes in individual cost centers.

Besides the obvious arbitrariness of the 20% factor used by MDU, this factor far exceeds the rates of increase experienced by the Company in recent years. Escalating the base year values by 20% over the eighteen months from 6/30/02 to 12/31/03 is equivalent to an annual increase of 12.9%. As I will show later, recent annual increases in these expense categories has been far below the value

used by the Company.

Q. Have you prepared a revised estimate of test year O&M expenses?

A. Yes. I conducted a study projecting the Company's O&M expenses, using three different approaches. In each case, I accepted the Company's estimates for some accounts, removed one estimate and replaced the arbitrary 20% escalation factor with values based on recent history. The summary of my revisions to the revenue requirements study is attached as Exhibit RJB-4. The three approaches are detailed in Exhibit RJB-4 and in the table below:

Three Methods for Estimating 12/31/03 Test Year O&M Expenses
Method 1 Uses 6/30/02 Base Year Accepts MDU's Fuel, Purchased Power estimates Accepts MDU's Estimates for Acct 925, 928 Removes MDU's SISP Adjustment (926) Escalates remaining major O&M categories by the percentage change from 6/30/01 to 12/31/02
Method 2 Uses 12/31/02 Base Year Accepts MDU's Fuel, Purchased Power estimates Accepts MDU's Estimates for Acct 925, 928 Removes MDU's SISP Adjustment (926) Escalates remaining major O&M categories by the percentage change in each expense category from 12/31/02 to 12/31/02
Method 3 Uses 12/31/02 Base Year Accepts MDU's Fuel, Purchased Power estimates Accepts MDU's Estimates for Acct 925, 928 Removes MDU's SISP Adjustment (926) Escalates remaining major O&M categories by the average annual percentage change in each expense category from 12/31/99 to 12/31/02

Q. Please describe and compare the three methods you used.

A. One distinction among these three approaches is the "base" period used for the test year projection. For the base year, Method 1 uses the year ending 6/30/02, the same year used by the Company in its filing and the most recent year available when the filing was prepared. Methods 2 and 3 use the year ending 12/31/02 for the base year. The base data for Methods 2 and 3 are the actual values (from MDU's annual report) that are six months closer to the future test year than the base year used by the Company.

The other distinction between the methods is the choice of escalation factor. As mentioned earlier, the Company uniformly escalated most of the base year values by 20% to arrive at an estimate for values in a test year that closed 18 months after the base year. This is equivalent to escalating the numbers by 12.9% annually. The Company applied the escalation factor uniformly across-the-board to all accounts being projected.

In contrast, Method 1 uses an escalation factor equal to the actual change in the FERC accounts for the 18-month period ending 12/31/02. Importantly, the escalation factors vary between account groups. Similarly, Method 2 uses an annual escalation factor equal to the actual change in the 12-month period ending 12/31/02. Finally, Method 3 uses an escalation factor equal to the actual average annual change in the account balances over the three year period ending 12/31/02.

Q. Please explain Exhibit RJB-4.

A. Exhibit RJB-4 is a one-page exhibit that details my revisions to the Company's

estimate of O&M expenses. The first column on the page shows the names of the Company's major O&M accounts. Numerical Column 1 shows the 12-month account balances at 6/30/02 from MDU's filing, Statement H. Column 2 shows the values of the accounts at 12/31/02, taken from the Company's 2002 Annual Report filed with the Commission. Column 3 shows the test year estimates filed by the Company in the case, contained in Mr. Crowley's exhibit LAC-5, Statement H. Columns 4, 5, and 6 show the revisions to the test year values that I propose using the three estimation methods outlined above.

As can be seen, I accepted the Company's estimates for Fuel (Accts. 501 and 547), Purchased Power (Acct 555), Injuries and Damages (Acct. 926) and Regulatory Expenses (Account 928) in all three cases. I also removed the Company's SISP adjustment (Acct 926) for all three methods. For all other accounts I used the escalation factors described earlier.

In Exhibit RJB-4, the line "Difference from Filed Case" shows the effects of using the three methods

Q. What is the effect of these adjustments?

A. As seen in Exhibit RJB-4, the Company's revenue requirements study should be adjusted to reflect lower O&M costs by an amount between $5.2 million and $6.1 million, depending on the projection method selected. In reviewing the differences between the three methods, I believe the Commission should rely on the most recent 12-month base year, as used in Methods 2 and 3. Each of these methods uses an escalation method with a sound basis. For my recommendation,

I recommend the midpoint of the results produced by these two methods, a reduction of the revenue requirement of $5.734 million. This is comprised of a reduction of $667,700 to remove the effect of the SISP proposal (discussed below) and $5.066 million related to improved estimates of O&M expenses.

Q. Mr. Binz, do you endorse the Company's estimates for the cost of fuel and purchased power?

A. No. I have accepted the estimates, but I have not independently verified the PROSYM results on which these estimates were based. My position on these estimates could change if additional evidence is offered in the course of the proceeding.

Q. Why did you remove the Company's adjustment for the SISP benefit program?

A. SISP is a supplemental retirement benefit provided only to the officers and top executives of MDU. It is in addition to the standard defined benefit retirement program provided to all employees of the Company. The program is actually an executive perquisite and is designed to reward and retain executives. I do not believe that it is required for the provision of utility service. For that reason, the program's benefits will accrue largely to shareholders and are not of particular value to utility ratepayers. In addition, I understand that the Commission has previously declined to include SISP expenses in rates in North Dakota and that the SISP program expenses are not recovered in rates in other MDU state jurisdictions.

Q. Please turn to the revenue assumptions in the Company's revenue requirements study. How does the Company propose to treat the margins associated with off-system energy sales?

A. Off-system energy sales are wholesale energy sales made by MDU to interconnected utilities. This surplus power is produced by the Company's generation plants when their output is not needed to serve the Company's retail load. Sales of surplus power can profitably be made by MDU when the marginal cost of producing an additional kilowatt-hour of electricity on the MDU system (primarily the fuel cost) is less than the price paid by a willing buyer. It is not necessary for the price of such sales to cover the fixed costs such as the capital costs of the generation plants — those costs is already being recovered in rates charged to retail customers.

The margins earned from off-system sales (sale price minus marginal costs) have traditionally been fully included in the ratemaking process in North Dakota. In other words, the fuel cost associated with off-system sales was included in expenses and the revenues from sales were included in revenues.

In this filing, MDU is proposing to isolate the costs and revenues of off-system sales, removing the associated fuel costs and sales revenues from the revenue requirement. Since this margin is always a positive number, removing these costs and revenues increases the revenue requirement for retail customers. In this case, removing the margin increases the revenue requirement by $3.965 million. The Company then proposes to credit back 60% of the margin, lowering this increased

revenue requirement, albeit by a fraction of the increase.

Finally, the Company proposes to formalize this arrangement by instituting a balancing account treatment for off-system sales. In each year beginning one year after a rate case, the Company would place into effect a rate rider designed to collect the difference (positive or negative) between the current base level of wholesale sales margins and the base level assumed one year earlier. MDU proposes that this difference (positive or negative) is to be shared between ratepayers and shareholders.

Q. Do you agree with this proposed treatment of margins on off-system sales?

A. No. I think it is fundamentally unfair to pay 40% of the profits on off-system sales directly to shareholders as proposed by the Company. The capital cost of the utility plant used to produce these sales and the associated expenses are fully recovered in rates by MDU. In this case, the Company's proposal, by its own estimates, will steer $1.7 million in such profits directly to shareholders. I wish to emphasize: this margin is ***in addition to*** recovery of all associated costs and ***in addition to*** the Company's profit of a rate of return on the capital invested in the generating plants.

This proposal is unfair to the ratepayers who are already paying for the facilities used to make these sales. Conceptually, off-system sales are no different than sales to residential or commercial customers. I doubt that the Commission would ever isolate the "margins" from residential customers and then decide that only 60% of those profits would be counted in the ratemaking process. But that is

exactly what MDU is proposing for wholesale energy sales.

In his testimony, MDU witness Crowley justifies the sharing proposal by noting that it is difficult to estimate the level of margins that will be achieved. He argues that a sharing mechanism will "reward" the Company for its efforts to secure sales of surplus energy.

Q. Is it desirable to provide the Company with an incentive to maximize the margins from off-system sales?

A. Yes. As a general rule, I think it is important that regulation provide regulated companies with an incentive to behave in a way that benefits both ratepayers and shareholders. This may mean that regulators adopt systems of incentives for utilities. Properly viewed, though, the traditional regulatory treatment of these off-system sales provides just such an incentive.

A well-understood feature of traditional regulation, "regulatory lag," means that MDU's rates have been set using an estimate of the revenues from off-system sales. Between rate cases, the Company keeps 100% of the margins on sales that exceed the base amount assumed in the ratemaking process. This ability to earn more than authorized is a sharp incentive for the Company to maximize off-system sales. Interestingly, the Company's proposal actually *reduces* the incentive to maximize off-system sales by lowering the marginal benefit of a new surplus sale to 40% of margin. In other words, the balancing account feature of the mechanism would ensure that the Company always receives (only) 40% of the profit on off-system sales. The Company is evidently willing to give up 60% of

the upside of new off-system sales because it will be receiving a guaranteed fraction of the base amount as profit above its actual cost of service.

Q. What is your recommendation to the Commission on the treatment of revenues from off-system sales?

A. My primary recommendation is that the Commission reject the Company's proposal and continue its practice of including the full value of estimated revenues from test year off-system sales in ratemaking. If the Company exceeds that margin amount, it keeps the excess profits. If the Commission wishes to modify the incentive regime faced by the Company, it could modify the Company's Fuel Cost Adjustment mechanism to share the *incremental* margins above the base amount included in rates.

Q. What level of off-system margins should be used in this case?

A. As stated above, the Company proposes to include only 60% of the projected margin on surplus power sales in the cost of service. I recommend that the Commission include 100% of those margins in rates. The Company did not make an estimate of the margins associated with off-system sales in the test year, apparently assuming the Commission would approve its proposed sharing mechanism. For purposes of my testimony and exhibits, I assume that North Dakota's share of wholesale margins will total $3.965 million in the test year, the same as in the base year. I am aware that Mr. King, on behalf of the advocacy staff, has recommended a larger number. I have not had the opportunity to review his research, but will I endorse a different number if Mr. King's analysis is

compelling or if the Company proposes another value in its rebuttal testimony.

Q. Have you prepared an exhibit that summarizes your recommendations for adjustments to the Company's revenue requirements study?

A. Yes. Exhibit RJB-5 is a two-page exhibit that shows my adjustments to the Company's proposed revenue requirement. The first page is a calculation of the effect of the stipulation on rate of return endorsed by MDU and the staff. AARP was not a party to the case when the stipulation was agreed and does not object to the stipulation now. I calculate that the revenue effect of lowering the return on rate base from 10.177% (as filed) to 10.077% (as stipulated) is to lower the revenue requirement by about $380,000. This estimate uses the rate base estimate filed by the Company in this case and does not reflect adjustments such as those advocated by the advocacy staff.

Exhibit RJB-5, page 2 of 2 summarizes AARP's proposed adjustments to the cost of service. The combination of adjustments to revenues, expenses and return on rate base results in my recommendation that the Commission should grant MDU and an increase of no more than $84,000 of the $7.78 million sought. It is important to note that, because of time and data limitations, I was not able to examine all the assertions in the Company's revenue requirements study. Depending on additional evidence that may be adduced in this case, I reserve the right to modify this recommendation.

III. COST ALLOCATION AND RESIDENTIAL RATE DESIGN

Q. Have you reviewed the study used by the Company to allocate costs to the various classes of customers?

A. Yes. I reviewed the testimony of MDU's consultant Stephen Gaske and reviewed cost allocation model used by H. Zinder and Associates on behalf of MDU.

Q. Do you agree with the approach taken to cost allocation proposed by the Company?

A. MDU is offering a cost allocation study that distributes costs across the rate classes based on a variety of allocation factors. In some respects, the Company's fully-distributed cost study follows standard industry practices. However, two choices for allocation factors used in the study stand out as unsupportable because they are unrelated to the underlying cost drivers. In my experience, the way these two allocation factors are used is most unusual.

In MDU's study, Generation and Transmission costs are divided into "base" and "peak" portions. This division reflects the fact that the cost drivers for generation and transmission capacity are related both the amount the facilities are used – the base portion – and to the peak level of capacity required – the peak portion. In MDU's cost study, the peak portions of these facilities are allocated to the rate classes on the basis of the classes' demand at the time of system peak, the so-called "coincident" peak demand. This is appropriate since this will apportion the peak cost component to the rate classes based on their share of system use exactly

when the maximum needs of the system are established.

Q. How is the base demand portion of generation and transmission plant allocated?

A. In the study, the base demand is allocated to the classes on the basis of their non-coincident peak demand – the maximum demand that a class sets regardless of the time of the system peak.

In my view, the choice of non-coincident peak demand to apportion base demand is at best curious and it is completely at odds with the concept of "average demand." Mathematically, the base demand is simply the "average" demand on the system: the number of kilowatt-hours divided by the number of hours in a year, or some other period over which the average demand is being measured. The only consistent way to allocate the system's base demand is to apportion it among the rate classes on the basis of the classes' average demand, i.e., by the number of kilowatt-hours they use in the relevant period.

In contrast, the non-coincident demand of a rate class tells nothing about the degree to which the class contributes to the base demand of the system. For a fixed non-coincident peak demand, the average demand of a class can vary anywhere from 0% to 100% of the coincident peak demand, depending on the class load factor. Said another way, while each class's non-coincident demand can be measured, the *sum* of the non-coincident peaks of the rate classes is a meaningless quantity: it is never encountered in reality. Using the sum of non-coincident peaks as the denominator in an allocation factor will produce

inconsistent results among customer classes with diverse load profiles.

The effect of choosing non-coincident peak demand to allocate generation and transmission plant and expenses is to shift costs away from the large commercial classes and toward the residential class. The reason for this shift is obvious: the large commercial classes have a high load factor, i.e., they tend to use a relatively large share of the system base demand. On the other hand, the residential customer class has a relatively low load factor, putting less average demand on the system. While using average demand (kilowatt-hours) would capture this difference, using non-coincident demand obscures the difference between the classes. The loser is the residential class.

Q. Please address your second concern you have about the Company's cost allocation study.

A. MDU's cost study allocates portions of the distribution system to the customer classes on the basis of the number of customers in the class, instead of the load characteristics of the class. An example of this allocation is for the account Poles, Towers and Fixtures. This account is allocated based on the number of customers. This means that a residential customer in Rate Class 10 gets the same assignment of costs for poles and towers as a hardware store served as a small commercial customer, or for that matter, a K-Mart store taking service as a large general customer under Tariff 30. Similarly, Land and Rights-of-Way, which are closely related to distribution facilities, are allocated based on the number of customers. While it is true that the residential customer class requires a large

fraction of the distribution facilities, the use of those facilities by the customer classes is not in proportion to the number of customers in the classes, at least not when the customers vary as widely as between the Residential and the Large General customer classes.

Q. Have you modified the Company's cost allocation to reflect these principles?

A. Due to the limited time available to prepare this testimony, I did not make the modifications necessary to produce a revised cost study. However, I note that staff witness King raised many of the same issues in his testimony. At page 20 of his testimony, Mr. King demonstrates that, with the type of adjustments to the allocation study I just identified, the earned return for the Residential Class is more nearly in line with the average return than the result indicated by the Company's cost study. That means that any rate increase awarded to MDU should be spread more evenly than the Company's original proposal in which the increase was heavily tilted toward the residential class.

Q. Please turn to the topic of rate design. What is the Company's proposal for the rate structure applied to the residential class?

A. At the present time, residential customers taking service under Tariffs 10 or 18 pay a monthly customer charge of $3.50 and a demand/energy charge that begins at 6.7 cents per kilowatt-hour and declines with usage to 5.7 cents per kWh. The Company proposes to raise the customer charge to $17.00 per month and modify the kilowatt-hour charge to recover balance of the class revenue requirement. In addition, the Company is proposing to establish a winter/summer rate differential.

Rates for kilowatt-hours in excess of 750 per month would be discounted during the winter months October to May. The Company justifies its proposal for the large increase in the customer charge on its cost allocation study. The allocations of distribution costs on the basis of number of customers in the class, discussed previously, leads to the conclusion that the $17.00 charge is warranted.

Q. At what level should the monthly customer charge be set?

A. If the Commission grants MDU no more than the $84,000 increase I recommend as an upper bound and if the cost allocation study is modified as I and Mr. King recommend, the costs assigned to the customer function will be substantially less than the $17.00 proposed by the Company. However, even if a sharply increased customer charge can be justified, there are good policy reasons for not setting the rate at the maximum level supported by the cost study. To see why, we should recognize that a higher customer charge means lower energy charge. All things being equal, this will encourage customers to use more electricity.

Q. If the monthly customer charge is set below the fully-distributed cost of service, won't customers receive the wrong price signal?

A. Not necessarily. For a company whose prices are set by regulation, there is an obviously an inverse relationship between the monthly customer charge and the kilowatt-hour charge: the energy charge is calculated on a residual basis – revenues not collected the monthly charge are collected in the per-kwh charge. Since the price paid for a kilowatt-hour of electricity is probably less than the long-run incremental cost of new capacity and energy, lowering the energy charge

may make matters even worse. In fact, lowering the monthly customer service charge (thereby raising the energy charge) might actually improve the "price signal" delivered through the per-kwh portion of the rate structure.

Further, while customers will likely respond to changes in the kWh price by reducing or increasing consumption, the same cannot be said of customers' reaction to a higher monthly service charge. The only way to avoid the monthly service charge for electricity is to disconnect the service. Buying more efficient appliances or shifting use to off-peak periods will not, by definition, allow the customer to avoid any portion of the monthly flat charge. I suspect few customers, except those in an extremely precarious financial situation, would discontinue electric service when the monthly service charge increases from $3.50 to $17.00. In other words, demand for connection to the electricity system is very inelastic. The same cannot be said for the consumption of kilowatt-hours of energy.

Q. What level of monthly service charge do you recommend?

A. The current level of the monthly charge of $3.50 appears to be too low and may not cover the marginal costs of adding a new customer. I think that a monthly service charge of $6.00, even though almost twice the current level, would be reasonable. This level is in line with monthly charges made by MDU in its other jurisdictions, and for other investor owned utilities in the region. The following table lists the current monthly service charges used by other utilities in the region:

Company	State	Residential Customer Charge
Northern States Power	North Dakota	$ 4.00
Northern States Power	Minnesota	$ 4.56
Otter Tail Power - ND	North Dakota	$ 4.74
Otter Tail Power - SD	South Dakota	$ 5.80
Montana-Dakota Utilities	Wyoming	$ 6.50
Northern States Power	South Dakota	$ 6.55
Black Hills Power and Light	South Dakota	$ 7.00
PacifiCorp	Wyoming	$ 8.00
Black Hills Power and Light	Wyoming	$ 8.00

IV. RECOMMENDATIONS

Q. Mr. Binz, please summarize your conclusions and recommendations for the Commission.

A. After examining the cost studies submitted by Montana-Dakota Utilities, I have the following conclusions:

- The Company has substantially overstated its revenue requirement. Corrected for a faulty projection of O&M costs, and corrected for the inappropriate sharing of wholesale margins, the revenue deficiency is at most $84,000, compared to the $7.78 million requested.
- The Company's cost allocation study uses incorrect allocation factors for important classes of generation, transmission and distribution plant. MDU's choices of allocation factors improperly shift costs towards the Residential customer classes.
- The rate design proposed for the Residential customer class improperly assigns costs to the monthly customer charge. There are sound policy reasons and a sound accounting basis to set the customer charge at a number much lower than the Company's proposal.

In line with these conclusions, I make the following specific recommendations to the Commission.

- The Commission should reject the Company's method for projecting test year expenses as being inaccurate and inadequate.
- The Commission should decline to include the SISP expenses in rates.
- The Commission should reject the Company's request to divorce energy sales revenues from the standard ratemaking process and to share margins with the Company's shareholders. Fairness requires that the full value of the test year margins from wholesale sales should be used in setting rates.
- Combining these adjustments, and including the effect of the stipulated rate of return, the Commission should grant a rate increase no larger than $84,000.
- The Commission should require the Company to revise its class cost study to incorporate the changes to allocation factors advocated in my testimony and the testimony of staff witness Charles King.
- The monthly fixed charge for residential customers should be set at $6.00 per month, not at $17.00 as proposed by the Company.

Q. Do you have any additional comments?

A. Yes. I think the Commission should consider dismissing this case and requiring the Company to re-file with a substantially improved method for predicting O&M costs and with an improved cost allocation study.

In my view, the Company has not provided the Commission with a credible basis for setting total rates in its revenue requirements study filed with its direct case. The Company did not even prepare an estimate of the test year margins for wholesale sales, apparently assuming the Commission would approve its proposal to establish a "sharing" mechanism for these margins. Further, the "across-the-board" treatment of changes in O&M costs creates shortcomings that cascade into

the cost allocation study, making its output suspect as well.

It is not the job of the Commission's advocacy staff or interveners such as AARP to bring cost studies up to an acceptable quality. If the Commission agrees with AARP or the advocacy staff that no need for an increase has been shown, it should dismiss the case and allow the Company to re-file.

Q. Does this conclude your testimony at this time?

A. Yes.

Ronald J. Binz
333 Eudora Street
Denver, Colorado 80220
303-355-7528 (H) 303-393-1556 (O)

Employment History

1995-present President, Public Policy Consulting

Public policy consultant, specializing in energy and telecommunications issues. Assignments include strategic counsel to clients and research and testimony before regulatory and legislative bodies. Since 1995, a wide range of clients has included: consumer advocate offices, rural electric utilities, senior citizen advocacy groups, industrial electric users, homebuilders, telecommunications resellers, an incumbent local exchange company, low-income advocacy organizations, and municipal utilities.

1996-present President and Policy Director, Competition Policy Institute

Competition Policy Institute is an independent non-profit organization that advocates state and federal policies to bring competition to energy and telecommunications markets in ways that benefit consumers. Duties include: determining the organization's policy position on a wide range of telecommunications and energy issues; conducting research, producing policy papers, presenting testimony in regulatory and legislative forums, hosting educational symposia for state regulators and state legislators.

.1984-1995 Director, Colorado Office of Consumer Counsel

Director of Colorado's first state-funded utility consumer advocate office. By statute, the OCC represents residential, small business and agricultural utility consumers before state and federal regulatory agencies. The office has been a party to more than two hundred legal cases before the Colorado Public Utilities Commission, the Federal Communications Commission, the Federal Energy Regulatory Commission and the courts. Annual office budget is $1 million.

Managed a staff of eleven, including attorneys, economists, and rate analysts who conduct economic, financial and engineering research in public utility matters.

Testified as an expert witness on subjects of utility rates and regulation. Negotiated rate settlement agreements with utility companies. Regularly testified before the Colorado general assembly and spoke to professional business and consumer organizations on utility rate matters. Consulted with advisory board of consumer leaders from around the state.

Leadership role in National Association of State Utility Consumer Advocates. Member of high-level advisory boards to Federal Communications Commission (Network Reliability Council) and Environmental Protection Agency (Acid Rain Advisory Council). Frequent witness before congressional committees and invited speaker before national industry and regulatory forums.

1977-1984 Consulting Utility Rate Analyst

Represented clients in public utility rate cases and testified as an expert witness in more than twenty utility cases before regulatory commissions in Utah, Wyoming, Colorado and South Dakota. Clients included state and local governments, low income advocacy groups, irrigation farmers and consumer groups. Testimony spanned topics of telephone rate design, electric cost-of-service studies, avoided cost valuation of nuclear generation, electric rate design for irrigation customers and municipal water rate design.

1975-1984 Instructor in Mathematics

Taught mathematics at the University of Colorado, Denver and Boulder campuses. Nominated three times for outstanding part-time faculty member.

1971-1974 Manager, Blue Cross and Blue Shield

Managed major medical claims processing department. Responsibilities included budgets, hiring, training, managing supervisors, and coordinating with medical peer review committee.

Other Business Interests

1994-present Managing Partner, Trail Ridge Winery

Partner and Secretary/Treasurer of Trail Ridge Winery. Trail Ridge is a Colorado winery located in Loveland, Colorado, producing a variety of wines from Colorado-grown grapes. Duties include service on board of directors; duties of corporate secretary/treasurer; development of business plans; legislative, regulatory and other external affairs; assistance in winery operations and tasting room; assistance in public relations and marketing.

Education

M.A. (Mathematics) 1977. University of Colorado. Course requirements met for Ph.D.

Graduate courses toward M.A. in Economics 1981-1984. University of Colorado. Twenty-seven hours including Economics of Regulated Industries, Natural Resource Economics, Econometrics.

Advanced Course in Utility Regulation 1986. National Association of Regulatory Utility

Commissioners.

B.A. with Honors (Philosophy) 1971. St. Louis University.

Diploma 1967. Catholic High School, Little Rock, Arkansas.

Professional Associations and Activities

Colorado Legislative Task Force on Information Policy, Gubernatorial Appointee 2000-2001

National Association of State Utility Consumer Advocates
President 1991-1992, Vice-President 1990, Treasurer 1987-1989
Chair, Telecommunications Committee 1992-1995

Network Reliability Council to the Federal Communications Commission

North American Numbering Council to Federal Communications Commission, Co-Chair

Harvard Electric Policy Group, John F. Kennedy School, Harvard University

Denver Mayor's Council on Telecommunications Policy

Exchange Carriers Standards Association Network Reliability Steering Committee

Colorado Telecommunications Working Group, Gubernatorial Appointee

Colorado Energy Assistance Foundation, Board Member, Past President

Legislative Commission on Low-Income Energy Assistance, Past President

Colorado Public Interest Research Foundation, Board Member

Colorado Common Cause, Board Member

Acid Rain Advisory Council to the Environmental Protection Agency

Outreach Committee, Western States Coordinating Council Regional Planning Committee

Total Compensation Advisory Council to the State of Colorado Department of Personnel

New Mexico State University Public Utilities Program, Faculty and Advisory Council

Aspen Institute for Humanistic Studies, Telecommunications Policy Meetings 1986-1997

Who's Who in Denver Business?

Council on Economic Regulation, Past Fellow

Colorado Wine Industry Development Board, Chairman

American Vintners Association, Executive Committee, Membership Chair

Legislative and Congressional Testimony

United States House of Representatives Judiciary Committee, November 1999. Testimony concerning H.R. 2533, The Fairness in Telecommunications License Transfer Act of 1999.

United States Senate Judiciary Committee; Antitrust, Business Rights and Competition Subcommittee, April 1999. Testimony concerning S.467, The Antitrust Merger Review Act.

United States Senate Commerce Committee, Telecommunications Subcommittee, May 1998. Testimony in oversight hearings concerning the performance of the Common Carrier Bureau of the Federal Communications Commission.

United States Senate Judiciary Committee, Washington, D.C., September 1996. Presented testimony on behalf of the Competition Policy Institute on the competitive impact of proposed mergers of Regional Bell Operating Companies.

United States House of Representatives Subcommittee on Telecommunications and Finance of the Committee on Commerce, May 1995. Testimony presenting NASUCA's position on H.R. 1555 by Representative Fields.

United States Senate Subcommittee on Antitrust, Washington, D.C., September 1994. Testimony presenting NASUCA's position on S. 1822 by Senator Hollings.

United States House of Representatives Subcommittee on Telecommunications and Finance of the House Energy and Commerce Committee, Washington, D.C., February 1994. Presented testimony on H.R. 3636.

United States House of Representatives Subcommittee on Economics and Commercial Law, Washington, D.C., October 1992. Supplemental testimony presenting NASUCA's position on legislation concerning the Modified Final Judgment introduced by Representative Brooks.

United States House of Representatives Subcommittee on Telecommunications and Finance, Washington, D.C., October 1991. Testimony on RBOC entry into telecommunications manufacturing and information services.

United States House of Representatives Subcommittee on Economics and Commercial Law, Washington, D.C., August 1991. Testimony presenting NASUCA's position on possible federal

legislation concerning the Modified Final Judgment.

United States Senate Subcommittee on Energy Regulation and Conservation, Denver, Colorado, April 1991. Testimony presenting NASUCA's position on federal legislation concerning regulation of the natural gas industry, introduced by Senator Wirth.

United States Senate Communications Subcommittee, Washington, D.C., February 1991. Testimony on behalf of NASUCA concerning S.173, telecommunications legislation introduced by Senator Ernest Hollings.

United States Senate Communications Subcommittee, Washington, D.C., July 1990. Testimony on behalf of NASUCA concerning S.2800, telecommunications legislation introduced by Senator Conrad Burns.

United States House of Representatives Subcommittee on Telecommunications and Finance, July 1988. Testimony on the FCC Price Cap proposal.

Georgia State Legislature Interim Committee on Natural Gas Competition. Fall 1996. Testimony on the consumer impacts of restructuring the natural gas industry in Georgia.

Iowa General Assembly, Des Moines, Iowa, November 1992. Testimony on legislation concerning incentive regulation.

American Legislative Exchange Council, November 1999. "The Changing Role of Public Utilities Commissions"

American Legislative Exchange Council concerning Rights-of-Way and Competition in Telecommunications, July 1998.

American Legislative Exchange Council Committee on Rights of Way. May 1998. Testimony on rights of way policies, taxation and telecommunications development.

Colorado State Senate and Colorado House of Representatives 1984-1995. Frequent witness on variety of energy and telecommunications issues.

Recent Regulatory Testimony and Presentations

Since 1977, Mr. Binz has participated in more than 150 regulatory proceedings before the Federal Energy Regulatory Commission, the Federal Communications Commission, State and Federal District Courts, the 8th Circuit and D.C. Circuit Courts of Appeal, the U.S. Supreme Court and state regulatory commissions in California, Colorado, Georgia, Maine, New York, South Dakota, Texas, Utah, and Wyoming. He has filed testimony in approximately fifty proceedings before these bodies.

His testimony and comments have addressed a wide variety of technical and policy issues in telecommunications, electricity, natural gas and water regulation. Following is a sample of recent testimony and presentations before regulatory bodies.

Testimony

Before the Colorado Public Utilities Commission. Comments on behalf of the Colorado Energy Assistance Foundation. Docket No. 02R-196G. In the Matter of the Proposed Repeal and Reenactment of the Rules Regulating Gas Utilities. (November 2002)

Before the Colorado Public Utilities Commission. Testimony on behalf of Colorado Energy Assistance Foundation and Catholic Charities of the Archdiocese of Denver. Docket No. 02A-158E. In the Matter of the Application of Public Service Company of Colorado for an Order to Revise its Incentive Cost Adjustment. (April 2002)

Before the Idaho Public Utilities Commission. Testimony on behalf of Astaris, in the matter of Case No. IPC-E-01-43 concerning the buy back rates under an electric load reduction program. (January 2002)

Before the Colorado Public Utilities Commission. Testimony in matter of the investigation of Advice Letters 579 and 581 of Xcel Energy on behalf of Homebuilders Association of Denver. Dockets 01S-365G and 01S-404G. (January 2002)

Before the Colorado Public Utilities Commission. Testimony in the formal complaint case of the Homebuilders Association of Metropolitan Denver against Public Service Company. Docket 01F-071G. (August 24, 2001)

Before the Colorado Public Utilities Commission. Testimony in the matter of the investigation and suspension of Advice Letter No. 566 of Xcel Energy on behalf of the Homebuilders Association of Metropolitan Denver. Docket No. 00S-422G. (November 2000)

Before the American Arbitration Association. In the Matter of Univance Telecommunications, Inc. v. Venture Group Enterprises, Inc. Arbitration No. 77 Y 147 00099 00 (November 2000)

Testimony of Ronald Binz at FCC Public Forum on SBC/Ameritech merger (May 6, 1999)

Docket No. 97-106-TC -- Testimony of Ron Binz before New Mexico State Corporation Commission on Investigation Concerning USWest's Compliance with Section 271(c) of the Telecommunications Act (July 27, 1998)

Before the Colorado Public Utilities Commission. Testimony Concerning the Investigation of Telephone Numbering Policies. (March 26, 1998)

Docket No. 6717-U • •Testimony before the Georgia Public Service Commission Concerning the Service Provider Selection Plan of Atlanta Gas Company. (January 10, 1997)

Case 96-C-0603 and Case 96-C-0599--Testimony of Ronald J. Binz on behalf of CPI before the New York State Public Service Commission concerning the Bell Atlantic/NYNEX Merger (November 25, 1996)

Docket No. 96-388 - Direct Testimony of Ronald J. Binz, CPI, On Behalf of the Office of the Public Advocate (October 15, 1996) State of Maine, Public Utilities Commission Joint Petition of New England Telephone and Telegraph Company and NYNEX Corporation for Approval of the Proposed Merger of a Wholly-Owned Subsidiary of Bell Atlantic Corporation into NYNEX Corporation.

Application No. 96-04-038 - Direct Testimony of Ronald J. Binz, CPI, On Behalf of Intervener, Utility Consumers Action Network (September 30, 1996) Before the Public Utilities Commission of the State of California. In the Matter of the Joint Application of Pacific Telesis Group (Telesis) and SBC Communications (SBC) for SBC to Control Pacific Bell (U 1001 C), Which Will Occur Indirectly as a Result of Telesis' Merger With a Wholly Owned Subsidiary of SBC, SBC Communications (NV) Inc.

Presentation to Federal-State Joint Board on Universal Service (April 12, 1996)

Testimony before the Texas Public Utility Commission on the Integrated Resource Planning Rule (March, 1996)

Presentations

"Section 271: Is it a '10' for Consumers?" Presentation to the National Association of State Utility Consumer Advocates. Chicago, Illinois. November 2002

"CLEC Market Share--What do the Numbers Say?" Presentation to the Regional Oversight Committee of Qwest state regulators. Santa Fe, New Mexico. April 2002

"Public Utility Regulation and Low Income Issues," Presentation of Ron Binz before the Colorado Public Utilities Commission on behalf of the Colorado Energy Assistance Foundation, December 5, 2001.

"Some Natural Gas Issues," Presentation by Ron Binz for the Western Conference of Public Service Commissioners, June 14, 2000.

"Consumer Issues in Natural Gas Unbundling" -- Presentation of Ron Binz before the National Association of Regulatory Utility Commissioners (November 9, 1999)

Ron Binz Presentation to the 25th Annual Rate Symposium on Competition for small customers in natural gas markets (April 27, 1999)

"Best Practices in Telecommunications Regulation"; Presentation before NARUC Communications Committee and National Regulatory Research Institute at NARUC Winter Meeting (February 1999)

Comments before the Federal Communications Commission

On behalf of the Competition Policy Institute, Mr. Binz has written (or supervised the preparation of) numerous sets of comments on matters pending before the Federal Communications Commission.

2000

Reply Comments (July 10, 2000)
CC Docket No. 98-147 Deployment of Wireline Services Offering Advanced Telecommunications Capability
CC Docket No. 96-98 Implementation of the Local Competition Provisions of the Telecommunications Act of 1996
CC Docket No. 98-141 Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transferor to SBC Communications Inc., Transferee
NSD-L-00-48 Common Carrier Bureau and Office of Engineering and Technology Announce Public Forum on Competitive Access to Next-Generation Remote Terminals

Comments (June 23, 2000)
CC Docket No. 98-147 Deployment of Wireline Services Offering Advanced Telecommunications Capability
CC Docket No. 96-98 Implementation of the Local Competition Provisions of the Telecommunications Act of 1996
CC Docket No. 98-141 Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transferor to SBC Communications Inc., Transferee
NSD-L-00-48 Common Carrier Bureau and Office of Engineering and Technology Announce Public Forum on Competitive Access to Next-Generation Remote Terminals

CC Docket 00-65 Comments in the Matter of the Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Texas Second Application by SBC Communications For Authorization to Provide In-Region InterLATA Services in Texas (May 19, 2000)

CC Docket No. 98-184 Further Comments in the Matter of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer of Control (May 5, 2000)

CC Docket 00-65 Comments in the Matter of the Application by SBC Communications Inc.,

Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Texas Second Application by SBC Communications For Authorization to Provide In-Region InterLATA Services in Texas (April 26, 2000)

Reply Comments of the Competition Policy Institute On the Revised CALLS Proposal (In the Matter of Access Charge Reform, CC Docket No. 96-262 Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1 Low Volume Long Distance Users, CC Docket No.99-249 Federal-State Joint Board on Universal Service, CC Docket No. 96-45) (April 17, 2000)

CC Docket 98-146 Reply Comments of the Competition Policy Institute In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable And Timely Fashion, and Possible Steps To Accelerate Such Deployment Pursuant To Section 706 of the Telecommunications Act of 1996 (April 4, 2000)

Comments of the Competition Policy Institute On the Revised CALLS Proposal (In the Matter of Access Charge Reform, CC Docket No. 96-262 Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1 Low Volume Long Distance Users, CC Docket No.99-249 Federal-State Joint Board on Universal Service, CC Docket No. 96-45) (April 3, 2000)

DA 00-633 Comments in the Matter of Streamlining FCC Review of Applications Relating to Mergers (March 28, 2000)

CC Docket 00-4 Reply Comments in the Matter of Application by SBC Communications Inc., Southwestern Bell Telephone Company, and southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Texas (February 22, 2000)

CC Docket No. 98-184 Reply Comments in the Matter of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer of Control (February 22, 2000)

CC Docket No. 92-297 Reply Comments on Rulemaking to Amend Parts 1, 2, 21 and 25 of the Commission's Rules to Redesignate the 27.5-29.5 GHz Frequency Band, to Reallocate the 29.5-30.0 GHz Frequency Band, to Establish Rules and Policies for Local Multipoint Distribution Service and for Fixed Satellite Services (February 11, 2000)

1999

CC Docket No. 99-301, Reply Comments on the FCC's Local Competition and Broadband Reporting NPRM (December 20, 1999)

CC Dockets No. 99-249, 96-262, 96-45 and 94-1, Reply Comments on the CALLS Petition (December 3, 1999)

CC Dockets No. 99-249, 96-262, 96-45 and 94-1, Comments on the CALLS Petition (November 12, 1999)

CC Docket No. 99-295, Reply Comments on the Bell Atlantic New York 271 Application (November 8, 1999)

CC Docket No. 99-295, Comments on the Bell Atlantic New York 271 Application (October 19, 1999)

CC Docket No. 99-207, Calling Party Pays; Comments (September 17, 1999)

WT Docket No. 99-217, Comments on Promotion of Competitive Networks in Local Telecommunications Markets ("Building Access")(August 27, 1999)

CC Docket Nos. 96-98, 95-185; Reply Comments on Second Further Notice of Proposed Rulemaking (June 10, 1999)

CC Docket Nos. 96-98, 95-185; Comments on Second Further Notice of Proposed Rulemaking (May 26, 1999)

CC Docket No. 94-129; Reply Comments on MCI Worldcom, et al.'s Joint Petition for Waiver and Joint Petition for Extension of Effective Date of Rules or, in the Alternative, for a Stay (April 26, 1999)

CC Docket No. 94-129; Comments on Joint Petition of MCI Worldcom, et al. for Waiver and Joint Petition for Extension of Effective Date of Rules or, in the Alternative, for a Stay (April 16, 1999)

RM-9474 -- Comments on Requested Amendment of the Commission's Rules Concerning the Development of a National Framework to Detect and Deter Backsliding to Ensure Continued Bell Operating Company Compliance with Section 271 of the Communications Act Once InterLATA Relief is Obtained (March 8, 1999)

1998

CC Dockets 98-184 -- Reply Comments on the Proposed Merger of GTE and Bell Atlantic (December 23, 1998)

CC Dockets 98-141 -- Reply Comments on Applications of SBC Communications, Inc. and Ameritech Corp. for Consent to Transfer Control Licenses (November 16, 1998)

CC Dockets 96-265, 94-1, 97-250, RM 9210 -- Comments in Response to Public Notice FCC 98-252 (October 26, 1998) Petition for Rulemaking by Consumer Federation of America et al.

CC Docket No. 98-147 -- Comments on Deployment of Wireline Services Offering Advanced Telecommunications Capability (September 25, 1998)

CC Docket No. 98-84 -- Comments on Petition for Preemption of NE PSC Decision Permitting Withdrawal of Centrex Plus Service by USWest Communications, Inc. (September 24, 1998)

CCBPol Docket No 98-4 -- Reply Comments on the Petition for Declaratory Rulings on the Realistic Choice Standard for Implementing the Public Interest Test in Section 271 of the Communications Act of 1934 -- Joint filing by CPI, AARP, IA Department of Consumer Advocate, ME Office of Public Advocate, SC Department of Consumer Affairs and UCAN. (September 16, 1998)

Docket No. 98-121 -- Comments on the Second Application by BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance Inc. for Provision of In-Region, InterLATA Services in Louisiana (August 4, 1998)

Docket No. 98-84 -- Reply Comments on the McLeodUSA Petition for Preemption (July 27, 1998)

Petition for Declaratory Rulings on the Realistic Choice Standard for Implementing the Public Interest Test in Section 271 of the Communications Act of 1934 -- Joint filing by CPI, AARP, IA Department of Consumer Advocate, ME Office of Public Advocate, SC Department of Consumer Affairs and UCAN. (July 20, 1998)

CC Docket Nos. 96-45, 97-160, DA 98-715 -- Reply Comments on Proposals to revise the Methodology for Determining Universal Service Support (May 29, 1998)

CC Docket Nos. 96-45, 97-160, DA 98-715 -- Comments on Proposals to revise the Methodology for Determining Universal Service Support (May 15, 1998)

CC Docket No. 98-1 -- Reply Comments of the USTA, OPASTCo, WRTA and CPI (April 9, 1998)

CC Docket Nos. 98-26, 98-32, 98-11 -- Comments in the Matter of Petitions of Ameritech Corp., USWest Communications, Inc., and Bell Atlantic Corporation for Relief from Barriers to Deployment of Advanced Telecommunications Services (April 6, 1998)

CC Docket No. 98-5 -- Comments in the Matter of Petition of LCI Telecom Corp. for Declaratory

Rulings (March 23, 1998)

Case 97-C-0271 -- Comments on the Draft Pre-Filing of Bell Atlantic Pursuant to Section 271 of the Telecommunications Act of 1996 (March 23, 1998)

CC Docket No. 96-262, 94-1, 91-213, 95-72 -- Comments in Support of the Petition for Rulemaking of CFA, ICA & NRF (January 30, 1998)

1997

CCBPol 96-13, 14, 16 & 19 -- Reply Comments on SWBT's Petition for Partial Reconsideration (December 23, 1997)

CCBPol 96-13, 14, 16 & 19 -- Opposition to SWBT's Petition for Partial Reconsideration (December 8, 1997)

CCBPol 96-13, 14, 16 & 19 -- Ex Parte Response to SWBT's November 26 Ex Parte Submission concerning Centrex Resale (December 3, 1997)

CC Docket 97-231 -- Comments on BellSouth Provision of In-Region, InterLATA Services in Louisiana (November 25, 1997)

CCBPol 96-13, 14, 16 & 19 -- Ex Parte Response to SWBT's November 19 Ex Parte Submission concerning Centrex Resale (November 21, 1997)

CC Docket 97-208 -- Reply Comments on Application by BellSouth for Provision of the In-Region, InterLATA Services in South Carolina (November 14, 1997)

CC Docket 97-137 -- Comments on the Petitions for Reconsideration and Clarification of BellSouth and USWest (October 9, 1997)

CC Docket 96-128 -- Ex Parte Communication: Remand issues in the Payphone proceeding (October 6, 1997)

CC Docket 96-128; 97-1673 -- Reply comments on Remand Issues in the payphone Proceeding (September 9, 1997)

CC Docket 96-3321 and consolidated cases -- Joint petition for Rehearing with ALTS, WinStar, NCTA, Nextlink, ICG, and ACSI (August 29, 1997)
In the Matter of Iowa Utilities Board v. FCC.

CC Docket No. 96-128 -- Competition Policy Institute's Comments on Remand Issues in the

Payphone Proceeding (August 26, 1997)
In the matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996.

CC Docket No. 96-262 Competition Policy Institute's Partial Support and Partial Opposition to the Petitions for Reconsideration and Clarification (August 18, 1997)
In the matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure & Pricing, End User Common Line Charges, and Federal-State Joint Board on Universal Service.

Competition Policy Institute's "Realistic Choice" Approach to the Public Interest Standard Concerning RBOC 271 Applications (August 4, 1997)

DA 97-1211 Reply Comments of the Competition Policy Institute. (July 30, 1997) In the matter of Petition for Expedited Rulemaking to Establish Reporting Requirements and Performance and Technical Standards for Operations Support Systems

CC Docket 97-100 Reply Comments of the Competition Policy Institute. (July 22, 1997)
In the matter of Petition for Expedited Declaratory Ruling Preempting the Arkansas Telecommunications Regulatory Reform Act of 1997 pursuant to Sections 251, 252, and 253 of the Communications Act of 1934, as amended

DA 97-1211 Comments of the Competition Policy Institute. (July 10, 1997)
In the matter of Petition for Expedited Rulemaking To Establish Reporting Requirements and Performance and Technical Standards for Operations Support Systems

CC Docket 97-137 Reply Comments of the Competition Policy Institute. (July 8, 1997)
In the Matter of Application by Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934 to Provide In-Region, InterLATA Services in Michigan

CC Docket 97-100 Comments of the Competition Policy Institute. (July 7, 1997)
In the Matter of Petition for Expedited Declaratory Ruling Preempting Arkansas Telecommunications Regulatory Reform Act of 1997 pursuant to Sections 251, 252 and 253 of the Communications Act of 1934, as amended

CC Docket 97-137 Comments of the Competition Policy Institute. (June 10, 1997)
In the matter of Application by Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934 to Provide In-Region, InterLATA Services in Michigan

NSD L-97-6 Opposition of the CPI and the Minnesota Department of Public Service on the Application for Review of the Arizona Corporation Commission (June 5, 1997) In the Matter of Petition for Declaratory Ruling Regarding USWest's Petitions to Consolidate LATAs in Minnesota

and Arizona

NSD L-97-6 Comments of the Competition Policy Institute and the Minnesota Department of Public Service on the Petition for Reconsideration of Clarification of USWest Communications, Inc. (June 4, 1997) In the Matter of Petition for Declaratory Ruling Regarding USWest's Petitions to Consolidate LATAs in Minnesota and Arizona

CC Docket No. 97-121 - Reply Comments of the Competition Policy Institute on the Application of SBC Communications to Provide InterLATA Service in Oklahoma (May 27, 1997)

CC Dockets No.97-121 - Comments of the Competition Policy Institute on the Application of SBC Communications to Provide InterLATA Service in Oklahoma (May 1, 1997)

CC Dockets No.97-121 - Comments of the Competition Policy Institute on the Motion to Dismiss and Request for Sanctions (April 28, 1997)

CC Dockets No.96-45 and 96-262-- Ex Parte Communication Concerning Access Charge Reform and Universal Service Funding (April 18, 1997)

CC Docket No. 96-254 - Reply Comments of the Competition Policy Institute (March 26, 1997) In the Matter of Implementation of Section 273 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996

DA 97-480/NSD-L-97-6 Reply Comments of the Competition Policy Institute and the Minnesota Department of Public Service (March 24, 1997) In the Matter of Petition for Declaratory Ruling Regarding US West's Petitions to Consolidate LATAs in Minnesota and Arizona

CC Docket No. 96-115 - Further Comments of the Competition Policy Institute (March 17, 1997) In the Matter of the Implementation of the Telecommunications Act of 1996: Telecommunications Carriers' Use of Customer Proprietary Network Information and Other Customer Information Pursuant to Public Notice DA 97-385

CC Docket Nos. 96-262, 94-1, 91-213,96-263 Comments of CPI (January 29, 1997) In the Matter of Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Transport Rate Structure and Pricing; Usage of the Public Switched Network by Information Service and Internet Providers

CC Docket No. 96-45--Reply Comments of CPI on the Recommended Decision (January 10, 1997) In the Matter of the Federal-State Joint Board on Universal Service Public Notice DA 96-1891

1996

CC Docket No. 96-45--Comments of CPI on the Recommended Decision (December 19, 1996) In the Matter of the Federal-State Joint Board on Universal Service Public Notice DA 96 1891

GN Docket No. 96-228--Comments of CPI (December 4, 1996) Amendment of the Commission's Rules to Establish Part 27, the Wireless Communications Service ("WCS")

Tracking No. 960221 - Petition to Impose Conditions (September 23, 1996) Applications of Bell Atlantic Corporation and NYNEX Corporation for Consent to Transfer Control of Certain Licenses and Authorizations

Case No. 96-3321 RTC-31 • •Briefing Report and Motion Concerning the Petitions for Review filed by Incumbent Local Exchange Carriers and State Regulatory Bodies (September 18, 1996)

CC Docket 92-297 - Reply Comments (August 22, 1996)
Rulemaking to Amend Parts 1,2,21, and 25 of the Commission's Rules to Redesignate the 27.5-29.5 GHz Frequency Band, to Reallocate the 29.5-30.0 GHz Frequency Band, to Establish Rules and Policies for Local Multipoint Distribution Service for Fixed Satellite Services

CC Docket No. 92-297 - Comments (August 12, 1996)
Rulemaking to Amend Parts 1,2,21, and 25 of the Commission's Rules to Redesignate the 27.5-29.5 GHz Frequency Band, to Reallocate the 29.5-30.0 GHz Frequency Band, to Establish Rules and Policies for Local Multipoint Distribution Service for Fixed Satellite Services

CCBPol No. 96-14 - Reply Comments (July 18, 1996)
Petitions Concerning the Texas Public Utility Regulatory Act of 1995

CCBPol No. 96-14 - Comments (July 3, 1996)
Petitions Concerning the Texas Public Utility Regulatory Act of 1995

CC Docket No. 96-98 - Reply Comments (May 30, 1996) Telecommunications Carriers' Use of Customer Proprietary Network Information and Other Customer Information. Implementation of the Local Competition Provision in the Telecommunications Act of 1996

Petition for Preemption Under Section 253 of Certain Certification and Resale Provisions In Effect in the State of Texas (May 20, 1996)

CC Docket No. 96-98 - Comments (May 16, 1996)
Implementation of the Local Competition Provision in the Telecommunications Act of 1996

CC Docket No. 96-45 - Reply Comments (May 7, 1996)
Federal-State Joint Board on Universal Service

Publications

Mr. Binz is the co-author of two major reports on electric industry restructuring:

Navigating a Course to Competition: A Consumer Perspective on Electric Restructuring

and

Addressing Market Power: The Next Step in Electric Restructuring.

In the telecommunications area, Mr. Binz recently completed a major discussion paper entitled ***Qwest, Consumers and Long Distance Entry: A Discussion Paper.***

These publications are available at the Public Policy Consulting website: www.rbinz.com.

Poverty Status in North Dakota—Persons

Age Category	Below 100% of Poverty		Above 100% of Poverty		Total Population	
0-17	26,832	20.7%	102,765	79.3%	129,597	100%
18-64	51,483	12.6%	355,777	87.4%	407,260	100%
65+	10,381	12.4%	73,442	87.6%	83,824	100%
All Persons	88,697	14.3%	531,984	85.7%	620,681	100%

Age Category	Below 125% of Poverty		Above 125% of Poverty		Total Population	
0-17	32,153	24.8%	97,445	75.2%	129,597	100%
18-64	60,997	15.0%	346,263	85.0%	407,260	100%
65+	15,148	18.1%	68,676	81.9%	83,824	100%
All Persons	108,297	17.4%	512,384	82.6%	620,681	100%

Age Category	Below 135% of Poverty		Above 135% of Poverty		Total Population	
0-17	34,996	27.0%	94,602	73.0%	129,597	100%
18-64	67,930	16.7%	339,330	83.3%	407,260	100%
65+	19,684	23.5%	64,140	76.5%	83,824	100%
All Persons	122,609	19.8%	498,072	80.2%	620,681	100%

Age Category	Below 150% of Poverty		Above 150% of Poverty		Total Population	
0-17	40,189	31.0%	89,408	69.0%	129,597	100%
18-64	78,950	19.4%	328,310	80.6%	407,260	100%
65+	23,326	27.8%	60,498	72.2%	83,824	100%
All Persons	142,465	23.0%	478,216	77.0%	620,681	100%

Source: U.S. Department of Commerce, Bureau of the Census, Current Population Survey (CPS) March 2002
Unit of analysis: Persons; Base: Persons 18+ in North Dakota
Prepared by AARP Public Policy Institute

2002 Health and Human Services Poverty Guidelines

Size of Family Unit	Annual Income 48 Contiguous States and D.C.	Annual Income 150% of Guideline (WY LIHEAP)
1	$8,860	$13,290
2	11,940	17,910
3	15,020	22,530
4	18,100	27,150
5	21,180	31,770
6	24,260	36,390
7	27,340	41,010
8	30,420	45,630
For each additional person, add	$3,080	$4,620

SOURCE: *Federal Register*, Vol. 67, No. 31, February 14, 2002, pp. 6931-6933.

Residential Rate Class 10

Effect of MDU's Proposed Increase on Annual Bills

Kwh/mo	Existing Bill	New Bill	Pct Change	$ Change
0	42.00	204.00	+385.7%	162.00
100	121.60	277.52	+128.2%	155.92
300	280.81	424.57	+51.2%	143.76
500	445.86	571.62	+28.2%	125.76
670	575.83	696.61	+21.0%	120.78
750	641.24	755.43	+17.8%	114.19
1000	814.92	885.21	+8.6%	70.29
1382	1,079.46	1,079.52	+0.0%	0.05
1500	1,161.18	1,139.54	(1.9%)	(21.64)
2000	1,507.44	1,393.86	(7.5%)	(113.58)
3000	2,199.96	1,902.51	(13.5%)	(297.45)

Notes: - Example customers' usage assumed to be 34.3% in summer, 65.7% in winter
- Average kwh/customer of 686 kwh/mo from MDU cost allocation study

Detail of MDU's Estimate of Test Year Expenses

Description	FERC Account	North Dakota As of 6/30/02	North Dakota As of 12/31/03	North Dakota Percent Increase
Production Expenses:				
Steam Generation				
Operation Supervision & Engineering	500	949.4	1,139.5	20.0%
Fuel	501	17,733.2	12,541.7	-29.3%
Steam Expense	502	1,909.5	2,291.8	20.0%
Steam-Electric Expense	505	650.3	780.4	20.0%
Miscellaneous Steam Power Expense	506	1,081.7	1,298.3	20.0%
Maintenance Supervision & Engineering	510	323.8	388.6	20.0%
Maintenance of Structures	511	274.7	329.7	20.0%
Maintenance of Boiler Plant	512	1,814.6	2,177.9	20.0%
Maintenance of Electric Plant	513	536.9	644.3	20.0%
Maintenance of Miscellaneous Steam Plant	514	535.2	642.4	20.0%
Subtotal: Steam Generation less Fuel		8,076.10	9,692.90	20.0%
Other Generation				
Operation Supervision & Engineering	546	36.9	44.3	20.1%
Other Generation Expenses-Fuel	547	353.4	694.6	96.5%
Generation Expenses	548	1.9	2.4	26.3%
Miscellaneous Other Power Expenses	549	71.6	85.9	20.0%
Maintenance Supervision & Engineering	551	15.2	18.1	19.1%
Maintenance of Structures	552	6.2	7.4	19.4%
Maintenance of General Electric Plant	553	43.5	52.2	20.0%
Maintenance Miscellaneous Other Power Plant	554	7.1	8.5	19.7%
Purchased Power Expenses				
Purchased Power-Energy (Integrated System)	555.1	4,475.5	4,134.6	-7.6%
Purchased Power-Energy (BHC Contract for WY)	555.1			
WAPA-Prepaid Regulation	555.2	(31.6)		-100.0%
MAPP Transmission Charges-Energy	555.3	147.3	147.3	0.0%
Purchased Power-Demand (Integrated System)	555.69	8,560.4	7,448.0	-13.0%
Purchased Power-Demand (BHC Contract for WY	555.69W	-	-	
Subtotal: Purchased Power Expense		13,151.6	11,729.9	-10.8%
Other Power Supply-System Control & Dispatch	556	599.8	719.9	20.0%
Total Production Expenses		13,751.4	12,449.8	-9.5%

Detail of MDU's Estimate of Test Year Expenses

Description	FERC Account	North Dakota As of 6/30/02	North Dakota As of 12/31/03	North Dakota Percent Increase
Transmission Expenses:				
Operation Supervision & Engineering	560	909.9	1,092.1	20.0%
Load Dispatching	561	166.5	199.8	20.0%
Station Expenses	562	295.7	354.9	20.0%
Overhead Line Expenses	563	81.7	98.1	20.1%
Transmission of Electricity by Others	565	255.0	306.1	20.0%
Miscellaneous Transmission Expenses	566	73.0	87.6	20.0%
Rents	567	1,304.2	1,565.3	20.0%
Maintenance Supervision & Engineering	568	83.4	100.1	20.0%
Maintenance of Structures	570	342.8	411.4	20.0%
Maintenance of Station Equipment	571	683.0	819.8	20.0%
Total Transmission Expenses		4,195.2	5,035.2	20.0%
Distribution Expense:				
Operation Supervision & Engineering	580	365.6	438.8	20.0%
Station Expenses	582	146.8	176.2	20.0%
Overhead Line Expense	583	257.8	309.4	20.0%
UG Line Expense	584	337.3	404.8	20.0%
Street Lighting & Signal Systems	585	34.9	41.9	20.1%
Meter Expenses	586	507.7	609.4	20.0%
Customer Installations Expense	587	166.0	199.2	20.0%
Miscellaneous Expenses	588	1,059.3	1,271.4	20.0%
Rents	589	44.1	52.9	20.0%
Subtotal: Distribution Operation Expenses		2,919.5	3,504.1	20.0%
Maintenance Supervision & Engineering	590	214.2	257.1	20.0%
Maintenance of Station Equipment	592	94.3	113.2	20.0%
Maintenance of OH lines	593	911.1	1,093.5	20.0%
Maintenance of UG lines	594	237.6	285.2	20.0%
Maintenance of Line Transformers	595	70.2	84.3	20.1%
Maint of Street Lighting & Signals	596	72.0	86.5	20.1%
Maintenance of Meters	597	6.4	7.7	20.3%
Maintenance of Miscellaneous Plant	598	167.6	201.3	20.1%
Subtotal: Distribution Maintenance Expenses		1,773.4	2,128.7	20.0%
Total Distribution Expenses		4,692.9	5,632.8	20.0%

Detail of MDU's Estimate of Test Year Expenses

Description	FERC Account	North Dakota As of 6/30/02	North Dakota As of 12/31/03	North Dakota Percent Increase
Administrative and General Expenses:				
Customer Accounting Expense:				
Supervision	901	191.1	229.4	20.0%
Customer Assistance	902	440.4	528.6	20.0%
Records & Collections	903	1,160.4	1,392.6	20.0%
Uncollectible Accounts	904	236.8	284.2	20.0%
Miscellaneous Expenses	905	111.4	133.7	20.0%
Customer Service-Supervision	907	10.3	12.4	20.4%
Customer Service-Customer Assistance	908	68.1	81.7	20.0%
Customer Service-Information and instruction	909	25.1	30.1	19.9%
Customer Service-Miscellaneous Service & info	910	0.9	1.1	22.2%
Subtotal: Customer Accounting Expenses		2,244.5	2,693.8	20.0%
Sales Expense:				
Supervision	911	64.9	77.9	20.0%
Demonstration and Selling Expenses	912	126.5	151.8	20.0%
Advertising Expenses	913	30.9	37.1	20.1%
Miscellaneous Sales Expenses	916	16.6	20.0	20.5%
Subtotal: Sales Expense		238.9	286.9	20.1%
Administrative & General Expenses:				
Administrative and General Salaries	920	3,101.0	3,721.8	20.0%
Office Supplies and Expenses	921	1,795.0	2,154.4	20.0%
Outside Services Employed	923	395.0	474.1	20.0%
Property Insurance	924	375.7	445.8	18.7%
Injuries and Damages	925	193.9	375.5	93.7%
Employee Pensions and Benefits	926	1,665.4	1,998.9	20.0%
Employee Pensions and Benefits - SISP	926	-	667.7	-
A&G-Regulatory Commission Expenses	928	0.5	190.4	-
General Advertising Expenses	930.1	133.1	159.7	20.0%
Miscellaneous General Expenses	930.2	590.1	708.3	20.0%
Rents	931	146.2	175.5	20.0%
Maintenance of General Plant	935	459.0	550.9	20.0%
Total Administrative & General Expenses		8,854.9	11,622.9	31.3%
Total O&M Expenses		60,322.9	60,869.5	0.9%
Total "Other" O&M Expenses **(O&M less fuel and purchased power)**		29,084.7	35,903.3	23.4%

Revised Projections of Test Year O&M Expenses

North Dakota	As of 6/30/02 actual	As of 12/31/02 actual	As of 12/31/03 MDU	As of 12/31/03 AARP Method 1	Method 2	Method 3
Production Expenses	40,096.5	40,195.7	35,597.8	34,705.2	34,869.2	34,928.9
Fuel (501, 547)	17,733.2	18,150.7	13,236.3	13,236.3	13,236.3	13,236.3
Purchased Power (555)	13,151.6	12,573.4	11,729.9	11,729.9	11,729.9	11,729.9
All Other Production	9,211.7	9,471.7	10,631.6	9,739.0	9,903.0	9,962.7
Transmission Expenses	4,195.2	4,265.2	5,035.2	4,782.8	4,646.2	4,542.1
Distribution Expenses	4,692.9	4,664.4	5,632.8	4,527.4	4,342.9	4,748.1
Customer Accounting Expenses (901-910)	2,244.5	2,156.7	2,693.8	2,121.0	1,982.6	2,134.8
Sales Expense	238.9	344.2	286.9	298.8	421.3	357.4
Adminstrative and General Expenses	8,854.9	8,924.7	11,622.9	9,594.2	8,888.5	9,159.7
Injuries and Damages (926)	193.9	414.4	375.5	375.5	375.5	375.5
A&G-Regulatory Commission Expenses (928)	0.5	147.4	190.4	190.4	190.4	190.4
SISP (926)	-	-	667.7	-	-	-
All Other A&G	8,660.5	8,362.9	10,389.3	9,028.3	8,322.6	8,593.8
Total Operation and Maintenance Expenses	60,322.9	60,550.9	61,244.9	56,029.3	55,150.7	55,870.9
Difference from Filed Case			-	(5,215.6)	(6,094.2)	(5,374.0)

Method 1

Uses 6/30/02 Base Year
Accepts MDU's Fuel, Purchased Power estimates
Accepts MDU's Estimates for Acct 925, 928
Removes MDU's SISP Adjustment (926)
Escalates remaining major O&M categories by the percentage change from 6/30/01 to 12/31/02

Method 2

Uses 12/31/02 Base Year
Accepts MDU's Fuel, Purchased Power estimates
Accepts MDU's Estimates for Acct 925, 928
Removes MDU's SISP Adjustment (926)
Escalates remaining major O&M categories by the percentage change in the expense category from 12/31/02 to 12/31/02

Method 3

Uses 12/31/02 Base Year
Accepts MDU's Fuel, Purchased Power estimates
Accepts MDU's Estimates for Acct 925, 928
Removes MDU's SISP Adjustment (926)
Escalates remaining major O&M categories by the average percentage change in the expense category from 12/31/99 to 12/31/02

Revenue Effect of ROE Stipulation

based on MDU filed case

(Dollars in Thousands)

Filed Rate Base (Statement L)	143,596.80
Filed ROE	10.177%
Required Return on Filed Rate Base	14,613.85
Stipulated ROE	10.017%
Stipulated Return on Filed Rate Base	14,384.09
Change in Income	(229.75)
Revenue Multiplier	1.6559
Revenue Requirements Change	(380.45)

AARP Recommmended Adjustments to Revenue Requirement

(Dollars in Thousands)

MDU Net Revenue Deficiency (from LAC-13) (includes 60% of wholesale margins)	7,784.0
Operating Revenues Adjustments	
Adjustment to Restore 40% of Wholesale Margins	1,585.9
Operating Expenses Adjustments	
Adjustment to Correct Projected Operation and Maintenance Expense	(5,066.4)
Adjustment to Remove SISP Expense	(667.7)
Return Adjustments	
Adjustment to Reflect Stipulated Return on Rate Base	(380.45)
Total AARP Adjustments to Revenue Requirement	(7,700.40)
Adjusted Revenue Deficiency	83.60

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate

Case No. PU-399-03-296

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the Testimony of Ronald J. Binz on Behalf of AARP and attachments were served on October 15, 2003, by mailing it by first class mail to:

DONALD R BALL
ASSISTANT VICE PRESIDENT
REGULATORY AFFAIRS
MONTANA-DAKOTA UTILITIES CO
400 N 4 ST
BISMARCK ND 58501

DOUGLAS W SCHULZ
SENIOR ATTORNEY & ASSIST SECRETARY
MDU RESOURCES GROUP INC
PO BOX 5650
BISMARCK ND 58506-5650

DANIEL S KUNTZ
ZUGER KIRMIS & SMITH
PO BOX 1695
BISMARCK ND 58502-1695

JIM ROACHE
PO BOX 564
CROSBY ND 58730

THOMAS D. KELSCH

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY FIRST CLASS MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sandra L. Scott deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **10th day of October, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with first class mail, fully prepaid, securely sealed and each containing a photocopy of:

Commissioner Wefald's October 10, 2003 request for additional information.

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695

Jim Roache
P O Box 564
Crosby ND 58730

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sandra L Scott

Subscribed and sworn to before me
this **10th day of October, 2003**.

Susan K Richter
Notary Public

SEAL

SUSAN K. RICHTER
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 15, 2004

Public Service Commission
State of North Dakota

RECEIVED
OCT 10 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

October 10, 2003

William W. Binek, Chief Counsel
North Dakota Public Service Commission
600 East Boulevard
Bismarck ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase Application,
Case No. PU-399-03-296

Dear Mr. Binek:

The Direct Testimony of Charles W. King, page 10, lines 9 through 14 talks about a mechanism for symmetrical sharing of off-system sales margins.

Please provide additional detail about this sharing mechanism such as the process to be used to credit or pay customers when margins exceed the rate-case-designated amount of margins and the process to be used to debit or charge customers when margins are below the rate-case-designated amount.

Sincerely

Susan E. Wefald
Commissioner

82 **PU-399-03-296** Pages. 1

Request for additional information

by Public Service Commission by Commissioner Wefa

10/10/2003 C: Comm Legal PUD (3) Mike ALJ .

APPROVED

DATE: 10-9-03 MOTION

KMF

October 9, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission bill Montana-Dakota Utilities Co. for costs incurred to date in Case No. PU-399-03-296, Montana-Dakota Utilities Co., Electric Rate Increase, Application.

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

October 9, 2003

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

RE: Case No. PU-399-03-296
Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Enclosed is a copy of the statement approved at the October 9, 2003 Public Service Commission meeting for the expenses incurred to date in Case No. PU-399-03-296.

Under N.D.C.C. 49-02-02, these expenses are billed through the Valuation Fund and must be paid for by the company involved.

Please make your check payable to the Public Service Commission.

Sincerely,

Gloria Geiger
Administrative Staff Officer
701-328-2401

Enc.

Billing Statement

October 9, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

Expenses Incurred to Date:

Consulting Services	$5,655.51
Advertising Costs	1,017.96

Amount Due:

Montana-Dakota Utilities Co.	$6,673.47

Send Payment and a Copy of this Statement To:

Public Service Commission
600 E Boulevard Ave Dept 408
Bismarck ND 58505-0480

Federal Tax ID 45-0309764

RECEIVED
OCT - 9 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

October 9, 2003

Jon Mielke, Executive Secretary
North Dakota Public Service Commission
600 E Boulevard Ave Dept 408
Bismarck ND 58505

RE: PU-399-03-296
Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Dear Mr. Mielke:

Enclosed is the original and eight copies of staff's Supplemental Direct Testimony in the above captioned proceeding.

Thank you.

Sincerely,

Mike Diller
Director of Accounting
Public Service Commission

Enclosure

c: Don Ball, MDU
Doug Schulz, Attorney, MDU
Dan Kuntz, Attorney
Thomas D. Kelsch, Attorney
Jim Roache

80 **PU-399-03-296** Pages: 1

Cover letter re Staff's Supplemental Direct Testimony
by Public Service Commission

10/09/2003 C: Comm Legal PUD (3) Mike ALJ

RECEIVED
OCT - 9 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

SUPLEMENTAL DIRECT TESTIMONY OF CHARLES W. KING

Q PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Charles W. King. I am President of the economic and management consulting firm of Snavely King Majoros O'Connor & Lee, Inc. Our offices are in Suite 410, 1220 L Street, N.W., Washington, DC 20005.

Q. FOR WHOM ARE YOU APPEARING IN THESE PROCEEDINGS?

A. I am appearing on behalf of the Adversary Staff of the North Dakota Public Service Commission.

Q. DID YOU SUBMIT PREFILED DIRECT TESTIMONY IN THIS CASE ON BEHALF OF THE ADVERSARY STAFF ON SEPTEMBER 29, 2003?

A. Yes, I did.

Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENAL TESTIMONY?

A The purpose of this Supplemental Testimony is to introduce two further adjustments in the calculation of the revenue requirements for the North Dakota electric operations of the Montana-Dakota Utilities Company ("MDU" or "the Company"). The first adjustment relates to the application of depreciation rates to common plant, and the second adjustment concerns the interest deduction from taxable income.

Q. WHY IS THE FIRST ADJUSTMENT, THAT RELATING TO THE DEPRECIATION OF COMMON PLANT, NECESSARY?

A. As a result of the depreciation phase of the recent gas rate case, Case No. PU-300-02-183, the depreciation rates for MDU's common plant were represcribed. "Common plant" refers to plant that is shared between the gas and electric divisions, so the represcription applied to the Company's electric depreciation as well as its gas depreciation. On September 15, 2003, I inquired of MDU whether its electric depreciation totals reflected this common plant depreciation rate represcription. On September 30, 2003, after I had submitted my initial testimony, the Company responded that it had not reflected the new depreciation rates in its depreciation of common plant. With its response, the Company submitted a restated Statement D – Accumulated Provision for Depreciation and a restated Statement I – Total Depreciation Expense and Amortization. The changes on these statements require a restatement of MDU's North Dakota revenue requirements.

Q. WHAT WERE THE CHANGES IN DEPRECIATION EXPENSE AND DEPRECIATION ACCRUALS?

A. Exhibit_____(CWK-6) shows the depreciation expense and depreciation accruals as of the 2003 test year as presented in MDU's initial Statements D and I and in its restated Statements. The exhibit shows that the application of the revised depreciation rates to common plant increases depreciation expense by $168,600 and depreciation accruals by $80,100. The increase in depreciation accruals translates into a dollar-for-dollar reduction in the net investment rate base.

Q. WHY IS IT NECESSARY TO ADJUST THE INTEREST DEDUCTION USED TO CALCULATE INCOME TAX EXPENSE?

A. As noted in my direct testimony, all issues pertaining to rate of return had been settled by stipulation among the parties. I was aware of the revised equity return and overall return, but I did not notice that the cost of debt had been revised from that which the Company had originally proposed as well. Specifically, the

settlement prescribed an 8.95 percent cost of long-term debt, while the Company's original application had requested a 9.027 percent debt cost. While this change was captured in my calculation of the overall return requirement, it was not reflected in the computation of the interest deduction from net operating income that is used to calculated net taxable income.

Q. WHAT IS THE EFFECT OF THIS CHANGE IN DEBT COST ON THE INTEREST DEDUCTION?

A. Exhibit_____(CWK-7) shows the change in the interest deduction and its effect on MDU's income taxes. The lower debt cost reduces the interest deduction by $42,400. The effect is to increase taxable income by this amount, which in turn results in $3,700 in additional state income taxes and $17,000 in added federal income taxes.

Q. WHAT IS THE EFFECT OF THESE TWO ADJUSTMENTS ON MDU'S OVERALL ELECTRIC REVENUE REQUIREMENT IN NORTH DAKOTA?

A. I have added two columns to my Exhibit_____(CWK-3) to shows the effect of the changes in depreciation expense and interest deduction. With these adjustments, the revenue sufficiency is $629,900 instead of $930,000, and the indicated rate reduction is now 0.734 percent.

Q. DO THESE REVISIONS CHANGE YOUR RATE DESIGN RECOMMENDATIONS IN ANY WAY?

A. No. I continue to recommend that the entire rate reduction be flowed to the two general service classes and to the lighting class. I calculate that these classes' rates would be reduced by 1.24 percent under this prescription.

Q. DOES THIS COMPLETE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes, it does.

Exhibit____(CWK-1)

Montana-Dakota Utilities Company
Annual Operating and Maintenance Expenses, 1999-2002

	1999	2000	%Change	2001	% Change	2002	% Change	Average % Change
Total Company								
Steam Production Expense (Total Company)	35,719,480	35,512,982	-0.58%	38,947,026	9.67%	39,417,067		
Fuel, Steam Production (Total Company)	24,951,845	23,915,618		27,244,516		27,101,257		
Non-fuel Steam Expense (Total Company)	10,767,635	11,597,364	7.71%	11,702,510	0.91%	12,315,810	5.24%	4.62%
System Control & Load Dispatching (Tot.Co)	700,006	872,202	24.60%	892,362	2.31%	929,868	4.20%	10.37%
Transmission Expense (N.D.)	3,667,049	3,566,914	-2.73%	3,915,441	9.77%	4,265,201	8.93%	5.32%
Distribution Expense (N.D.)	4,585,754	4,660,253	1.62%	5,009,708	7.50%	4,664,422	-6.89%	0.74%
Customer Accounts Expense (N.D.)	2,161,667	2,113,265	-2.24%	2,232,745	5.65%	2,064,785	-7.52%	-1.37%
Customer Service and Info Expense (N.D.)	96,288	105,193		113,288		91,871		
Sales Expense (N.D.)	258,276	269,310		281,145		344,180		
Sales and Customer Service (N.D.)	354,564	374,503	5.62%	394,433	5.32%	436,051	10.55%	7.17%
Administrative and General Expense (N.D.)	8,303,279	8,154,363	-1.79%	8,967,959	9.98%	8,924,727	-0.48%	2.57%

Source: Montana-Dakota Utilities Annual FERC Forms 1, pages 320-322 and Annual Reports to the North Dakota P.S.C., Electric Operations

Exhibit_____(CWK-2)

Montana-Dakota Utilities Company, North Dakota Operations
Forecast 2003 Operating and Maintenance Expenses

	A 2002 Total Company Response to Data Rqst. 1.48	B North Dakota Response to Data Rqst. 1.48	C 2003 Increase Factors CWK-1	D 2003 Total Company A*C or Statement H	E North Dakota B*C or Statement H
Fuel, Steam Production	27,101,256	17,960,471	Co Forecast	18,994,707	12,541,740
Non-fuel Steam Expense	12,315,810	8,633,129	4.62%	12,884,520	9,031,783
Other Generation Expense	564,219	384,557	Co Forecast	1,368,200	913,561
Purchased Power	28,622,043	12,573,352	Co Forecast	27,736,700	11,729,900
Total Production Expense	68,603,328	39,551,509		60,984,127	34,216,984
System Control & Load Dispatch	929,868	644,220	10.37%	1,026,307	711,033
Transmission Expense	6,279,912	4,265,200	5.32%	6,614,281	4,492,297
Distribution Expense	8,113,990	4,664,421	0.74%	8,174,327	4,699,107
Customer Accounts Expense	3,705,071	2,156,656	-1.37%	3,654,338	2,127,125
Sales and Customer Service Expense	484,816	344,180	7.17%	519,556	368,842
Property Insurance	495,828	319,775	Co Forecast	690,991	445,827
Injuries and Damages	660,359	414,440	Co Forecast	617,959	375,501
Franchise Requirements	-		Co Forecast (1)	1,041,600	667,700
A&G-Regulatory Commission Expenses	196,163	147,405	Co Forecast	366,108	190,404
Other A&G Expense	12,586,959	8,043,107	2.57%	12,910,104	8,249,598
Total Administrative and General Expense	13,939,309	8,924,727		15,626,762	9,929,030
Total Operating and Maintenance Expenses	102,056,294	60,550,913		96,599,697	56,544,418

(1) Source: Jurisdictional Separations Study, Schedule OMO-03

Exhibit____(CWK-3)Revised

Montana-Dakota Utilities Company, North Dakota Operations
Income Statement and Additional Revenue Requirements
Calendar Year 2003
(Dollars in Thousands)

	Company Proposed (Statement L)	Staff Adjustments		Staff Recommended	Supplemental Adjustments		Revised Staff Recommendation
Total Average Electric Rate Base	143,596.8			143,596.8	(80.1)	(8)	143,516.7
Less 10% of the Glendive Unit		(647.9)	(1)	(647.9)			(647.9)
Adjusted Rate Base				142,948.9			142,868.8
Total Operating Revenues							
Total Sales Revenues	85,767.5			85,767.5			85,767.5
Opportunity Sales Revenues		14,327.2	(2)	14,327.2			14,327.2
Other Operating Revenues	2,776.3			2,776.3			2,776.3
Total Revenues	88,543.8			102,871.0			102,871.0
Total Operating Expenses							
Operation & Maintenance Expenses	60,869.5	(4,325.1)	(3)	56,544.4			56,544.4
Less: SISP		(667.7)	(4)	(667.7)			(667.7)
Off-system Sales Expense		8,747.8	(5)	8,747.8			8,747.8
Depreciation Expense	13,302.7	(33.2)	(6)	13,269.5	168.6	(8)	13,438.1
Taxes Other Than Income Taxes	4,580.2			4,580.2			4,580.2
Total Operating Expenses	78,752.4			82,474.2			82,642.8
Utility Operating Income Before Taxes	9,791.4			20,396.8			20,228.2
Income Taxes:							
Federal	1,941.9			5,390.6	17.0	(9)	5,407.6
State	423.4			1,175.3	3.7	(9)	1,179.0
Deferred Income Taxes	(1,050.0)			(1,050.0)			(1,050.0)
Total Operating Expenses	80,067.7			87,990.1			88,179.4
Total Operating Income	8,476.1			14,880.9			14,691.6
Return Before Adjustments							
Earned Rate of Return - %	5.903%			10.410%			10.283%
Required Rate of Return - %	10.177%	-0.160%	(7)	10.017%			10.017%
Return at Required Rate of Return - $	14,613.8			14,319.2			14,311.2
Income Defficiency	(6,137.7)			561.7			380.4
Revenue Deficiency - Multiplier	1.6559			1.6559			1.6559
Revenue Deficiency-$	(10,163.2)			930.0			629.9
Percent Increase Required	11.850%			-1.084%			-0.734%

(1) .10 x (6,810.8 (Stmt C, p4) - 332.2 (Stmt. D, p4)) = 647.9
(2) Jurisdictional Cost of Service Study: REVS
(3) CWK-2
(4) MDU Response to Staff Data Request 1.51, Attachment F
(5) 2002 Off-system Sales Revenues (Exhibit LAC-14) 10,181.6
2002 Off-system Sales Expenses (Exhibit LAC-14) 6,216.6
Ratio Expense to Revenues 0.61057
2003 Off-system Sales Revenues 14,327.2
2003 Off-system Sales Expenses 8,747.8
(6) .10 x 332.2 (Statement D, p4)
(7) Settlement Agreement
(8) Exhibit____(CWK-6)
(9) Exhibit____(CWK-7)

Exhibit_____(CWK-4)

Montana-Dakota Utilities Company
Production Plant Costs

Unit	Production Factor	Annual Cost (Thousands)	
Wind Energy Farm	100.0%	$ 688	
AVS II	91.4%	15,945	
Coyote	76.7%	8,420	
Bigstone	63.7%	8,693	
Haskett 2	55.9%	7,154	
Lewis & Clark	53.0%	4,664	
Base Load Units		$ 45,564	93.2%
Haskett 1	9.9%	1,479	
Williston CT	6.0%	115	
Future CT	2.5%	511	
Miles City CT	2.2%	393	
Glendive CT	1.9%	453	
MAPP Purchases	1.4%	355	
Peaker Units		$ 3,306	6.8%
Total All Units		$ 48,870	100.0%

Source: Exhibit___(HVN-3)

Exhibit_____(CWK-5)

Montana-Dakota Utilities Company- North Dakota Operations
Rate Group Summary
(Dollars in Thousands)

Description	Total North Dakota	Residential	Small General	Large General	Lighting	Pumping
Operating Revenues						
Total Sales Revenues at Current Rates	85,768.2	33,692.6	18,063.3	31,314.1	1,478.2	1,220.0
Opportunity Sales Revenues	14,327.2	5,970.1	3,254.8	4,720.7	91.1	290.5
Other Operating Revenues	2,776.3	958.8	540.3	661.7	571.3	44.2
Total Operating Revenues	102,871.7	40,621.5	21,858.4	36,696.5	2,140.6	1,554.7
Operating Expenses						
Cost of Fuel and Purchased Power	33,714.2	13,034.2	6,555.5	13,036.3	449.4	638.7
Operation & Maintenance Expenses	30,910.4	14,896.0	7,201.5	7,792.6	468.2	552.1
Total Operation & Maintenance Expenses	64,624.6	27,930.3	13,757.0	20,829.0	917.6	1,190.8
Depreciation Expense	13,269.5	5,621.3	2,837.1	4,323.3	247.4	240.4
Taxes Other Than Income Taxes	4,580.2	1,887.9	960.4	1,539.6	108.7	83.7
Total Operating Expenses	82,474.3	35,439.4	17,554.5	26,691.8	1,273.7	1,514.9
Utility Operating Income Before Taxes	20,397.4	5,182.1	4,304.0	10,004.7	866.9	39.8
Less Income Taxes	5,516.2	1,259.3	1,192.0	2,806.9	269.5	(11.5)
Operating Income After Tax	14,881.2	3,922.8	3,111.9	7,197.8	597.4	51.3
Rate Base	142,948.9	54,921.0	28,949.6	52,902.6	3,491.5	2,684.2
Earned Rate of Return - %	**10.41%**	**7.14%**	**10.75%**	**13.61%**	**17.11%**	**1.91%**
Required Rate of Return - %	10.02%	10.02%	10.02%	10.02%	10.02%	10.02%
Return at Required Rate of Return	14,319.2	5,501.4	2,899.9	5,299.3	349.7	268.9
Income (Deficiency) Sufficiency	562.0	(1,578.6)	212.0	1,898.5	247.6	(217.5)
Revenue Deficiency - Multiplier	1.65586	1.65586	1.65586	1.65586	1.65586	1.65586
Revenue Deficiency-$	930.6	(2,614.0)	351.1	3,143.7	410.1	(360.2)

Exhibit_____(CWK-6)

Montana-Dakota Utilities Co. - North Dakota Operations
Adjustment for Increased Depreciation on Common Plant

		Initial	Revised	Difference
Depreciation Expense	Statement I	13,302.7	13,471.3	168.6
Depreciation Reserve	Statement D	233,321.1	233,401.2	80.1

Exhibit_____(CWK-7)

Montana-Dakota Utilities
Calculation of Interest Payments
(Dollars in Thousands)

	Initial Testimony	Supplemental Testimony	Difference
Rate Base	$ 142,948.9	$ 142,868.8	
Long-term Debt Cost	9.027%	8.950%	
Long-term Debt Proportion	44.674%	44.674%	
Weighted Debt Cost	4.033%	3.998%	
Interest	$ 5,764.7	$ 5,712.4	$ 52.4
State Tax Rate			7.09%
Added State Taxes			$ 3.7
Added Federal Tax Deduction			$ 48.7
Federal Tax Rate			35.0%
Added Federal Taxes			$ 17.0

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY FIRST CLASS MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sandra L. Scott deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **9th day of October, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with first class mail, fully prepaid, securely sealed and each containing a photocopy of:

Supplemental Direct Testimony

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695

Jim Roache
P O Box 564
Crosby ND 58730

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sandra L Scott

Subscribed and sworn to before me
this **9th day of October, 2003**.

Susan K. Richter
Notary Public

SEAL

SUSAN K. RICHTER
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 15, 2004

78 **PU-399-03-296** Pages: 1

Affidavit of Service

by Public Service Commission

10/09/2003 C: Comm Legal PUD (3) Mike ALJ .

SNAVELY KING MAJOROS O'CONNOR & LEE, INC.
ECONOMIC AND MANAGEMENT CONSULTANTS

RECEIVED
OCT - 7 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

September 30, 2003

Billed through 09/25/03

2-112-00000-004 CWK

Mike Diller
Public Service Commission
State Capitol - 12th Floor
Bismarck, ND 58505-0480

For services rendered in connection with Case No. PU-399-296, Application of Montana-Dakota Utilities for an increase in electric rates.

Balance forward as of invoice no. 003 dated 08/31/03	$ 3,306.01
Payments received on account (last payment 09/02/03)	$ 2,349.50
Net balance forward	$ 956.51

FEES

Kenney, M.	5.00 hrs	75 /hr	375.00
King, C.	58.50 hrs	127 /hr	7,429.50
TOTAL FEES	63.50 hrs		$ 7,804.50

EXPENSES

Reproduction, In-house	8.76
TOTAL EXPENSES	$ 8.76

TOTAL FEES $ 7,804.50

Ok to pay.
Mike Diller

77 **PU-399-03-296** Pages: 5

Statement for services rendered

by Snavely King Majoros O'Connor & Lee, Inc.

10/07/2003 C: Comm Legal PUD (3) Mike ALJ

1220 L STREET, NW • SUITE 410 • WASHINGTON, DC 20005
TEL (202) 371-1111 • FAX (202) 842-4966 • www.snavely-king.com

SNAVELY KING MAJOROS O'CONNOR & LEE, INC.
ECONOMIC AND MANAGEMENT CONSULTANTS

Mike Diller

2-112-00000-004 CWK

TOTAL EXPENSES	$ 8.76
TOTAL FEES AND EXPENSES	$ 7,813.26
NET BALANCE FORWARD	$ 956.51
TOTAL BALANCE DUE	$ 8,769.77

2349.50
$6,420.27
-956.51
$5,463.76
Pay this amt

PR Commission
Due Fee
10-8-03

11/19/27

Name Margaret Kenney
Employee # CSM71

SK&A
ECONOMIC CONSULTANTS

For Period Beginning: **8/26/2003**
Ending: **9/25/2003**

Client: MDU
Billing Code: 2-112

Date	Hours	Activity
Fri, 12 Sep	0.50	Review cost of service model.
Sun, 14 Sep	2.50	Make adjustments to model.
Mon, 15 Sep	2.00	Go over model with CWK, etc.
Page Total	5.00	
Month Total	5.00	

SKA Form MTR-3

SKA

Page____ of ____

SNAVELY, KING & ASSOCIATES, INC.
PROJECT ACTIVITY REPORT

Charles W. King
BWV12

For Period Beginning 8/26/03
Ending 9/25/03

Client North Dakota PSC

Billing Code 2-112

Date	Hours	Activity
8/27	.5	Review data responses
8/29	3.0	" " " , write DR #5
9/10	4.0	Read data responses; open COSS
9/11	5.0	Analyze COSS; review DR responses
9/12	7.5	Analyze Revenue Requirements
9/13	3.5	" " "
9/15	6.5	Analyze COSS
9/17	1.5	Review DR responses, revise rev req
9/20	4.0	Draft testimony
9/22	6.5	" " " + exhibits
9/23	8.0	" " "
9/24	2.0	" " "
9/25	6.5	Finalize Testimony + Exhibits
Page Total	58.5	
Month Total		

SKA Form MTR-3

SK&A

ECONOMIC CONSULTANTS

Snavely, King & Associates, Inc.

Reproduction Machine Usage Report

Month of Sep. '03

SKA Accounting Code	Client/ Employee Code	Number of Copies	Client/ Employee Code	Number of Copies
F131	2070	22	4464	75
F131	2072	4	4510	88
F131	2090	33	8154	690
F131	2100	5	8155	65
F131	2104	92		
F131 *	2112	73		
F131	2991	1885		
F131	2992	497		
F131	3237	58		
F131	3238	66		
F131	3239	298		
F131	3247	175		
F131	3248	340		
F131	3250	1060		
F131	3252	109		
F131	3254	781		
F131	3257	1033		
F131	4070	2		
F131	4446	1		

Posted to Invoice Computation File

By: Ingrid J. Finch

Date October 1, 2003

CHECK STUB - For Department Use only

DEPARTMENT: PUBLIC SERVICE COMMISSIO FM/BIEN: 03/03
WARRANT: 07146878 DATE: 09/24/03 VENDOR: 0000000000-00
VENDOR NAME:

SNAVELY KING MAJOROS O'CONNOR & LEE, INC
1120 L STREET, NW
SUITE 410
WASHINGTON DC 20005

REF. DOC.	CLAIM	FUND	COST CENTER	OBJECT	APPN.	LN	PROJECT	GRANT	AMOUNT
PS011995	616252	001	7700	2640	408	30	23296- -		3,306.01
								CHECK AMOUNT	3,306.01

SNAVELY KING MAJOROS O'CONNOR & LEE, INC
1120 L STREET, NW
SUITE 410
WASHINGTON DC 20005

76 PU-399-03-296 Pages: 1

Copy of check stub for payment to consultant
by Public Service Commission

09/24/2003 C: Comm Legal PUD (3) Mike ALJ .

SNAVELY KING MAJOROS O'CONNOR & LEE, INC.
ECONOMIC AND MANAGEMENT CONSULTANTS

RECEIVED
SEP - 8 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

August 31, 2003

Billed through 08/25/03

2-112-00000-003 CWK

Mike Diller
Public Service Commission
State Capitol - 12th Floor
Bismarck, ND 58505-0480

For services rendered in connection with Case No. PU-399-296, Application of Montana-Dakota Utilities for an increase in electric rates.

Balance forward as of invoice no. 001 dated 07/31/03			$ 2,349.50
FEES			
King, C.	7.50 hrs	127 /hr	952.50
TOTAL FEES	7.50 hrs		$ 952.50
EXPENSES			
Communications, Telephone			4.01
TOTAL EXPENSES			$ 4.01
TOTAL FEES			$ 952.50
TOTAL EXPENSES			$ 4.01
TOTAL FEES AND EXPENSES			$ 956.51
NET BALANCE FORWARD			$ 2,349.50
TOTAL BALANCE DUE			$ 3,306.01

Ok to Pay.
Mike Diller

PAID

7700
001
23396 2640

REFERENCE DOCUMENT
NUMBER PS 11995

1220 L STREET, NW • SUITE 410 • WASHINGTON, DC 20005
TEL (202) 371-1111 • FAX (202) 842-4966 • www.snavely-king.com

SK&A

Page____ of ____

SNAVELY, KING & ASSOCIATES, INC.
PROJECT ACTIVITY REPORT

Charles W. King
BWV12

For Period Beginning 7/26/03
Ending 8/25/03

Client North Dakota PSC

Billing Code 2-112

Date	Hours	Activity
8/8	.5	Review Data Responses
8/15	.5	
8/16	2.5	Write follow-ups
8/20	1.0	Download attachment from Diller
8/21	3.0	Review DRs; wrote D.R. #4
Page Total		
Month Total	7.5	

SKA Form MTR-3

Account Number	Bill Date	yment Due Date
030 237 1228 001	JUL 28, 2003	AUG 23, 2003

Location: 011 024 2327 003

SNAVELEY KING & ASSOC
1220 L ST NW STE 410
WASHINGTON DC 20005-4018

TELEPHONE NUMBER: 202 371 1111

AT&T All in One Service

Call Detail

For Customer Care: 1 877 325-0445

ITEM	DATE	TIME (hh:mm:ss)	DAY OF WEEK	PLACE	AREA CODE/ NUMBER	DURATION (hh:mm:ss)	CALL TYPE	AMOUNT
LONG DISTANCE SERVICE								
PRIMARY ACCOUNT CODE: 00071								
STATE-TO-STATE CALLS								
1	7/14/03	8:16:34A	MON	TO WARRENTON	VA 540 347-7722	6:00	DDC	0.53
2	7/14/03	8:22:58A	MON	TO WARRENTON	VA 540 347-7722	1:00	DDC	0.09
3	7/21/03	4:13:52P	MON	TO WARRENTON	VA 540 347-7722	1:00	DDC	0.09
4	7/22/03	8:07:39A	TUE	TO WARRENTON	VA 540 347-7722	1:00	DDC	0.09
5	7/22/03	9:26:38A	TUE	TO WARRENTON	VA 540 349-0182	1:00	DDC	0.09
6	7/22/03	9:27:05A	TUE	TO WARRENTON	VA 540 347-7722	1:00	DDC	0.09
7	7/22/03	9:28:15A	TUE	TO WARRENTON	VA 540 272-2565	1:00	DDC	0.09
8	7/22/03	1:31:13P	TUE	TO WARRENTON	VA 540 349-0182	4:00	DDC	0.36
SUBTOTAL						0:26:00		$2.32
TOTALS FOR ACCOUNT CODE: 00071						0:26:00		$2.32
PRIMARY ACCOUNT CODE: 00798								
STATE-TO-STATE CALLS								
9	7/10/03	2:28:45P	THU	TO MADISON	WI 608 251-0101	2:00	DDC	0.18
SUBTOTAL						0:02:00		$0.18
TOTALS FOR ACCOUNT CODE: 00798						0:02:00		$0.18
PRIMARY ACCOUNT CODE: ~~01109~~ 2109								
STATE-TO-STATE CALLS								
10	6/30/03	3:30:58P	MON	TO BISMARCK	ND 701 328-4077	1:00	DDC	0.09
SUBTOTAL						0:01:00		$0.09
TOTALS FOR ACCOUNT CODE: ~~01109~~ 2109						0:01:00		$0.09
PRIMARY ACCOUNT CODE: 02012								
STATE-TO-STATE CALLS								
11	7/21/03	1:37:12P	MON	TO CASTINE	ME 207 326-8579	2:00	DDC	0.18
SUBTOTAL						0:02:00		$0.18
TOTALS FOR ACCOUNT CODE: 02012						0:02:00		$0.18
PRIMARY ACCOUNT CODE: 02072								
STATE-TO-STATE CALLS								
12	7/28/03	4:23:42P	MON	TO LANSING	MI 517 373-1123	8:00	DDC	0.71
SUBTOTAL						0:08:00		$0.71
TOTALS FOR ACCOUNT CODE: 02072						0:08:00		$0.71

AT&T Call Type Information:
DDC-Direct Dialed Call
CCS-Calling Card Station Call
CCO-Operator Handled Card Call
CCP-Calling Card Person Call
OHS-Operator Handled Station Call
ODR-Operator Handled Station Call-Dial Rate
OHP-Operator Handled Person Call
OCP-Operator Handled Person Collect Call

Account Number	Bill Date	Payment Due Date
030 237 1228 001	JUL 28, 2003	AUG 23, 2003

Location: 011 024 2327 003

SNAVELEY KING & ASSOC
1220 L ST NW STE 410
WASHINGTON DC 20005-4018

TELEPHONE NUMBER: 202 371 1111

AT&T All in One Service

Call Detail

For Customer Care: 1 877 325-0445

ITEM	DATE	TIME (hh:mm:ss)	DAY OF WEEK	PLACE	AREA CODE/ NUMBER	DURATION (hh:mm:ss)	CALL TYPE	AMOUNT
LONG DISTANCE SERVICE								
PRIMARY ACCOUNT CODE: 02109								
STATE-TO-STATE CALLS								
1	6/30/03	3:52:48P	MON	TO BISMARCK	ND 701 328-4077	1:00	DDC	0.09
2	6/30/03	3:53:22P	MON	TO BISMARCK	ND 701 328-4088	1:00	DDC	0.09
3	6/30/03	5:31:06P	MON	TO BISMARCK	ND 701 328-4088	2:00	DDC	0.18
4	7/07/03	10:09:15A	MON	TO BISMARCK	ND 701 328-4088	2:00	DDC	0.18
5	7/07/03	2:51:43P	MON	TO BISMARCK	ND 701 328-4088	1:00	DDC	0.09
SUBTOTAL						0:07:00		$0.63
TOTALS FOR ACCOUNT CODE: 02109 (2)						0:07:00		$0.63
PRIMARY ACCOUNT CODE: 02111								
STATE-TO-STATE CALLS								
6	7/15/03	2:55:28P	TUE	TO LIVONIA	MI 734 522-1410	2:00	DDC	0.18
7	7/15/03	5:42:01P	TUE	TO LIVONIA	MI 734 522-1410	2:00	DDC	0.18
8	7/15/03	5:47:55P	TUE	TO ATLANTA	GA 404 656-0980	1:00	DDC	0.09
9	7/17/03	4:59:53P	THU	TO ATLANTA	GA 404 656-0980	4:00	DDC	0.36
10	7/17/03	5:05:48P	THU	TO ATLANTA	GA 404 656-0980	3:00	DDC	0.27
11	7/17/03	5:10:40P	THU	TO ATLANTA	GA 404 656-0980	8:00	DDC	0.71
12	7/18/03	10:55:45A	FRI	TO ATLANTA	GA 404 656-4549	3:00	DDC	0.27
SUBTOTAL						0:23:00		$2.06
TOTALS FOR ACCOUNT CODE: 02111						0:23:00		$2.06
PRIMARY ACCOUNT CODE: 02112								
STATE-TO-STATE CALLS								
13	7/22/03	10:44:06A	TUE	TO BISMARCK	ND 701 328-4079	1:00	DDC	0.09
SUBTOTAL						0:01:00		$0.09
TOTALS FOR ACCOUNT CODE: 02112						0:01:00		$0.09
PRIMARY ACCOUNT CODE: ~~02201~~ 2109								
STATE-TO-STATE CALLS								
14	7/01/03	11:27:05A	TUE	TO BISMARCK	ND 701 328-4088	37:00	DDC	3.29
SUBTOTAL						0:37:00		$3.29
TOTALS FOR ACCOUNT CODE: ~~02201~~ 2109 (3)						0:37:00		$3.29

AT&T Call Type Information:
DDC-Direct Dialed Call
CCS-Calling Card Station Call
CCO-Operator Handled Card Call
CCP-Calling Card Person Call
OHS-Operator Handled Station Call
ODR-Operator Handled Station Call-Dial Rate
OHP-Operator Handled Person Call
OCP-Operator Handled Person Collect Call

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

September 29, 2003

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Jon Mielke, Executive Secretary
North Dakota Public Service Commission
600 E Boulevard Ave Dept 408
Bismarck ND 58505

RECEIVED
SEP 29 2003
ND PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

RE: PU-399-03-296
Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Dear Mr. Mielke:

Enclosed is the original and eight copies of staff's Direct Testimony in the above captioned proceeding.

Thank you.

Sincerely,

William W. Binek
Chief Counsel

wwb/sdh

Enclosure

c: Don Ball, MDU
Doug Schulz, Attorney, MDU
Dan Kuntz, Attorney
Thomas D. Kelsch, Attorney
Jim Roache

74 **PU-399-03-296** Pages. 1

Cover letter re Direct Testimony of Staff

by Public Service Commission

09/29/2003 C: Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY FIRST CLASS MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sandra L. Scott deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **29th day of September, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with first class mail, fully prepaid, securely sealed and each containing a photocopy of:

Direct Testimony of Staff

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695

Jim Roache
P O Box 564
Crosby ND 58730

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sandra L Scott

Subscribed and sworn to before me
this **29th day of September, 2003**.

Susan K. Richter
Notary Public

SEAL

SUSAN K. RICHTER
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 15, 2004

73 **PU-399-03-296** Pages: 1

Affidavit of Service

by Public Service Commission

09/29/2003 C: Comm Legal PUD (3) Mike ALJ

RECEIVED
SEP 29 2003
ND PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

BEFORE THE
PUBLIC SERVICE COMMISSION OF NORTH DAKOTA

In the Matter of the Notice of
Montana-Dakota Utilities Co.
for an Electric Rate Change

Case No. PU-399-03-296

DIRECT TESTIMONY OF

CHARLES W. KING

ON BEHALF OF THE COMMISSION ADVERSARY STAFF

September 29, 2003

72 **PU-399-03-296** Pages: 48

Direct Testimony of Charles W. King on behalf of the Comm. Adversary Staff by Public Service Commission

09/29/2003 C: Comm Legal PUD (3) Mike ALJ

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2. Off-system Sales....7

3. Operating and Maintenance Expense Increases....10

Part II – Class Cost of Service Study....15

Part III – Rate Design....22

Attachment A....Resume of Charles W. King

Attachment B....Appearances of Charles W. King

Exhibit_____(CWK-1).....Annual Operating and Maintenance Expenses, 1999-2002

Exhibit_____(CWK-2).....Forecast 2003 Operating and Maintenance Expenses

Exhibit_____(CWK-3).....Income Statement and Additional Revenue Requirements

Exhibit_____(CWK-4).....Production Plant Costs

Exhibit_____(CWK-5).....Rate Group Summary

DIRECT TESTIMONY OF CHARLES W. KING

INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Charles W. King. I am President of the economic consulting firm of Snavely King Majoros O'Connor & Lee, Inc. ("Snavely King"). My business address is 1220 L Street, N.W., Suite 410, Washington, D.C. 20005.

Q. PLEASE DESCRIBE SNAVELY KING.

A. Snavely King, formerly Snavely, King & Associates, Inc., was founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs and economic performance of regulated firms and industries. The firm has a professional staff of 12 economists, accountants, engineers and cost analysts. Most of its work involves the development, preparation and presentation of expert witness testimony before federal and state regulatory agencies. Over the course of its 33-year history, members of the firm have participated in over 1000 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

Q. HAVE YOU PREPARED A SUMMARY OF YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. Attachment A is a summary of my qualifications and experience.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN REGULATORY PROCEEDINGS?

A. Yes. Attachment B is a tabulation of my appearances as an expert witness before state and federal regulatory agencies.

Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?

A. I am appearing on behalf of the Advocacy Staff of the North Dakota Public Service Commission.

Q. WHAT SUBJECTS DOES YOUR TESTIMONY ADDRESS?

A. My testimony addresses the rate increase application of Montana-Dakota Utilities Co. ("MDU" or "the Company"). My testimony is divided into three parts.

Part I deals with the Company's claimed revenue requirement. After reviewing the Company's evidence, I present Staff's recommend adjustments and its finding as to the revenue increase justified by the Company's filing.

Part II addresses the Company's class cost of service study. I recommend several modifications to the cost of service study, and I present Staff's restated version of it. I then set forth Staff's recommendations as to the distribution of the overall revenue increase among customer classes.

Part III addresses rate design. After reviewing the Company's rate design proposals, I offer Staff's recommendations as to the specific rate changes that the Commission should reject or modify.

Q. PLEASE SUMMARIZE YOUR FINDINGS IN THESE THREE PARTS OF YOUR TESTIMONY.

A. In part I, I find that the Company's North Dakota retail electric service has a revenue sufficiency of $930,000, which would justify a rate reduction of 1.084 percent.

In Part II, I find that the Company has overstated the costs attributable to the residential class, but this class, along with the very small pumping service class, nonetheless generates a lower rate of return than do the general service and lighting classes. I therefore recommend that the reduction in overall revenue be allocated to the general service classes and the lighting class, and the revenue recovered from the residential and pumping classes remain unchanged.

In Part III, I recommend the Commission approve the Company's rate design proposals except those relating to Rate 34 – Firm Service Economic Development and Rate 39 – Interruptible Large Power Service. I recommend that all Base Charges except those for the pumping class be increased by 50 percent.

PART I – REVENUE REQUIREMENT

Q. PLEASE DESCRIBE THE COMPANY'S OVERALL REVENUE INCREASE REQUEST.

A. MDU is requesting an increase in electric retail service revenue of $10,163,000 based on a 2003 year test year. As an offset to this increase, the Company proposes to credit 60 percent of the profit margin on its off-system sales. In 2002, those sales were $5,982,700 of which $3,965,000 was allocable to North Dakota. After the Company's proposed margin credit of $2,379,000, the net increase is $7,788,565. This equates to a 9.1 percent increase over revenues at current rates.

Q. WHAT ACCOUNTS FOR THIS INCREASE?

A. Three factors underlie most of this rate increase request. The first is the addition of a new combustion turbine at the Glendive generating station in Montana. The second is MDU's proposal to retain 40 percent of the margin from its off-system sales. The third is other, unrelated increases in operating and maintenance expenses.

I should also mention that some of the increase request arises from MDU's proposal for a 10.177 percent overall post-tax rate of return. That issue has been settled by stipulation. The agreed rate of return is 10.017 percent.

1. THE GLENDIVE 2 TURBINE

Q. WHAT IS MDU'S JUSTIFICATIOIN FOR ADDING THE GLENDIVE 2 TURBINE?

A. MDU Witness Hoa Nguyen testifies that the Company's integrated resource planning process predicted several years ago that growth in the Company's peak summer load would require supplemental generating capacity in the 2003-2005 time frame. Then, the high temperatures in the summers of 2001 and 2002 indicated to the Company that it might face a deficit of 26 MW for the summer of 2003.

Mr Nguyen testifies that the Company found that the least cost, most reliable way to add the required generating capacity would be to construct a 40 MW gas-fired combustion turbine. That turbine has been designated Glendive 2.

Q. WHAT IS THE COST OF THE GLENDIVE 2 TURBINE?

A. The total capital cost of Glendive 2 is $19,438,000, of which half is to be incorporated into the 2003 rate base. The allocation to North Dakota is $6,810,800. I estimate that this plant adds approximately $1.6 million to the test

year revenue requirement, including return on the added investment, depreciation and added operating and maintenance expense.

Q. WHAT DEMONSTRATION HAS THE COMPANY MADE THAT CONSTRUCTING THIS UNIT IS THE LOWEST COST MEANS TO SUPPLEMENT ITS GENERATING CAPACITY?

A. Mr. Nguyen states that the levelized annual cost of this unit for the total company is $2,715,919, or $5,658 per MW-month. He asserts that typical capacity charges for long-term capacity purchase contracts are $6,000 per MW-month or above, even for 20-year contracts. The Mid-Continent Area Power Pool ("MAPP") charge per MW-month for capacity deficits is on the order of $14,500.

Q. IS THIS DEMONSTRATION PERSUASIVE?

A. No. The assertion that the cost of the Glendive unit is less than long-term contract capacity charges appears to be based on a single inquiry of one merchant supplier. If so, then MDU cannot say that this is a "typical" capacity charge. The reference to the MAPP capacity charge is irrelevant. That charge is based on the cost incurred by MAPP members to cover the deficits of other MAPP members and therefore reflects very high-cost, short-term generating capacity. As best I can tell, the Company made no serious effort to solicit competitive bids, or even to explore competitive options against its self-build plan.

Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE GLENDIVE 2 UNIT?

A. I have no basis for determining whether, and if so, how much MDU could have saved if it had seriously solicited bids from other suppliers for the added capacity represented by the Glendive 2 unit. I question whether the savings would have exceeded 10 percent. For this reason, I recommend that 90 percent of the

Glendive investment be incorporated into the rate base in this proceeding, and the remaining 10 percent be allowed in the next rate case.

The reason for this recommendation is the front-loading of rate base additions relative to capacity purchases. Under rate base, rate-of-return regulation, the entire amount of a new investment is incorporated into the rate base when the investment is made. At this point there is negligible (usually one-half year) accumulated depreciation, so ratepayers are obliged to compensate the utility for return and taxes on the full capital cost of the plant addition. Then, as the plant ages, it accumulates depreciation reserve, its net investment declines, and its cost to ratepayers declines correspondingly.

A merchant provider of long-term contract generating capacity would not recover his capital costs in this manner. More likely, he would recover his capital costs on a levelized monthly basis similar to a typical home mortgage. The charge to the buyer – in this case MDU – would be fixed over the term of the contract. To the seller, the bulk of the charge would initially go to cover the cost of his capital – debt service and equity return. Then, as the years pass, an ever greater portion of the monthly charge would go to the recovery of the investment.

In 2003, the cost of the Glendive 2 unit to ratepayers is unquestionably greater than it would have been had MDU contracted with a merchant provider. This is true even if, over the life of the contract, that option would have been more expensive than the self-build alternative. Since MDU has not determined in any truly persuasive manner that contract power is more costly than the Glendive unit, I propose that it absorb 10 percent of the initial, very high capital cost of that unit.

By the next rate case, the Glendive unit will have built up additional depreciation reserve, and its incorporation into the rate base should have a lesser impact. It can then be incorporated into the rate base at the full 100 percent of its value.

2. OFF-SYSTEM SALES

Q. WHAT ARE OFF-SYSTEM SALES?

A. Off-system sales are sales to other utilities. I presume that most of these sales are to other members of the MidContinent Area Power Pool ("MAPP"). They occur when MDU's plants can operate at a lower variable cost than the generators of other members of the pool.

Q. HOW LARGE ARE THESE SALES?

A. They are quite large. The following is the North Dakota allocation of these sales:

1999	$13,265,193
2000	15,034,366
2001	17,686,907
2002	10.181,616
Average	$14,042,021

Q. HOW HAS THE COMMISSION PREVIOUSLY TREATED OFF-SYSTEM SALES?

A. In previous rate cases, the Commission has incorporated an estimate of margin from off-system sales as an offset to the revenue requirement applicable to retail ratepayers. The "margin" is the gross revenues from off-system sales less the cost of the fuel to generate that power.

Q. WHAT HAS BEEN THE BASIS FOR THE OFF-SYSTEM SALES OFFSET?

A. This has been a matter of some controversy. In MDU's last electric rate case, Case No. PU-399-01-186, the Commission used the average off-system sales margin from the previous three years. MDU appealed this aspect of the

Commission's decision, and the court found that a more appropriate measure of off-system sales margin was MDU's forecast.

Q. WHAT IS THE COMPANY'S PROPOSAL WITH RESPECT TO THESE OFF-SYSTEM SALES?

A. The Company is proposing a "margin sharing plan" under which MDU would retain 40 percent of the margins on all off-system sales, and ratepayers would receive a per-kWh credit for the remaining 60 percent. On this basis, MDU has reduced its rate increase request by $2,379,000 from $10,163,000 to $7,784,000 to account for 60 percent of the margins that the Company earned from calendar year 2002 off-system sales.

MDU justifies this plan on the grounds that it provides an incentive to MDU's management to maximize off-system sales.

Q. IS MDU'S MARGIN SHARING ARRANGEMENT ACCEPTABLE?

A. No, it is not. MDU's margin sharing plan is tantamount to prescribing a supra-competitive rate of return. The plants that generate the off-system sales are supported entirely by ratepayers. Ratepayers compensate the Company for all operating and maintenance expenses and the recovery of (depreciation) and on (return) the investment in those plants. MDU's shareholders receive a fair and reasonable return on their investment before off-system sales margins. They are not entitled to additional return by reason of those sales.

Q. IS MDU'S QUANTIFICATION OF ITS OFF-SYSTEM SALES ACCEPTABLE?

A. No, it is not. MDU's use of 2002 off-system sales reflects the same retrospective quantification procedure that MDU successfully appealed against in the last

electric rate case. They are also the lowest sales in any of the last four years. MDU persuaded the Court that a future projection was a more reasonable basis for estimating off-system sales margins.

Q. HAS MDU PROJECTED ITS FUTURE OFF-SYSTEM SALES AND MARGINS?

A. Yes. The Company's jurisdictional cost of service study projects 2003 off-system sales to be $21,719,600, of which $14,327,200 are allocated to North Dakota. I estimate that the margins will be $8,458,100 for the total utility and $5,579,400 for North Dakota. The 2003 projections are 65 percent more than the 2002 total.

The Company reports that these figures represent the off-system sales and margins during the year ended June 30, 2002. Their use in the jurisdictional cost allocation study suggests that the Company believes that they are more representative of future sales than the calendar year 2002 figures. Certainly, the $14,327,200 North Dakota allocation of off-system sales is much more consistent with the $14,042,021 average of the last four years than the 2002 figure of $10,181,616 used in the Company's revenue requirement calculation.

Q. DO YOU THEREFORE RECOMMEND USING THE PROJECTED 2003 MARGINS AS THE REVENUE OFFSET TO THE RETAIL REVENUE REQUIREMENTS?

A. Yes, I do. Inclusion of these margins would reduce the amount of MDU's proposed $10,163,000 revenue increase by $5,579,400.

Q. DOES MDU'S MANAGEMENT NEED AN INCENTIVE TO MAXIMIZE OFF-SYSTEM SALES?

A. If it does, it already has one. When retail base rates are set with a fixed offset of off-system sales margins, the Company has every incentive to exceed that amount and thereby enjoy profits in excess of those granted in the rate case. Conversely, if it fails to generate the rate-case-designated off-system margins, it suffers a loss of profit.

Q. ARE YOU OPPOSED TO ANY SORT OF SHARING MECHANISM?

A. No. I would not be opposed to a symmetrical sharing of off-system sales margins above and below the rate-case-designated amount. The purpose of this sharing, however, would not be to provide an incentive to maximize off-system sales, but to cushion MDU against exaggerated swings in the market for off-system electricity. The sharing percentages are negotiable, but I have no objection in principle to the Company's proposed 60/40 split.

3. OPERATING AND MAINTENANCE EXPENSE INCREASES

Q. WHAT OPERATING AND MAINTENANCE EXPENSE DOES THE COMPANY INCLUDE IN ITS REVENUE REQUIREMENT?

A. The Company has included $60,869,500 in operating and maintenance ("O&M") expenses for the test year 2003.

Q. HOW DOES THIS NUMBER COMPARE WITH HISTORICAL O&M EXPENSES?

A. The Company has built its test year 2003 O&M expenses on a base of the 12 months ending June 30, 2002. The total O&M expenses for that period were $60,322,900.

Q. WHY IS THERE SO LITTLE CHANGE IN O&M EXPENSES BETWEEN THE BASE PERIOD AND THE TEST YEAR?

A. The appearance of little change is illusory. It arises principally from two causes. First, the base period expenses include the cost of fuel for off-system sales, while the forecast period expenses exclude those costs. I estimate that the 2003 off-system fuel costs amount to $8,747,900. The other cause has to do with the installation of Glendive 2. The installation of that unit adds some fuel and production costs, but it substitutes for considerable purchased power costs. The net effect on O&M expense is a reduction. I should note that this reduction is offset by increases in the requirement for depreciation and return on investment.

Q. WHAT DOES THE COMPANY PROJECT AS THE CHANGE IN THE OTHER COMPONENTS OF ITS O&M EXPENSES?

A. With only a few exceptions, the change in other O&M expenses is an across-the-board increase of 20.0223 percent between the historical year ended June 30, 2002 and test year 2003. This translates into an annual increase of 12.9 percent.

Q. IS THIS 12.9 PERCENT ANNUAL INCREASE A REASONABLE EXPRESSION OF THE LIKELY CHANGE IN O&M EXPENSES?

A. No, it is not. It considerably exceeds the annual rate of change of any of the major categories of O&M expense. Exhibit____(CWK-1) presents the Company's expenses for each year, 1999 through 2002, for the major categories of expense for which MDU has assumed a 12.9 percent annual increase. It also displays the annual rate of change and the average annual change for the four-year period. The exhibit shows that the highest rate of change has been a 10.37 percent annual increase in System Control & Load Dispatching. The lowest is an average annual decline of 1.37 percent in Customer Accounts Expense.

Q. HAVE YOU RE-ESTIMATED THE COMPANY'S 2003 O&M EXPENSES?

A. Yes, I have. Exhibit____(CWK-2) presents my projection of 2003 O&M expenses. I have used calendar year 2002 as my base period, which is six months more recent than the base period used by the Company. I have accepted the Company's projection of fuel and purchased power, and because of the addition of Glendive 2, I have accepted its projection of "Other Production" expenses. I have also accepted its projection of four administrative accounts which the Company has apparently projected based on specific information. I have increased the remaining categories of expense by the average annual rate of change for the years 1999-2002. Total restated O&M expenses are $56,544,418, or $4,325,100 less than the expenses the Company has claimed.

Q. HAVE YOU MADE ANY FURTHER ADJUSTMENTS TO MDU's O&M EXPENSES?

A. Yes, I have. I have excluded $667,700 for the Supplemental Income Security Plan ("SISP").

Q. WHAT IS SISP?

A. SISP is a supplemental pension benefit to 48 officers and senior managers of MDU Resources, Inc. It provides "income replacement" at retirement of up to 80 percent for lower income employees qualifying for the plan to 50 percent for the higher income levels. The average income of SISP-qualifying employees is $150,286, but the compensation of individual recipients at the top of the income range is several multiples of that amount. SISP supplements the retirement income that these employees receive from Social Security, 401k plans, and the "qualifying" pensions that are available to all 1,013 employees of MDU Resources.

Q. WHY HAVE YOU EXCLUDED SISP FROM ALLOWABLE EXPENSES?

A. MDU did not seek recovery of SISP expenses until the 2001-2002 electric rate case, Case No. PU-399-01-186, even though the plan has been in effect since 1982. In that case Staff argued that SISP is a double pension for senior management employees and is unduly weighted in favor of the highest income employees. The Commission agreed with Staff and excluded SISP from recoverable expenses. The Commission again excluded SISP in the 2002 gas rate case, Case No. PU-399-02-183.

Q. HOW DO YOU RESPOND TO MR. ESPALAND'S ASSERTION THAT SISP IS A CONVENTIONAL AND NECESSARY PART OF THE COMPENSATION PACKAGE TO KEY EMPLOYEES AND IS REQUIRED TO MAKE MDU COMPETITIVE WITH OTHER EMPLOYMENT OPPORUNITIES AVAILABLE TO THESE HIGHLY SKILLED INDIVIDUALS?

A. As Mr. Espeland accurately points out, the employees who receive SISP "are responsible for planning for the future, identifying and implementing appropriate strategies for the Company, implementing effective cost reduction programs, streamlining the organization, implementing new technologies and maintaining and increasing the efficiencies of the Company." As such, they are the direct representatives of the Company's stockholders, and they are the employees most responsible for providing the profits that those stockholders expect. For this reason, I believe that the stockholders, not ratepayers, should bear the relatively minor cost of supplementing the retirement income of these key individuals.

Q. HAVE YOU DEVELOPED A SUMMARY OF YOUR RECOMMENDED REVENUE REQUIREMENTS?

A. Yes, I have. Exhibit_____(CWK-3) shows the Company's revenue requirements, my adjustments and Staff's recommended revenue requirements.

My first adjustment is the removal of $647,900 from the rate base for my proposed disallowance of 10 percent of the cost of the Glendive 2 combustion turbine. Next, I show the off-system sales revenue contained in the Company's unadjusted 2003 jurisdictional cost allocation study.

There are five adjustments to the operating expenses. First, I have reduced O&M expenses by $4,325,100 to reflect recent trends in expense incurrence rather than the Company's flat 20 percent increase over its base period. Second, I have eliminated the $667,700 in SISP expenses for the year. Third, I have included the $8,747,900 in fuel expenses for off-system sales. Fourth, I have reduced depreciation by $33,200, representing 10 percent of the Glendive 2 depreciation accrual.

At the bottom of the exhibit, I show the 0.16 percent difference in the rate of return originally requested by the Company and that agreed to in an earlier stipulation.

The total revenue requirement for MDU's North Dakota operations is $930,000 less than its jurisdictional revenue under present rates. Adjustment for this sufficiency would reduce the Company's retail rates by 0.1.084 percent.

Q. ARE THERE ANY OTHER REVENUE REQUIREMENT ADJUSTMENTS THAT YOU MIGHT SUGGEST?

A. Possibly. I have received from the Company a tabulation of the salaries of the 48 senior managers and executives who receive SISP retirement benefits. Some of these salaries are extraordinarily high for the managers of a regulated utility, although possibly not for a competitive unregulated company of the size of MDU

Resources, Inc. I have asked the Company to identify the portion of these individuals' salaries that is allocated to the regulated enterprise. I may have further adjustments based on the response to that request.

PART II – CLASS COST OF SERVICE

Q. PLEASE DESCRIBE MDU'S CLASS COST OF SERVICE STUDY.

A. MDU's class cost of service study is Statement M in its filing. It is a fully allocated distribution of the Company's cost of service for the test year 2003 among five class of customers:

- Residential,
- Small General,
- Large General,
- Lighting, and
- Pumping

Within each of these classes, the Company further subdivides the costs among those driven by the number of customers, the kWh of energy, and the KW of demand. The study distributes plant, depreciation reserve, depreciation and O&M expenses according to 48 different allocators. It computes the return on investment of each class and of each component within each class: customer, energy and demand.

Q. WHAT DOES THE CLASS COST OF SERVICE STUDY PURPORT TO SHOW?

A. The study purports to show that the following rates of return and revenue deficiency or sufficiency by class:

• Residential	-1.21%	($14,562,400)
• Small General	4.46%	($3,079,800)
• Large General	26.69%	$7,670,500

• Lighting	16.78%	$326,200
• Pumping	-0.92%	($516,900)

Q. WHAT IS THE COMPANY'S REACTION TO THIS DISPARITY IN RATES OF RETURN AND COST COVERAGE?

A. MDU does not seek to rebalance all class revenues to achieve parity in rates of return. Instead, it reallocates $8,413,100 in residential revenue shortfall and $421,600 in pumping shortfall to the large general service and lighting classes. The resultant rate changes, however, are still highly disproportional:

• Residential	+16.9%
• Small General	+8.7%
• Large General	+2.3%
• Lighting	-15.2%
• Pumping	1.9%
• All Classes	9.07%

Q. IS THIS PROPOSAL CONSISTENT WITH PAST COMMISSION PRACTICES?

A. No. The Commission has consistently taken the position that no class should receive a rate reduction when the overall change in rates is an increase. It has most recently stated this view in MDU's last gas rate case, Case No. PU-399-02-183, decided December 10, 2002. Accordingly, it is inappropriate to reduce rates for the lighting class when other classes' rates are being increased.

Q. IF YOU WERE CONFRONTED WITH THE COMPANY'S CLASS COST OF SERVICE STUDY AND ITS PROPOSED RATE INCREASE, HOW WOULD YOU RECOMMEND DISTRIBUTING THAT INCREASE?

A. While the Commission has not allowed rate reductions in the face of rate increases, it has stated its desire to move toward equalized rates of return among classes. However, I believe that the disparity of rate increase among classes proposed by the Company is excessive. In particular, I find the residential rate increase excessive relative to the overall increase. Accordingly, if I were advising the Commission and confronted with these cost of service results and this overall rate increase, I would recommend that the lighting class receive no increase, the large general service class receive one-half the overall increase, and the residential, small general service and pumping classes receive like increases sufficient to recover the revenue requirement. The consequent distribution of increases would be as follows:

- Residential +12.01%
- Small General +12.01%
- Large General +4.54%
- Lighting 0.0%
- Pumping +12.01%
- All Classes +9.07%

Q. DO YOU AGREE WITH THE COMPANY'S COST OF SERVICE STUDY?

A. No, I do not. The study is skewed to assigning too much cost to the residential class.

Q. HAVE YOU REVISED THE STUDY TO ELIMINATE THIS SKEWING?

A. Yes, I have.

Q. WHAT CHANGES HAVE YOU MADE TO THE COMPANY'S STUDY?

A. I have made four changes to the Company's cost of service study. I have:

- Changed the allocation of production plant between base and peak,
- Changed the allocator for the base production and transmission costs,
- Changed the allocator for six distribution plant categories, and
- Changed the revenues, plant in service and expenses to conform to my calculation of overall revenue requirement.

Q. WHAT CHANGE DID YOU MAKE TO THE DISTRIBUTION OF PRODUCTION PLANT BETWEEN BASE AND PEAK?

A. The Company assumed a two-thirds/one-third split between base and peak, based on no apparent analysis. I used Mr. Nguyen's Exhibit_____(HVN-3) to calculate the annual costs of the Company's baseload and peaker plants. The results of my analysis are shown in Exhibit_____(CWK-4). The exhibit reveals that the split between base and peaker unit costs is 93.2/6.8, not 66.7/33.3.

The Company's overstatement of peaker production costs unduly burdens the residential class because their air conditioning usage is primarily responsible for the annual system peak loads.

Q. WHAT CHANGE DID YOU MAKE TO THE BASE PRODUCTION AND TRANSMISSION PLANT ALLOCATORS?

A. The Company allocated the cost of base production and transmission on the basis of class non-coincident peaks. I cannot even articulate a rationale for this allocator. I have reallocated base production and transmission costs according to relative class MWH energy consumption at the generation level.

The use of non-coincident peaks instead of energy for base costs unduly burdens the residential class because residential customers have much lower load factors, that is, much lower ratios of average to peak loads, than do the other classes.

Q. WHAT CHANGES DID YOU MAKE TO THE DISTRIBUTION PLANT ALLOCATORS?

A. The Company allocated the following plant categories according to the number of customers in each class:

- Land
- Rights of Way
- Poles, Towers, and Fixtures - Base
- Overhead Conductors and Devices – Base
- Underground Conduits- Base

The rationale for this allocation is that none of the cost of these plant categories is affected by the amount of electricity delivered. Their purpose, the Company asserts, is to reach customers, and for this reason they are allocated on the basis of the number of customers in each class.

While it may be true that the cost of these plant categories is unaffected by the amount of electricity delivered, the same can be said of customers. Except on the very edges of the system where lines are being extended, the embedded cost of the base distribution system is equally unaffected by both the amount of energy delivered and the number of customers served. Since cost causation is largely irrelevant, the appropriate allocator should be determined by the value of the service provided. That value is measured by the energy delivered, not by the number of customers served. For this reason, I have substituted class MWH consumption as the allocator for these categories of cost.

The use of customers instead of energy as a class allocator unduly burdens the residential class because it that class composed of a large number of small customers, each of whom uses a relatively small amount of electricity.

Q. HAVE YOU DEVELOPED A SUMMARY OF THE CLASS COST OF SERVICE USING YOUR REVISED STATEMENT OF REVENUES, RATE BASE AND EXPENSES?

A. Yes, I have. Exhibit_____(CWK-5) replicates the Company's Statement M-2 using my allocators and revenue requirements calculation. The Exhibit reveals the following rates of return among the customer classes

- Residential 7.14%
- Small General 10.75%
- Large General 13.61%
- Lighting 17.11%
- Pumping 1.91%
- All Classes 10.41%

Q. WHAT DO YOU CONCLUDE FROM THIS STUDY?

A. I conclude that while the disparities in rates of return are by no means as great as suggested by the Company's study, they continue to exist nonetheless. In particular, it appears that the residential and pumping classes continue to experience below-average rates of return compared to the other three classes.

Q. HOW DO YOU RECOMMEND THAT YOUR PROPOSED RATE INCREASE BE ALLOCATED AMONG THE CLASSES?

A. I recommend that all of the decrease be flowed to the general service classes and to the lighting class. In Exhibit_____(CWK-3), I calculate a revenue sufficiency of $930,000. If spread just to those three classes, the small general service decrease would come to $330,340, the large general service reduction would be $572,670, and the lighting class reduction would be $27,030. These reductions represent a 1.83 percent rate cut for each class.

Q. SUPPOSE THE COMMISSION DETERMINES THAT MDU'S REVENUE REQUIREMENT LIES BETWEEN THE AMOUNT YOU HAVE RECOMMENDED AND THAT REQUESTED BY THE COMPANY. HOW WOULD YOU DISTRIBUTE THE REVENUE RECOVERY AMONG CLASSES?

A. As long as the rate change is a reduction, it should be flowed to the three overcharged classes. If it is an increase, its distribution among classes should depend on the size of the increase. Later in my testimony, I recommend that the Base Charge for all classes except the pumping class be increased by 50 percent. Applied to the residential class, this increase will yield approximately $1.25 million, which represents 3.7 percent of the residential class's total revenue. With a small allocation to the pumping class, a rate increase of up to about $1.5 million would be recaptured entirely by the Base Rate increase, obviating the need to increase residential energy charges at all (although they will be restructured). Any increase less than $1.5 million should flow entirely to the residential and pumping classes.

Above $1.5 million, it becomes appropriate for the two general service classes to share in the rate increase. I recommend that any increase over $1.5 million be allocated to the general service classes until their increase is one-half the overall increase. From there on, the relationship of one-half of the overall increase to the general service classes and the remainder to the residential and pumping classes should be maintained. Because of the severe overcharge to the lighting class, I recommend that its rates be maintained at the present level of revenue recovery regardless of the extent of the overall revenue increase.

PART III – RATE DESIGN

Q. WHAT RATE DESIGN CHANGES DOES THE COMPANY PROPOSE IN THIS CASE?

A. The Company has made the following rate design proposals:

- Collapse the end-use rate schedules for dual fuel space heating, thermal energy storage, water heating, space heating into the primary rate schedules of each class. Customers on these schedules would no longer pay two Base Charges.
- Establish a new General Electric Space Heating Service Rate 32 to eliminate demand charges for space heating load of large general customers.
- Eliminate the closed Municipal Electric Service and Feed Grinding Service rate schedules.
- Shift demand metered Rate 20 customers to Rate 30 and substitute a new block energy rate for Rate 20.
- Eliminate the distinction between lighting customers who own their own lights and those who rent lights from MDU.
- Broaden the eligibility for lighting Rate 52 and decrease the energy charge.
- Institute a Base Charge for Rate 25, Irrigation Power, and change the basis of the demand charge from horsepower to metered KW demand.
- Introduce seasonal rates for all major rate schedules, with higher rates in June through September than in the rest of the year.
- Narrow the peak hours of the time-of-day rates from 9:00 am – 9:00 pm to 12:00 pm – 8:00 pm.
- Increase Base and Demand Charges and lower Energy Charges.
- Substitute a primary service rate in lieu of a 5 percent discount for customers who provide their own transformer equipment.
- Increase the reconnection fee from $12 to $20.
- Increase the power factor penalty from $1.75 to $3.35 per Kvar.

- Replace the fixed demand charge and the ceiling and floor energy charges in Economic Development Rate 34 with a fixed energy charge and a negotiable demand charge that has no floor or ceiling.
- Increase the qualification threshold for Interruptible Rate 39 from 200 to 500 KW and increase both demand and energy charges.

Additionally, the Company is proposing extensive changes in Rate 110, Electric Service Rules and Regulations.

Q. DO YOU OPPOSE ANY OF THESE RATE CHANGES?

A. I oppose only the last two, that is, those relating to Rates 34 and 39. Neither of these changes was mentioned in the testimony of the Company's rate design witness, J. Stephen Gaske, and there are good reasons – aside from their lack of support -- why both should be rejected.

Q. WHY SHOULD THE PROPOSED CHANGES IN RATE 34 BE REJECTED?

A. Rate 34 was adopted in Case No. PU-399-90-170. At that time, the demand charge and the floor on the energy rate were imposed to ensure that the rate would be compensatory, at least from a marginal cost standpoint. Now, the Company proposes to eliminate the fixed demand charge and to substitute a negotiated one with no floor or ceiling on the rate negotiated. It would eliminate the floor and ceiling on the energy charges and substitute the Rate 30 energy charge.

Rate 34 is designed to encourage new businesses to settle in MDU's service territory and to aid already established businesses that wish to expand. A common characteristic of all demand and energy under Rate 34 is that it is new and therefore represents an increase over existing demand and energy. If so, then the demand charge should reflect the Company's cost to expand its peaking

capacity – one of the purported causes of this proceeding. Mr. Nguyen reports that the cost of that new capacity is $5,658 per MW-month, or $5.658 per KW-month. While the minimum Rate 34 demand charge does not have to be set at this level (because of non-coincidence of the customer's and the Company's demand), it should be reasonably close to that level.

Quite without regard to the level of the demand charge, it is questionable whether the Company should ever be given the right to negotiate a rate with no Commission oversight. Such a provision opens up questions of favoritism, discrimination, predatory pricing and burden-shifting to other customers.

If there are to be discounts given, they should be in the energy charge, and they should at least recover the variable cost of the energy. That is why it is appropriate to have a floor on the energy charge.

Additionally, I understand the Company may petition the Commission for approval of contracts with rates that do not meet the requirements of Rate 34.

For these reasons, I recommend that MDU's proposed changes in Rate 34 be rejected.

Q. WHY SHOULD THE PROPOSED CHANGES TO RATE 39 BE REJECTED?

A. Rate 39 is the Company's Interruptible Large Power Service rate. MDU proposes to increase the threshold demand for this rate from 200 to 500 KW and to increase the demand charge from $1.70 per KW to $5.245 per KW. The energy charges would also be increased from 3.111¢ per Kwh to the Rate 30 level of 3.424¢ per Kwh.

The Company has provided no justification for the increase in the KW threshold. To the extent that it reduces the number of customers on this schedule, it reduces the ability of the Company to shed load during peak hours of electricity demand – hardly an improvement in the reliability or flexibility of MDU's power supply.

One could argue that there is no need for a demand charge for interruptible customers. That is because the Company has the ability to shed the customer's Rate 39 load whenever there is a likelihood that peak demand costs will be incurred. However, to the extent that the distribution system is sized to the customer's load, there might be an arguable case for a small demand charge such as the existing $1.70. There is no justification for a charge of $5.254. That is almost equal to the $5.685 that Mr. Nguyen identifies as the levelized monthly cost of the new peaker unit. A peaker unit is the very cost that interruptible service is designed to avoid .

The Company has proposed that the energy charge be set at the level of the Rate 30 energy charge. This has not been the practice in the past. Heretofore, Rate 39 energy charges were lower than Rate 30 rates. Since interruptible customers avoid taking power during the peak hours when energy costs are highest, some reduction for them would appear appropriate.

For these reasons, I recommend that MDU's proposed changes in Rate 39 be rejected and that the existing rates be retained.

Q. ARE THERE ANY OTHER OF MDU'S RATE DESIGN PROPOSALS ON WHICH YOU WOULD LIKE TO COMMENT?

A. Yes. I would like to comment on the Company's proposal to increase base and demand charges and reduce energy charges. While I do not disagree with this proposal in principal, I strongly oppose the extremes to which the Company has taken it. The Company proposes to increase the residential Base Rate by 386

percent from $3.50 to $17.00, the Small General Base Rate by 316 percent from $12.00 to $35.00, and the Large General Base Rate by five times from $15.00 to $90.00. These extreme increases on the most unavoidable component of the customer's bill violate the principal of gradualism in rate changes.

Additionally, they are likely to be a public relations disaster for the Company. Residential customers will no doubt think poorly of having to pay $17.00 just for the privilege of receiving a bill from MDU – before they consume the first Kwh of electricity. Since no one can function without electricity, this charge takes on the aspect of a tax – something that, along with death, cannot be avoided.

On the other hand, I will concede that the present $3.50 Base Charge is extraordinarily low. Even after most of the distribution costs assigned by MDU to the customer function have been reallocated to the energy function, I find that this charge recovers only about 40 percent of the residential customer-related costs. The shortfall in cost recovery is only slightly less for the Small and Large General Service classes and the Lighting class. Only the pumping class generates enough revenue from the Base Charge to cover its costs.

For this reason, I recommend that Base Charges be increased by 50 percent. For the residential class, this proposal would set the charge at $5.25. At $5.25, MDU's residential Base Rate would be the highest of any of the regulated electric companies in North Dakota. Otter Tail's residential Base Rate is $4.74, and that of Northern States Power d/b/a Excel Energy is $4.00.

Applied to the General Service classes, my proposal would allow an increase in the Small General Service Base Rate from $12.00 to $18.00, and the Large General Service Base Rate from $15.00 to $22.50.

Q. DID MDU PROPOSE CHANGES TO ITS ELECTRIC SERVICE RULES AND REGULATIONS RATE 110?

A. Yes, MDU did propose an extensive rewrite of its electric service rules and regulations, but. I understand that MDU now has agreed to withdraw those changes and refile them for consideration in a separate proceeding.

Q. DO YOU FAVOR THE REMAINING RATE DESIGN CHANGES THAT MDU HAS PROPOSED?

A. Yes. The most controversial of these changes is likely to be the elimination of the special end-use rates for Electric Dual Fuel Heating Rate 11 and Electric Thermal Storage Rate 13. These rates made sense when MDU was a winter and dual peaking utility. It is now a summer peaking system, so that the general body of ratepayers derive no benefit from rate features that help suppress the winter peak. It is unfortunate that 673 customers on the dual fuel rate may lose the benefit of their investment, but the retention of Rate 11 would represent an anachronism under present and foreseeable circumstances.

The closed Rate 50 – Water Heating and Rate 56 – Space Heating have only 2 and 7 customers, respectively. They, too, are anachronisms that can be eliminated.

I might make the same comment about Rate 16, the Optional Time-of-Day Residential rate, which has only 14 customers. However, the proposed reduction in the peak hours may result in more customers finding this rate attractive. For this reason, I recommend it be retained.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes, it does.

Exhibit____(CWK-1)

Montana-Dakota Utilities Company
Annual Operating and Maintenance Expenses, 1999-2002

	1999	2000	%Change	2001	% Change	2002	% Change	Average % Change
Total Company								
Steam Production Expense (Total Company)	35,719,480	35,512,982	-0.58%	38,947,026	9.67%	39,417,067		
Fuel, Steam Production (Total Company)	24,951,845	23,915,618		27,244,516		27,101,257		
Non-fuel Steam Expense (Total Company)	10,767,635	11,597,364	7.71%	11,702,510	0.91%	12,315,810	5.24%	4.62%
System Control & Load Dispatching (Tot.Co)	700,006	872,202	24.60%	892,362	2.31%	929,868	4.20%	10.37%
Transmission Expense (N.D.)	3,667,049	3,566,914	-2.73%	3,915,441	9.77%	4,265,201	8.93%	5.32%
Distribution Expense (N.D.)	4,585,754	4,660,253	1.62%	5,009,708	7.50%	4,664,422	-6.89%	0.74%
Customer Accounts Expense (N.D.)	2,161,667	2,113,265	-2.24%	2,232,745	5.65%	2,064,785	-7.52%	-1.37%
Customer Service and Info Expense (N.D.)	96,288	105,193		113,288		91,871		
Sales Expense (N.D.)	258,276	269,310		281,145		344,180		
Sales and Customer Service (N.D.)	354,564	374,503	5.62%	394,433	5.32%	436,051	10.55%	7.17%
Administrative and General Expense (N.D.)	8,303,279	8,154,363	-1.79%	8,967,959	9.98%	8,924,727	-0.48%	2.57%

Source: Montana-Dakota Utilities Annual FERC Forms 1, pages 320-322 and Annual Reports to the North Dakota P.S.C., Electric Operations

Exhibit_____(CWK-2)

Montana-Dakota Utilities Company, North Dakota Operations
Forecast 2003 Operating and Maintenance Expenses

	A	B	C	D	E
	2002		2003	2003	
	Total Company	North Dakota	Increase Factors	Total Company	North Dakota
	Response to Data Rqst. 1.48	Response to Data Rqst. 1.48	CWK-1	A*C or Statement H	B*C or Statement H
Fuel, Steam Production	27,101,256	17,960,471	Co Forecast	18,994,707	12,541,740
Non-fuel Steam Expense	12,315,810	8,633,129	4.62%	12,884,520	9,031,783
Other Generation Expense	564,219	384,557	Co Forecast	1,368,200	913,561
Purchased Power	28,622,043	12,573,352	Co Forecast	27,736,700	11,729,900
Total Production Expense	68,603,328	39,551,509		60,984,127	34,216,984
System Control & Load Dispatch	929,868	644,220	10.37%	1,026,307	711,033
Transmission Expense	6,279,912	4,265,200	5.32%	6,614,281	4,492,297
Distribution Expense	8,113,990	4,664,421	0.74%	8,174,327	4,699,107
Customer Accounts Expense	3,705,071	2,156,656	-1.37%	3,654,338	2,127,125
Sales and Customer Service Expense	484,816	344,180	7.17%	519,556	368,842
Property Insurance	495,828	319,775	Co Forecast	690,991	445,827
Injuries and Damages	660,359	414,440	Co Forecast	617,959	375,501
Franchise Requirements	-		Co Forecast (1)	1,041,600	667,700
A&G-Regulatory Commission Expenses	196,163	147,405	Co Forecast	366,108	190,404
Other A&G Expense	12,586,959	8,043,107	2.57%	12,910,104	8,249,598
Total Administrative and General Expense	13,939,309	8,924,727		15,626,762	9,929,030
Total Operating and Maintenance Expenses	102,056,294	60,550,913		96,599,697	56,544,418

(1) Source: Jurisdictional Separations Study, Schedule OMO-03

Exhibit____(CWK-3)

Montana-Dakota Utilities Company, North Dakota Operations
Income Statement and Additional Revenue Requirements
Calendar Year 2003
(Dollars in Thousands)

	Company Proposed (Statement L)	Staff Adjustments		Staff Recommended	
Total Average Electric Rate Base	143,596.8			143,596.8	
Less 10% of the Glendive Unit		(647.9)	(1)	(647.9)	
Adjusted Rate Base				142,948.9	
Total Operating Revenues					
Total Sales Revenues	85,767.5			85,767.5	
Opportunity Sales Revenues		14,327.2	(2)	14,327.2	
Other Operating Revenues	2,776.3			2,776.3	
Total Revenues	88,543.8			102,871.0	
Total Operating Expenses					
Operation & Maintenance Expenses	60,869.5	(4,325.1)	(3)	56,544.4	
Less: SISP		(667.7)	(4)	(667.7)	
Off-system Sales Expense		8,747.8	(5)	8,747.8	64,624.5
Depreciation Expense	13,302.7	(33.2)	(6)	13,269.5	
Taxes Other Than Income Taxes	4,580.2			4,580.2	
Total Operating Expenses	78,752.4			82,474.2	
Utility Operating Income Before Taxes	9,791.4			20,396.8	
Income Taxes:					
Federal	1,941.9			5,390.6	
State	423.4			1,175.3	
Deferred Income Taxes	(1,050.0)			(1,050.0)	
Total Operating Expenses	80,067.7			87,990.1	
Total Operating Income	8,476.1			14,880.9	
Return Before Adjustments					
Earned Rate of Return - %	5.903%			10.410%	
Required Rate of Return - %	10.177%	-0.160%	(7)	10.017%	
Return at Required Rate of Return - $	14,613.8			14,319.2	
Income Defficiency	(6,137.7)			561.7	
Revenue Deficiency - Multiplier	1.6559			1.6559	
Revenue Deficiency-$	(10,163.2)			930.0	
Percent Increase Required	11.850%			-1.084%	

(1) .10 x (6,810.8 (Stmt C, p4) - 332.2 (Stmt. D, p4)) = 647.9
(2) Jurisdictional Cost of Service Study: REVS
(3) CWK-2
(4) MDU Response to Staff Data Request 1.51, Attachment F
(5) 2002 Off-system Sales Revenues (Exhibit LAC-14) 10,181.6
2002 Off-system Sales Expenses (Exhibit LAC-14) 6,216.6
Ratio Expense to Revenues 0.61057
2003 Off-system Sales Revenues 14,327.2
2003 Off-system Sales Expenses 8747.8
(6) .10 x 332.2 (Statement D, p4)
(7) Settlement Agreement

Exhibit_____(CWK-4)

Montana-Dakota Utilities Company
Production Plant Costs

Unit	Production Factor	Annual Cost (Thousands)	
Wind Energy Farm	100.0%	$ 688	
AVS II	91.4%	15,945	
Coyote	76.7%	8,420	
Bigstone	63.7%	8,693	
Haskett 2	55.9%	7,154	
Lewis & Clark	53.0%	4,664	
Base Load Units		$ 45,564	93.2%
Haskett 1	9.9%	1,479	
Williston CT	6.0%	115	
Future CT	2.5%	511	
Miles City CT	2.2%	393	
Glendive CT	1.9%	453	
MAPP Purchases	1.4%	355	
Peaker Units		$ 3,306	6.8%
Total All Units		$ 48,870	100.0%

Source: Exhibit___(HVN-3)

Exhbit_____(CWK-5)

Montana-Dakota Utilities Company- North Dakota Operations
Rate Group Summary
(Dollars in Thousands)

Description	Total North Dakota	Residential	Small General	Large General	Lighting	Pumping
Operating Revenues						
Total Sales Revenues at Current Rates	85,768.2	33,692.6	18,063.3	31,314.1	1,478.2	1,220.0
Opportunity Sales Revenues	14,327.2	5,970.1	3,254.8	4,720.7	91.1	290.5
Other Operating Revenues	2,776.3	958.8	540.3	661.7	571.3	44.2
Total Operating Revenues	102,871.7	40,621.5	21,858.4	36,696.5	2,140.6	1,554.7
Operating Expenses						
Cost of Fuel and Purchased Power	33,714.2	13,034.2	6,555.5	13,036.3	449.4	638.7
Operation & Maintenance Expenses	30,910.4	14,896.0	7,201.5	7,792.6	468.2	552.1
Total Operation & Maintenance Expenses	64,624.6	27,930.3	13,757.0	20,829.0	917.6	1,190.8
Depreciation Expense	13,269.5	5,621.3	2,837.1	4,323.3	247.4	240.4
Taxes Other Than Income Taxes	4,580.2	1,887.9	960.4	1,539.6	108.7	83.7
Total Operating Expenses	82,474.3	35,439.4	17,554.5	26,691.8	1,273.7	1,514.9
Utility Operating Income Before Taxes	20,397.4	5,182.1	4,304.0	10,004.7	866.9	39.8
Less Income Taxes	5,516.2	1,259.3	1,192.0	2,806.9	269.5	(11.5)
Operating Income After Tax	14,881.2	3,922.8	3,111.9	7,197.8	597.4	51.3
Rate Base	142,948.9	54,921.0	28,949.6	52,902.6	3,491.5	2,684.2
Earned Rate of Return - %	**10.41%**	**7.14%**	**10.75%**	**13.61%**	**17.11%**	**1.91%**
Required Rate of Return - %	10.02%	10.02%	10.02%	10.02%	10.02%	10.02%
Return at Required Rate of Return	14,319.2	5,501.4	2,899.9	5,299.3	349.7	268.9
Income (Deficiency) Sufficiency	562.0	(1,578.6)	212.0	1,898.5	247.6	(217.5)
Revenue Deficiency - Multiplier	1.65586	1.65586	1.65586	1.65586	1.65586	1.65586
Revenue Deficiency-$	930.6	(2,614.0)	351.1	3,143.7	410.1	(360.2)

Charles W. King

Experience

Snavely King Majoros O'Connor & Lee, Inc. Washington, DC

President (1989 to Present)
Vice President (1970 - 1989)

Mr. King, a founder of the firm and acknowledged authority on regulatory economics, brings over 35 years of experience in economic consulting to his direction of the firm's work in transportation, utility and telecommunications economics.

Mr. King has appeared as an expert witness on over 300 separate occasions before more than thirty state and nine U.S. Canadian federal regulatory agencies, presenting testimony on rate base calculations, rate of return, rate design, costing methodology, depreciation market forecasting, and ratemaking principles. Mr. King has also testified before House and Senate Committees on energy and telecommunications legislation pending before the U.S. Congress.

In telecommunications, Mr. King has testified before the Federal Communications Commission on a number of policy issues, service authorization, competitive impacts, video dialtone, and prescription of interstate depreciation rates. Before state regulatory bodies, he has presented testimony in proceedings on intrastate rates, earnings and depreciation. Mr. King recently directed analyses of the prices of services under Federal Government's FTS2000 long distance system.

In addition to his appearances as a witness in judicial and administrative proceedings, Mr. King has negotiated settlements among private parties and between private parties and regulatory offices. Mr. King also has directed depreciation studies, investment cost benefit analyses, demand forecasts, cost allocation studies and antitrust damage calculations.

In Canada, Mr. King designed and directed an extended inquiry into the principles and procedures for regulating the telecommunication carriers subject to the jurisdiction of the Canadian Transport Commission. He also was the principal investigator in the Canadian Transport Commission's comprehensive review of rail costing procedures.

EBS Management Consultants, Inc., Washington, DC

Director, Economic Development Department (1966-1970)

Mr. King organized and directed a five-person staff of economists performing research, evaluation, and planning relating to economic development of depressed areas and communities within the U.S. Most of this work was on behalf of federal, state, and municipal agencies responsible for community or regional economic development.

Principal Consultant (1966-1968)

Mr. King conducted research on a broad range of economic topics, including transportation, regional economic development, communications, and physical distribution.

W.B. Saunders & Company, Inc., Washington, DC

Staff Economist (1962-1966)

For this economic consulting firm, which later merged with EBS Management Consultants, Inc., Mr. King engaged in numerous research efforts relating primarily to economic development and transportation.

U.S. Bureau of the Budget, Office of Statistical Standards

Analytical Statistician (1961-1962)

Mr. King was responsible for the review of all federal statistical and data-gathering programs relating to transportation.

Education

Washington & Lee University, B.A. in Economics

The George Washington University, M.A. in Government Economic Policy

CHARLES W. KING
Snavely King Majoros O'Connor & Lee, Inc.
1220 L Street, N.W., Suite 410
Washington, D.C. 20005
(202) 371-1111

Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
AK	Exxon USA	P-89-1,2	Trans Alaska Pipeline System	October 18, 1990
AZ	Arizona Corporation Commission Arizona Retailers Association	U-1345-I U-1345-II	Arizona Public Service Co. Arizona Public Service Co.	December 16, 1980 January 15, 1981
CA	California Retailers Association California Retailers Association California Retailers Association California Retailers & California Manufacturers California Retailers Association	57666 57602 59351 59351 61138	Pacific Gas & Electric Co. Southern California Edison Pacific Gas & Electric Co. Southern California Edison Southern California Edison	March 6, 1978 April 25, 1978 June 12, 1981 May 20, 1982 May 28, 1982
CO	U. S. Department of Defense J.C. Penny Company U.S. Department of Defense U. S. Department of Defense U.S. Department of Defense U.S. Department of Defense U.S. Department of Defense U.S. Department of Defense	I&S 1100 5693 I&S 1339 I&S 1540 C. Council C. Council C. Council C. Council	Colorado Springs (Elec) All Electric Utilities Colorado Springs DPU (Gas) Colorado Springs DPU (Gas) Colorado Springs DPU (Gas) Colorado Springs DPU (Elec) Colorado Springs DPU (Elec) Colorado Springs DPU (Elec)	June 14, 1977 March 8, 1978 October 18, 1979 February 9, 1982 September 30, 1984 June 6, 1985 May 19, 1986 June 30, 1987
CT	Retailers Merchants Association Division of Consumer Counsel Public Utilities Control Auto Division of Consumer Counsel Division of Consumer Counsel Division of Consumer Counsel Division of Consumer Counsel Coalition of Hotels, Alloys & Retailers Coalition of Hotels, Alloys & Retailers	72-0204 76-0604,5 78-0303 80-0403,4 81-0413 81-0602,4 82-0701 85-10-22 87-07-01	Various Electric Utilities CL&P and HELCO Bridgeport Hydraulic Co. CL&P and HELCO United Illuminating Company CL&P and HELCO CL&P CL&P CL&P	July 22, 1976 November 10, 1977 (none) August 11, 1980 July 20, 1981 October 5, 1981 September 28, 1982 (none) April 25, 1988

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
DC	D.C. People's Counsel	685	Potomac Electric Power Company	March 6, 1978
	D.C. People's Counsel	715	Potomac Electric Power Company	(none)
	D.C. People's Counsel	725	Potomac Electric Power Company	April 4, 1980
	D.C. People's Counsel	737	Potomac Electric Power Company	January 1, 1981
	Washington Metro Area Transit Authority	748	Potomac Electric Power Company	June 26, 1981
	Washington Metro Area Transit Authority	758	Potomac Electric Power Company	December 15, 1981
	D.C. People's Counsel	785	Potomac Electric Power Company	September 21, 1982
	Washington Metro Area Transit Authority	759	Potomac Electric Power Company	March 29, 1984
	D.C. People's Counsel	685 Remand	Potomac Electric Power Company	June 10, 1985
	D.C. People's Counsel	905	Potomac Electric Power Company	August 20, 1991
	D.C. People's Counsel	912	Potomac Electric Power Company	May 7, 1992
	D.C. People's Counsel	834, III	Potomac Electric Power Company	May 22, 1992
	D.C. People's Counsel	917	Potomac Electric Power Company	September 24, 1992
	D.C. People's Counsel	922	Washington Gas Light Company	June 15, 1993
	D.C. People's Counsel	929	Potomac Electric Power Company	December 16, 1993
	D.C. People's Counsel	934	Washington Gas Light Company	Filed April 22, 1994
	D.C. People's Counsel	939	Potomac Electric Power Company	March 16, 1995
	D.C. People's Counsel	917	Potomac Electric Power Company	April 16, 1995
	D.C. People's Counsel	951	Potomac Electric Power Company	February 20, 1997
	D.C. People's Counsel	945	Potomac Electric Power Company	September 29, 1999
	D.C. People's Counsel	847	Washington Gas Light Company	June 27, 2001
	D.C. People's Counsel	989	Washington Gas Light Company	May 22, 2002
DE	Delaware PSC Staff	94-164	Artesian Water Company	Filed March 10, 1995
	Delaware PSC Staff	94-149	Wilmington Surburban Water Company	March 10, 1995
FL	Florida Retail Federation	790593-EU	All Electric Utilities	March 5, 1981
	Florida Retail Federation	810002-EU	Florida Power and Light Company	July 23, 1981
	Florida Retail Federation	820097-EU	Florida Power and Light Company	September 22, 1982
	Florida Retail Federation	820097-EU	Florida Power and Light Company	April 11, 1983
	Florida Retail Federation	830012-EU	Tampa Electric Company	August 19, 1983
	Florida Retail Federation	830465-EI	Florida Power and Light Company	April 19, 1984
	Florida Retail Federation	830465-EI	Tampa Electric Company	(none)

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
GA	Georgia Retail Federation	3270-U	Georgia Power Company	September 3, 1981
	Georgia Public Service Commission	4007-U	Georgia Power Company	August 21, 1991
	Georgia Public Service Commission	4384-U	All Electric Utilities	August 1, 1993
	Georgia Public Service Commission	4755-U	Georgia Power Company	January 25, 1994
	Georgia Public Service Commission	4697-U	All Utilities	May 10, 1994
	Georgia Public Service Commission	9355-U	Georgia Power Company	November 4, 1998
	Georgia Public Service Commission	14000-U	Georgia Power Company	October 23, 2001
	Georgia Public Service Commission	14618-U	Savannah Electric & Power Company	March 27, 2002
	Georgia Public Service Commission	14311-U	Atlanta Gas Light Company	April 8, 2002
	Georgia Public Service Commission	17066-U	Georgia Power Company	July 31, 2003
HI	Public Utilities Department	2793	All Electric Utilities	February 14, 1978
	Hawaii Consumer Advocate	4536	Hawaiian Electric Company	February 1, 1983
IL	Illinois Retail Merchants Association ("IRMA"/ Chicago Bldg. Mgrs. Association ("CBMA")	76-0698	Commonwealth Edison	June 22, 1977
	IRMA/CBMA	76-0568	All Eletric Utilities	(none)
	IRMA/CBMA	80-0546	Commonwealth Edison	March 5, 1981
	IRMA/CBMA	82-0026	Commonwealth Edison	July 22, 1982
	IRMA/CBMA	83-0537	Commonwealth Edison	March 19, 1984
	IRMA/CBMA	87-0427	Commonwealth Edison	March/April 22, 1988
	IRMA/CBMA	90-0169	Commonwealth Edison	October 29, 1990
	City of O'Fallon, IL	02-0690	Illinois-American Water Company	Filed Feb.5, Apr.11,2003
IN	Indiana Retail Council	35780-S2	N. Ind. Public Service co.	June 1, 1980
	Indiana Retail Council	35780-S1	Public Service of Indiana	October 15, 1980
	Indiana Retail Council	36318	Public Service of Indiana	May 4, 1982
KS	J.C. Penny Company	115,379-U	All Kansas Utilities	January 22, 1981
KY	Seven Kentucky Retailers	7310	Louisville Gas & Electric Co.	April 25, 1979
	Attorney General of Kentucky	2002-145	Columbia Gas of Kentucky	Filed August 8, 2002

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utlilty	
MA	Coalition of Municipalities	20279	Western Massachusetts Electric	March 19, 1980
	Coalition of Municipalities	557/558	Western Massachusetts Electric	May 14, 1981
	Coalition of Municipalities	957	Western Massachusetts Electric	March 9, 1982
	Coalition of Municipalities	1300	Western Massachusetts Electric	January 1, 1983
	Coalition of Municipalities	85-270	Western Massachusetts Electric	March 26, 1986
MD	Maryland People's Counsel	6977	Washington Gas & Light Company	September 17, 1976
	Maryland People's Counsel	6814	Potomac Electric Power Company	
	Maryland People's Counsel	6807	All Electric Utilities	September 1, 1977
	Maryland People's Counsel	6882	Baltimore Gas & Electric Company	(none)
	Maryland People's Counsel	6985	Baltimore Gas & Electric Company	September 28, 1976
	Maryland People's Counsel	7070	Baltimore Gas & Electric Company	December 20, 1976
	Maryland People's Counsel	7149	Potomac Electric Power Company	April 18, 1978
	Maryland People's Counsel	7163	All Electric Utilities	January 17, 1979
	Maryland People's Counsel	7236	Delmarva Power & Light Company	October 23, 1978
	Retail Merchants of Baltimore	7397	Baltimore Gas & Electric Company	June 20, 1980
	Maryland People's Counsel	7427	Delmarva Power & Light Company	September 8, 1980
	Maryland People's Counsel	7574	Baltimore Gas & Electric Company	December 2, 1981
	Maryland People's Counsel	7597	Potomac Electric Power Company	February 18, 1982
	Organization of Consumer Justice	7604	Potomac Electric Power Company	April 20, 1982
	Maryland People's Counsel	7588	Baltimore Gas & Electric Company	October 19, 1982
	Maryland People's Counsel	7663	Potomac Electric Power Company	November 22, 1982
	Retail Merchants of Baltimore	7685	Baltimore Gas & Electric Company	April 12, 1983
	Genstar Stone Products, et al.	7878	Potomac Electric Power Company	December 9, 1985
	Industrial Intervenors	7878	Potomac Electric Power Company	June 28/July 1986
	Maryland People's Counsel	7983	Baltimore Gas & Electric Company	March 4, 1987
	Giant Foods, Inc.	8855	Baltimore Gas & Electric Company	January 8, 2003
MI	General Services Administration	U-10102	Detroit Edison Company	March 22, 1993
	Michigan Attorney General	U-11722	Detroit Edison Company	November 6, 1998
	Michigan Attorney General	U-11772	Consumers Energy/Detroit Edison	November 16, 1998
	Michigan Attorney General	U-11495	Detroit Edison Company	December 8, 1999
	Michigan Attorney General	U-11956	Consumer Energy/Detroit Edison	December 15, 1999
	Michigan Attorney General	U-12505	Consumers Energy Company	September 7, 2000
	Michigan Attorney General	U-12478	Detroit Edison Company	October 5, 2000
	Michigan Attorney General	U-12639	Consumers Energy/Detroit Edison	July 18, 2001
	Michigan Attorney General	U-13000	Consumers Energy Company	January 29,2002
	Michigan Attorney General	U-13380	Consumers Energy Company	September 9, 2002
	Michigan Attorney General	U-13715	Consumers Energy Company	April 24, 2003

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
MN	Minnesota Retail Federation	EOO2/6R-77-611	Northern States Power	1979
MO	Missouri Retailers Association	EO-78-161	Kansas City Power & Light Company	February 19, 1981
NC	North Carolina Merchants Association	E-100	All Electric Utilities	December 18, 1975
ND	North Dakota Public Service Commission	PU-400-00-521	Xcel Energy, Inc.	April 20, 2001
	North Dakota Public Service Commission	PU-399-01-786	Montana-Dakota Utilities (Electric)	February 25, 2002
	North Dakota Public Service Commission	PU-399-02-183	Montana-Dakota Utilities (Gas)	October 7, 2002
	North Dakota Public Service Commission	PU-399-02-183	Montana-Dakota Utilities (Gas Depr.)	Filed April 7, 2003
NH	Business & Industry Association of N.H.	79-187-II	Public Service of N.H.	February 6, 1981
	Business & Industry Association of N.H.	80-260	Public Service of N.H.	February 5, 1981
	Business & Industry Association of N.H.	82-333	Public Service of N.H.	November 2, 1983
NJ	N.J. Retail Merchants Association	803-151	All New Jersey Utilities	March 31, 1981
	Department of Public Advocate	815-459	N.J. Natural Gas Company	(none)
	Resorts International Hotel, Inc.	8011-827	Atlantic City Sewerage Co.	(none)
	Dept. of Public Advocate	822-116	Atlantic City Electric Co.	August 11, 1982
	Dept. of Public Advocate	355-87	Elizabethtown Gas	June 9, 1987
	Dover Township Fire Chiefs	88-080967	Tom's River Water Company	February 22, 1989

CHARLES W. KING
Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
NY	N.Y. Council of Retail Merchants	26806	All Electric Utilities	February 3, 1976
	Metropolitan N.Y. Retail Council	27029	Consolidated Edison Company	(none)
	Metropolitan N.Y. Retail Council	27136	Long Island Lighting Company	July 1, 1977
	N.Y. Metro. Transit Authority	27353	Consolidated Edison Company	September 5, 1980
OH	Ohio Council of Retail Association	88-170-EL	Cleveland Elec. Illuminating	(none)
	Ohio Council of Retail Association	83-1529-EL	Cincinnati Gas & Electric	February 15, 1992
PA	Pennsylvania Retail Association	76-PRMD-7	All Electric Utilities	September 7, 1977
	Southeastern Pa. Transp. Authority	R-811626	Philadelphia Electric Company	December 11, 1981
	Eastern Penn Energy Users Group	R-822169	Penn. Power & Light Company	March/April 1983
	Eastern Penn Energy Association	R-842651	Penn. Power & Light Company	December 3, 1984
	Penn Business Utility User Group	R-850152	Philadelphia Electric Company	February 19, 1986
	Pennsylvania Office of Consumer Advocate	R-00016339	Pennsylvania-American Water Co.	September 19, 2001
TX	Houston Retailers Association	5779	Houston Lighting Company	October 19, 1984
	Houston Retailers Association	6765	Houston Lighting Company	September 25, 1986
	Cities for Fair Utility Rates	8425/8431	Houston Lighting Company	April 25, 1989
UT	Div. Of Public Utilities Dept of Commerce	98-2035-33	Pacific Corp	Filed August 16, Sept 22, 1999
VA	Consumer Congress of Virginia	19426	Virginia Electric Power Company	July 1, 1975
	Consumer Congress of Virginia	19960	Virginia Electric Power Company	September 19, 1978
	Va. Business Committee on Energy	PUE 7900012	Virginia Electric Power Company	February 25, 1981
	Virginia Pipe Trades Council	PUE 8900051	Old Dominion Electric Corp. &	October 31, 1989
WI	Wisconsin Merchants Federation	6630-ER-2	Wisconsin Electric Power Company	May 15, 1978

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
AL	U.S. Department of Defense	24472	All Telephone Companies	June 14, 1995
AZ	Arizona Burglar & Fire Alarm Association	9981-E-1051-80-64	Mountain State Telephone	(none)
	Federal Executive Agencies	E-1051-88-146	Mountain State Telephone	(none)
	U.S. Department of Defense	T-01051B-99-0105	US WEST Communications	Filed July 26, Sept 8, 2000
CA	Western Burglar & Fire Alarm Association	59849	Pacific Telephone & Telegraph	March 25, 1981
	Western Burglar & Fire Alarm Association	5984cont.	Pacific Telephone & Telegraph	June 23, 1982
	Western Burglar & Fire Alarm Association	A83-01-22	Pacific Telephone & Telegraph	June 29, 1983
	Western Burglar & Fire Alarm Association	A83-02-02	General Telephone of California	January 17, 1984
	Western Burglar & Fire Alarm Association	A82-11-07	Pacific Telephone & Telegraph	Jan. 18, Oct. 31 November 28, 1984
	Western Burglar & Fire Alarm Association	A85-01-034	Pacific Telephone & Telegraph	June 4, 1985 October 2, 1986
	Western Burglar & Fire Alarm Association	A87-01-02	General Telephone of California	October 22, 1987
	Western Burglar & Fire Alarm Association	A88-07-17019	Pac. Bell Tel. & GTE of CA.	January 23, 1989
	California Cellular Resellers	A.88-11-1040	All Cellular Carriers	August 11, 1989
	Federal Executive Agencies	1.87-11-033	All Telephone Companies	March 6-7, 1991
	California Cellular Resellers	1.88-11-040	All Cellular Carriers	August 19, 1991
	Cellular Services, Inc.	1.88-11-040	All Cellular Carriers	October 3, 1991
	Federal Executive Agencies	A92-05-004	Pacific Telephone & Telegraph	June 9, 1993
CO	U.S. Department of Defense	I&S 717	Mountain Bell Telephone Company	1972
	U.S. Department of Defense	I&S 1700	Mountain Bell Telephone Company	(none)
	U.S. Department of Defense	Appl.	Mountain Bell Telephone Company	September 18, 1986
	U.S. Department of Defense	I&S 1766	Mountain Bell Telephone Company	November 28, 1988
	Colorado Municipal League	Appl 36883	Mountain Bell Telephone Company	December 13, 1988
	U.S. Department of Defense	I&S 891-O82T	U.S. West Communications	February 21, 1990
	U.S. Department of Defense	905-544T	U.S. West Communications	July 17, 1991
	U.S. Department of Defense	90A-665T	U.S. West Communications	October 23, 1991
	U.S. Department of Defense	92M-039T	U.S. West Communications	February 24-24, 1992
	U.S. Department of Defense	92S-229T	U.S. West Communications	July 30-31, 1992
	U.S. Department of Defense	90A-665T	U.S. West Communications	November 6, 1996
	AT&T	96S-331T	U.S. West Communications	April 17, 1997

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utlilty	
CT	Connecticut Consumer Counsel	770526	Southern New England Telephone Co.	November 10, 1977
	CT Cellular Resellers Assn.	89-12-05	Southern New England Telephone Co.	(none)
	CT Cellular Resellers Coalition	94-03-27	Springwich Cellular/Bell Atlantic	May 16, June, 1994
	AT&T	AT&T/SNET Arbitration	Southern New England Telephone Co.	Filed October 28, 1996
	Connecticut Consumer Counsel	96-04-07	Southern New England Telephone Co.	February 10,1998
	Connecticut Consumer Counsel	00-07-17	Southern New England Telephone Co.	December 5, 2000
DC	D.C. People's Counsel	729	Chesapeake & Potomac Tel. Co.	May 13, 1980
	D.C. People's Counsel	798	Chesapeake & Potomac Tel. Co.	July 18, 1983
	General Services Administration	827	Chesapeake & Potomac Tel. Co.	May 7, 1985
	General Services Administration	854	Chesapeake & Potomac Tel. Co.	April 16, 1987
	General Services Administration	850	Chesapeake & Potomac Tel. Co.	October 7, 1991
	General Services Administration	926	Chesapeake & Potomac Tel. Co.	October 7, 1993
DE	Public Service Commission	Depr.Repre	Diamond State Telephone Co.	April 1, 1985
	Federal Executive Agencies	86-20	Diamond State Telephone Co.	July 31, 1987
	Public Service Commission	Depr.Repre	Diamond State Telephone Co.	March 8, 1988
FL	GTE Sprint Communications Company	720536-TP	All Telephone Companies	September 12, 1983
	Office of Public Counsel	Depr.Repre	Southern Bell	July 30, 1986
	Federal Executive Agencies	880069-TL	Southern Bell	July 21, 1988
	Federal Executive Agencies	880069-TL	Southern Bell	November 30, 1990
	Federal Executive Agencies	880069-TL	Southern Bell	February 11, 1992
GA	Georgia Attorney General	3893-U	Southern Bell Telephone Co.	January 8, 1990
	Federal Executive Agencies	3905-U	Southern Bell Telephone Co.	June 12, 1990
	Federal Executive Agencies	3987-U	Southern Bell Telephone Co.	February 13, 1992
	Georgia Public Service Commission	4018-U	Southern Bell Telephone Co.	Jan 14, Feb 10, 1993
HI	Hawaii Public Utility Commission	1871	Hawaiian Telephone Company	July 8, 1971
	Four Hawaii Counties	4588	Hawaiian Telephone Company	December 15, 1983
	Department of Defense	7579	Hawaiian Telephone Company	April 26, 1994
	Department of Defense	94-0093	Oceanic Communications	March 13, 1995
	Department of Defense	7702	All Communications Carriers	June 2, 1995
	Department of Defense	94-0298	GTE Hawaiian Telephone Company	May 7, 1996
	Department of Defense	7720	Verizon-Hawaii	November 15, 2000

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utlilty	
ID	U.S. Department of Energy U.S. Department of Energy	U-1000-63 U-1000-70	Mountain Bell Telephone Co. Mountain Bell Telephone Co.	May 16, 1983 March 6, 1984
IL	Illinois Aalarm Companies Attorney Generaal of Illinois GTE Sprint Communications Co. Federal Executive Agencies	79-0143 81-0478 83-0142 89-0033	Illinois Bell Telephone Illinois Bell Telephone All Telephone Companies Illinois Bell Telephone	September 26, 1979 December 28, 1981 August 4, 1983 June 12, 1989
KS	State Corporation Commission Federal Executive Agencies Federal Executive Agencies	Depr. Repr. 166.856-U 190, 492	Southwestern Bell Southwestern Bell All Telephone Companies	May 12-14, 1986 November 7, 1989 November 4, 1994
KY	Kentucky Cable Telecommunications Assn. Kentucky Cable Telecommunications Assn.	2000-414 2000-39	Blue Grass Energy Cooperative Cumberlant Valley Electric, Inc.	January 11, 2001 January 11, 2001
MD	Maryland People's Counsel Maryland People's Counsel Maryland People's Counsel Maryland People's Counsel Federal Executive Agencies Federal Executive Agencies Federal Executive Agencies	6813 6881 7025 7467 7851 8106 8274	C&P Telephone Company C&P Telephone Company C&P Telephone Company C&P Telephone Company C&P Telephone Company C&P Telephone Company C&P Telephone Company	1975 December 17, 1975 March 15, 1975 October 20, 1981 March 20, 1985 May 9, 1988 August 2, 1990
MI	Michigan Attorney General Michigan Attorney General	U-8911 U-9553	Michigan Bell Telephone Co. AT&T Communications/MCI	November 7, 1988 December 4, 1990
MN	GTE Sprint Communications Co. U.S. Department of Defense	83-102-HC 87-021-BC	All Telephone Companies Northwest Bell Telephone Co.	August 5, 1983 (none)

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utlilty	
MO	GTE Sprint Communications Co. Federal Executive Agencies Federal Executive Agencies	TR83-253 TC-89-14 TO-89-56	Southwestern Bell Tel. Co. Southwestern Bell Tel. Co. Southwestern Bell Tel. Co.	September 5, 1983 (none) November 7, 1990
MS	Federal Executive Agencies	U-5453	South Central Bell Tel. Co.	May 15, 1990
NJ	Department of Public Advocate Department of Public Advocate Department of Public Advocate Department of Public Advocate Department of Public Advocate	Depr.Repr. 815-458 Depr.Repr. Depr.Repr. T092030358	N.J. Bell Telephone Company N.J. Bell Telephone Company N.J. Bell Telephone Company N.J. Bell Telephone Company N.J. Bell Telephone Company	Mar-79 October 15, 1981 March 1, 1982 February 1, 1985 September 30, 1992
NM	New Mexico Corporation Commission New Mexico Corporation Commission	1032 86-151-TC	Mountain Bell Telephone Co. General Telephone of Southwest	November 14, 1983 February 5, 1987
NV	Prime Cable of Las Vegas Prime Cable of Las Vegas	95-8034/8035 96-9035	Central Telephone - NV Sprint/Centel, Nevada Bell	Filed November 22, 1995 June 2, 1997
NY	Holmes Protection, Inc. Holmes Protection, Inc. 5 Alarm Companies GTE Sprint Communications Co.	27350 27469 27710 28425	New York Telephone Company New York Telephone Company New York Telephone Company All Telephone Companies	October 17, 1978 May 17, 1979 July 24, 1980 July 8, 1983
PA	City of Philadelphia	R-832316	Pennsylvania Bell Telephone	September 20, 1983
SC	Office of Consumer Advocate Office of Consumer Advocate Office of Consumer Advocate Office of Consumer Advocate Office of Consumer Advocate	Depr.Repr. 86-511-C 86-541-C Depr.Repr. 89-180-C	Southern Bell Southern Bell General Telephone of South Southern Bell ALLTEL of South Carolina	July 1, 1986 December 11, 1986 April 8, 1987 July 10, 1989 September 26, 1989

CHARLES W. KING
Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
TX	U.S. Department of Defense	8585/8218	Southwestern Bell Telephone Co.	(none)
VA	U.S. Dept. Of Defense, GSA, et Federal Executive Agencies	19696 PUC 890014	C&P Telephone Company All Telephone Companies	October 6, 1976 February 13, 1989
VI	V.I. Department of Commerce V.I. Public Service Commission	205 341	Virgin Islands Telephone Co. Virgin Islands Telephone Co.	April 29, 1980 March 20, 1991
WA	U.S. Department of Defense U.S. Department of Defense U.S. Department of Defense U.S. Department of Defense WA Attorney General/TRACER U.S. Department of Defense U.S. Department of Defense WA Attorney General/TRACER WA Attorney General/TRACER U.S. Department of Defense	U-72-39 U-87-796-T U-88-20524 U-89-2698-F UT-940641 UT-941464 UT-951425 UT-961632 UT-021120	Pacific Northwest Bell Pacific Northwest Bell Pacific Northwest Bell US West Communications US West Communications US West Communications US West Communications US West Communications GTE Northwest, Inc Qwest Communications	1973 December 20, 1983 November 8, 1988 November 28, 1989 Filed October 14, 1994 June 22, 1995 January 22, 1996 Filed June 23, 1997 July 29, 1997 May 22, 2003
WI	GTE Sprint Wisconsin Consumers Utility Board Wisconsin Consumers Utility Board	6720-TR-38 2055-TR-102 5846-TR-102	All Telephone Companies CenturyTel of Central Wisconsin Telephone USA, LCC	October 20, 1983 June 26, 2002 June 26, 2002

Client	Docket	Subject	Date of Cross-Examination
Federal Communications Commission			
Department of Defense	16020	Consat Rate of Return	1973
Airline Parties	16258	Bell System Rates	July 22, 1968
Airline Parties	18128	TELPAK	3/22, 10/15 1971, Feb. 22, 1972
National Data Corporation	19989	WATS	(none)
Press Wire Services	19919	Private Line Rates	(none)
Aeronautical Radio	20814	Private Line Rates	October 5, 1978
Department of Defense	20690	1,544 Mbps Service	January 30, 1979
State of Hawaii	21263	Interstate Separation	February 7, 1979
International Record Carriers	CC78-97	Telex/TWX Rates	March 6, 1980
ITT World Communications	CC84-633	Rate of Return	(none)
Aeornautical Radio	CC78-72	Access Line Charges	(none)
MCI	CC84-800	Rate of Return	(none)
Ind. Data Com. Mfg. Assn.	CC85-26	AT&T Accounting Plan	(none)
Tymnet, Inc.	ENF84-22	Packet Switching Costs	(none)
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 7/29/94
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 8/23/94
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 2/21/95
Nuclear Regulatory Commission			
Fauquier League for Environment Protection	50-328 50-329	Va. Electric Power Co.	1976
Postal Rate Commission			
Association of Third Class Mail Users	R71-1	Rates	1970
Dow Jones & Company	R72-1	Rates	1972
Dow Jones & Company	R74-1	Rates	September 13, 1974
Dow Jones & Company	MC76-2	Rate Structure	January 6, 1979
Dow Jones & Company	MC79-3	Rate Structure	September 12, 1979
Dow Jones & Company	R80-1	Rates	November 25, 1980
Warshawsky & Company	C82-1	Rate Structure	(none)
Dow Jones & Company	R84-1	Postal Costs	June 14, 1984
Dow Jones & Company	R87-1	Rate Structure Costs	November 2, 1987
Dow Jones & Company	R90-1	Rate Structure Costs	Sept 12, Oct 10, 1990
Dow Jones & Company	MC91-1	Pre-barcoding Discounts	November 19, 1991
Dow Jones & Company	MC91-3	Palletization Discounts	March 2, 1992

CHARLES W. KING
Appearances before Federal Regulatory Agencies

Client	Docket	Subject	Date of Cross-Examination
U.S. Congress			
National Retail Merchants Association	House/Senate Hearings	Electric Rate Reform Legislation	1976, 1977 & 1979
National Wireless Resellers Association	House Commerce Committee	Interconnection & Resale of Wireless Services	October 12, 1995
Federal Maritime Commission			
State of Hawaii	71-18	Ocean Shipping Rates	October-71
Foss Alaska Line	79-54	Barge Rate Increase	July 1979
Palmetto Shipping and Stevadoring	85-20	Vessel Charge Liability	October 27, 1986
Interstate Commerce Commission			
Western Coal Traffic League	Ex Parte 349	R.R. Rate Increase	May-76
Western Coal Traffic League	Ex Parte 357	R.R. Rate Increase	Oct-78
Western Coal Traffic League	Ex Parte 375 (Sub1)	R.R. Rate Increase	June 1, 1980
Arkansas Power & Light Co.	37276	Cost of Capital	(none)
Central Illinois Light Co.	37450	Cost of Capital	March 10, 1981
Western Coal Traffic League	Ex Parte 347	Costing Methods	(none)
Civil Aeronautics Board			
Thomas Cook, Inc.	36595	Air Fare Deregulation	(none)
Copyright Royalty Tribunal			
Public Broadcasting Service	88-2-86CD	Television Valuation	(none)
Federal Energy Regulatory Commission			
Exxon USA	OR89-2-000	Pipeline Quality Bank	October 18, 1990
Canadian Transport Commission			
Rail Costing Inquiry, 1967-1969 Telecommunications Costing Inquiry, 1972-1975			
Surface Transportation Board			
Williams Energy Services, Inc	Ex Parte 582, Sub 1	Rail Merger Guidelines	April 5, 2001

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **26th day of September, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Orders Granting Intervention

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501
Cert. No. 7002 2410 0003 4913 3111

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501
Cert. No. 7002 2030 0003 4913 3128

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695
Cert. No. 7002 2030 0003 4913 3135

Jim Roache
P O Box 564
Crosby ND 58730
Cert. No. 7002 2030 0003 4913 3142

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266
Cert. No. 7002 2030 0003 4913 3852

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **26th day of September, 2003**.

Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

APPROVED
DATE: 9-24-03

MOTION

September 24, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission adopt the Order Granting Intervention to AARP in Montana-Dakota Utilities Co.'s electric rate increase application, Case No. PU-399-03-296.

PJF

70 **PU-399-03-296** Pages: 1

Motion

by Public Service Commission

09/24/2003 C: Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

ORDER GRANTING INTERVENTION

September 24, 2003

On September 23, 2003, AARP filed a Petition to Intervene in this proceeding. The petition stated that AARP is a non-profit, nonpartisan membership organization and that each of its North Dakota members who receive electrical services from Montana-Dakota Utilities Co. have legal and financial interests which may be substantially affected by MDU's proposed rate increases. The Commission finds AARP does have an interest in these matters and its participation will not unduly broaden the issues or delay the proceedings.

Order

The Commission orders:

1. AARP's petition to intervene in this proceeding is granted.

2. Admission as an intervenor shall not be construed as recognition by the Commission that an intervenor might be aggrieved by an order of the Commission in this case.

PUBLIC SERVICE COMMISSION

Susan E. Wefald	Tony Clark	Kevin Cramer
Commissioner	**President**	**Commissioner**

69 **PU-399-03-296** Pages: 1

Order Granting Intervention to AARP

by Public Service Commission

09/24/2003 C: Comm Legal PUD (3) Mike ALJ

APPROVED
DATE: 9-24-03
AS

MOTION

September 24, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission adopt the Order Granting Intervention to Jim Roache in Montana-Dakota Utilities Co.'s electric rate increase application, Case No. PU-399-03-296.

PJF

68 **PU-399-03-296** Pages: 1

Motion

by Public Service Commission

09/24/2003 C: Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

ORDER GRANTING INTERVENTION

September 24, 2003

On September 9, 2003, Jim Roache filed a Petition to Intervene in this proceeding. The petition stated that he is a director of a North Dakota Non-Profit Organization which will be greatly affected by this increase, and he will also face financial difficulties as a result of the increase. The Commission finds Jim Roache does have an interest in these matters and his participation will not unduly broaden the issues or delay the proceedings.

Order

The Commission orders:

1. Jim Roache's petition to intervene in this proceeding is granted.

2. Admission as an intervenor shall not be construed as recognition by the Commission that an intervenor might be aggrieved by an order of the Commission in this case.

PUBLIC SERVICE COMMISSION

Susan E. Wefald	Tony Clark	Kevin Cramer
Commissioner	**President**	**Commissioner**

67 **PU-399-03-296** Pages: 1

Order Granting Intervention to Jim Roache

by Public Service Commission

09/24/2003 C: Comm Legal PUD (3) Mike ALJ .

Public Service Commission
State of North Dakota

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SEP 25 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

September 25, 2003

Jim Roache
P O Box 564
Crosby ND 58730

Thomas D. Kelsch
P O Box 1266
Mandan ND 58554-7266

Bill Binek
ND Public Service Commission
600 E Blvd Ave Dept 408
Bismarck ND 58505-0480

Daniel Kuntz
P O Box 1695
Bismarck ND 58502-1695

Re: Montana-Dakota Utilities Co. Electric Rate Increase Application, Case No. PU-399-03-296

Gentlemen:

At its September 24, 2003 meeting, the Commission confirmed the following schedule for filing written testimony in the MDU electric rate increase application:

Written Testimony	**Filing Date**
Commission advocacy staff	September 29, 2003
Intervenors	October 15, 2003
MDU rebuttal to Commission advocacy staff testimony	November 3, 2003
MDU rebuttal to intervenor testimony	November 10, 2003

If you have additional questions, feel free to call me at 701-328-4077.

Sincerely

Patrick Fahn

Patrick Fahn
Chief Engineer

66 PU-399-03-296 Pages: 1

Letter confirming schedule for filing written testimony by Public Service Commission

09/25/2003 C: Comm Legal PUD (3) Mike ALJ

Kelsch Kelsch Ruff & Kranda

C.F. Kelsch
1890-1987

Attorneys at Law
Mandan, North Dakota

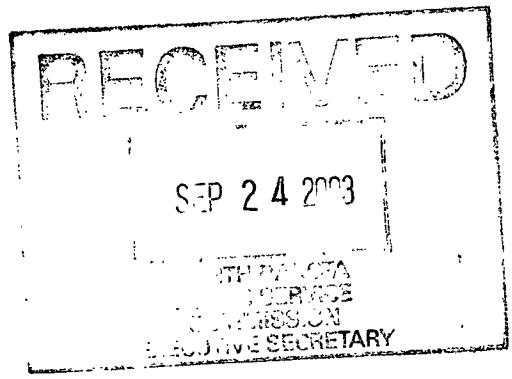
William C. Kelsch
Retired

THOMAS F. KELSCH
ARLEN M. RUFF, P.C.
THOMAS D. KELSCH, P.C.
TODD D. KRANDA, P.C.*
WILLIAM J. DELMORE
CYNTHIA WAGNER GOULET
ANNETTE BENDISH
*Also Licensed in Minnesota

MERITAS LAW FIRMS WORLDWIDE

103 Collins Avenue
P.O. Box 1266
Mandan, ND 58554-7266
Phone (701) 663-9818
1-888-663-9818
Fax (701) 663-9810
Website www.kelschlaw.com

September 24, 2003



FAX 328-2410
JON H MEILKE
EXECUTIVE SECRETARY
PUBLIC SERVICE COMMISSION
600 E BLVD AVE DEPT 408
BISMARCK ND 58505

RE: MDU Electric Rate Increase Application
Case No. PU-399-03-296
Our File No. 10719

Dear Mr. Meilke:

Enclosed for filing is an Amended Motion for Time to Provide Written Testimony and Comments in the above-captioned matter. It is not AARP's intention to challenge the proposed settlement for rate of return. Thank you for your attention to this matter and if you have any questions please contact me.

Respectfully yours,

Thomas D. Kelsch

ve
Enc
c: AARP

KRK ATTORNEYS AT LAW
Kelsch, Kelsch, Ruff & Kranda

65 PU-399-03-296 Pages: 1
FAX/Cover letter re Amended Motion
by AARP North Dakota by Thomas D Kelsch
09/24/2003 C: Comm Legal PUD (3) Mike ALJ

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SEP 24 2003
NORTH DAKOTA PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate

Case No. PU-399-03-296

AMENDED MOTION FOR TIME TO PROVIDE WRITTEN TESTIMONY

Intervener AARP hereby moves the North Dakota Public Service Commission to be permitted to file testimony until October 15, 2003.

AARP is a non-profit non-partisan membership organization dedicated to making life better for people 50 and over.

AARP has filed a Petition to Intervene in the above case wherein Montana-Dakota Utilities Co. (MDU) filed an Application to increase rates for electrical utility services which would result in a 9.1% increase over current rates and an increase for the average consumer of $10.48 per month.

The Commission scheduled a public hearing on the matter for November 12, 2003 at 8:30 a.m.

AARP has retained the services of an expert who is out of his office from September 15 to 29, 2003, and therefore is unable to prepare written comments and testimony until October 15, 2003.

AARP requests that it be given until at least October 15, 2003, to file written comments and testimony on MDU's request to increase its rates for electrical utility services.

The proposed time to submit testimony will permit both MDU and the PSC ample time to review the written comments before the scheduled hearing on November 12, 2003.

FAX/Amended Motion for Time to Privide Written Testimony
by AARP North Dakota by Thomas D Kelsch

09/24/2003 C: Comm Legal PUD (3) Mike ALJ

Dated this 24 day of September, 2003.

THOMAS D. KELSCH
State Bar ID No. 03918
KELSCH, KELSCH, RUFF & KRANDA
Attorneys for AARP
103 Collins Avenue, P.O. Box 1266
Mandan, North Dakota 58554-7266
(701) 663-9818

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was served on September 24, 2003, by mailing it to:

DONALD R BALL
ASSISTANT VICE PRESIDENT
REGULATORY AFFAIRS
MONTANA-DAKOTA UTILITIES CO
400 N 4 ST
BISMARCK ND 58501

DOUGLAS W SCHULZ
SENIOR ATTORNEY & ASSIST SECRETARY
MDU RESOURCES GROUP INC
PO BOX 5650
BISMARCK ND 58506-5650

DANIEL S KUNTZ
ZUGER KIRMIS & SMITH
PO BOX 1695
BISMARCK ND 58502-1695

THOMAS D. KELSCH

ZUGER KIRMIS & SMITH

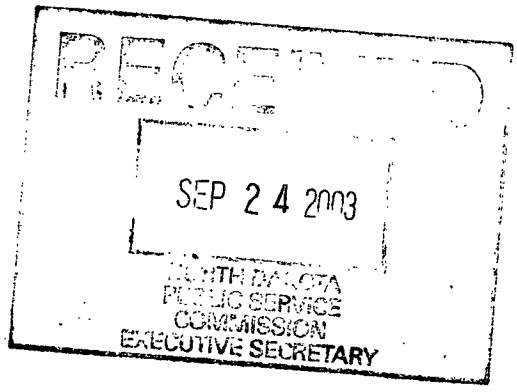
COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson
Aaron K. Webb

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001



September 24, 2003

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase – Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of the Response of Montana-Dakota Utilities Co. to Petitions to Intervene and Motion to Extend Time.

Sincerely,

Daniel S. Kuntz

Enclosures

c: Don Ball
Bill Binek
Jim Roache
Thomas D. Kelsch
Douglas W. Schulz

63 **PU-399-03-296** Pages: 1

Cover letter re filing

by Montana-Dakota Utilities Co., a Division of MDU Re

09/24/2003 C: Comm Legal PUD (3) Mike ALJ

RECEIVED
SEP 24 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.	)	Case No. PU-399-03-296
Electric Rate Increase	)	
Application	)	

RESPONSE OF MONTANA-DAKOTA UTILITIES CO.
TO PETITIONS TO INTERVENE AND MOTION TO EXTEND TIME

Montana-Dakota Utilities Co. received petitions to intervene in this proceeding filed by Jim Roache and AARP. Montana-Dakota also received a motion by AARP to extend the time for it to submit comments to the Settlement Agreement between Montana-Dakota and the Staff of the Public Service Commission regarding the rate of return to be used in this proceeding.

Montana-Dakota does not object to the petitions to intervene or to the motion for an extension of time but requests the Commission to set October 15, 2003 as the deadline for the interveners (Jim Roache and AARP) to file written copies of all direct testimony to be offered by the interveners at the hearing in this proceeding. Montana-Dakota further requests the Commission to set November 10, 2003 as the deadline for Montana-Dakota to file written rebuttal testimony to the direct testimony of the interveners Roache and AARP. Montana-Dakota will file its rebuttal testimony to the direct testimony of the Staff of the Public Service Commission on November 3, 2003 as previously agreed between Montana-Dakota and the Staff.

Dated this 24th day of September, 2003.

Respectfully submitted,

By: _____

Daniel S. Kuntz (ID #03490)
Zuger Kirmis & Smith
Attorneys for Montana-Dakota Utilities Co.
P.O. Box 1695
Bismarck, ND 58502-1695
(701)223-2711

P:\DKUNTZ\11056 MDU 2003 electric case\response.doc

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate Increase Application	)))	Case No. PU-399-03-296

AFFIDAVIT OF MAILING

STATE OF NORTH DAKOTA)
: ss.
COUNTY OF BURLEIGH)

The undersigned, being duly sworn, deposes and says that: I am a United States citizen, over 18 years of age, and on September 24, 2003, I served a copy of the attached:

Response of Montana-Dakota Utilities Co. to Petitions to Intervene and Motion to Extend Time

by placing a true copy in a postage paid envelope or envelopes addressed to each person named below, at the address stated below, which is the last known address of the addressee, and by depositing said envelope in the United States mail at Bismarck, North Dakota.

Thomas D. Kelsch
Attorney at Law
P.O. Box 1266
Mandan, ND 58554-7266

Jim Roache
P.O. Box 564
Crosby, ND 58730

Karol A. Cossette

Subscribed and sworn to before me, today, September 24, 2003.

NOTARY PUBLIC
State of North Dakota
My commission expires: 1/24/08

Kathi Osteen

KATHI OSTEEN
Notary Public
State of North Dakota
My Commission Expires Jan. 24, 2008

Kelsch Kelsch Ruff & Kranda

C.F. Kelsch
1890-1987

Attorneys at Law
Mandan, North Dakota

William C. Kelsch
Retired

THOMAS F. KELSCH
ARLEN M. RUFF, P.C.
THOMAS D. KELSCH, P.C.
TODD D. KRANDA, P.C.*
WILLIAM J. DELMORE
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*Also Licensed in Minnesota

MERITAS LAW FIRMS WORLDWIDE

103 Collins Avenue
P.O. Box 1266
Mandan, ND 58554-7266
Phone (701) 663-9818
1-888-663-9818
Fax (701) 663-9810
Website www.kelschlaw.com

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EXECUTIVE SECRETARY

September 23, 2003

HAND DELIVERED
JON H MEILKE
EXECUTIVE SECRETARY
PUBLIC SERVICE COMMISSION
600 E BLVD AVE DEPT 408
BISMARCK ND 58505

RE: MDU Electric Rate Increase Application
Case No. PU-399-03-296

Dear Mr. Meilke:

Enclosed for filing is the original and seven copies of the Petition to Intervene by AARP and Motion to Extend the Time to Provide Written Comments on Settlement. Thank you for your attention to this matter and if you have any questions please contact me.

Respectfully yours,

Thomas D. Kelsch

ve
Encs
c: AARP

KKR ATTORNEYS AT LAW
Kelsch, Kelsch, Ruff & Kranda

61 PU-399-03-296 Pages: 1
Cover letter re filings
by AARP North Dakota by Thomas D. Kelsch, Attorney
09/23/2003 C. Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate

Case No. PU-399-03-296

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EXECUTIVE SECRETARY

PETITION TO INTERVENE

Intervener: AARP

Nature of Interest: the Intervener's interest in this case is:

Montana-Dakota Utilities (MDU) is seeking an increase in MDU's rates for electrical service for its customers in North Dakota.

AARP is a nonprofit, nonpartisan membership organization dedicated to making life better for people 50 and over. AARP provides information and resources; engages in legislative, regulatory and legal advocacy; assists members in serving their communities; and offers a wide range of unique benefits, special products, and services for its members. These include *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *Segunda Juventud*, our quarterly newspaper in Spanish; *NRTA Live and Learn*, our quarterly newsletter for 50+ educators; and our Web site, www.aarp.org. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

AARP has nearly 73,000 members in the State of North Dakota.

Under Section 59-02-02-05 of the North Dakota Administrative Rules, a person with a substantial interest in a proceeding may petition to intervene in that proceeding. North Dakota Century Code §28-32-28 provides that an administrative agency may grant intervention in an administrative proceeding to promote the interests of justice if the Intervener will not impair the orderly and prompt conduct of the proceedings and if the intervener demonstrates that the petitioner's legal rights, duties, privileges, and interests, or other legal interests may be substantially affected by the proceedings.

AARP seeks to intervene to protect its North Dakota consumer members from excessive electric utility rate increases, and to assist the North Dakota Public Service Commission to ensure that North Dakota consumers pay just and reasonable rates for electric services.

Each of AARP's North Dakota members who receive electrical services from MDU have legal and financial interests which may be substantially affected by MDU's proposed rate increases.

Accordingly AARP petitions to intervene in this proceeding.

Dated this 23 day of September, 2003.

THOMAS D. KELSCH
State Bar ID No. 03918
KELSCH, KELSCH, RUFF & KRANDA
Attorneys for AARP
103 Collins Avenue, P.O. Box 1266
Mandan, North Dakota 58554-7266
(701) 663-9818

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was served on September 23, 2003, by mailing it to:

DONALD R BALL
ASSISTANT VICE PRESIDENT
REGULATORY AFFAIRS
MONTANA-DAKOTA UTILITIES CO
400 N 4 ST
BISMARCK ND 58501

DOUGLAS W SCHULZ
SENIOR ATTORNEY & ASSIST SECRETARY
MDU RESOURCES GROUP INC
PO BOX 5650
BISMARCK ND 58506-5650

DANIEL S KUNTZ
ZUGER KIRMIS & SMITH
PO BOX 1695
BISMARCK ND 58502-1695

THOMAS D. KELSCH

RECEIVED
SEP 23 2003
PUBLIC SERVICE COMMISSION
SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate

Case No. PU-399-03-296

MOTION TO EXTEND THE TIME TO PROVIDE WRITTEN COMMENTS ON SETTLEMENT

Intervener AARP hereby moves the North Dakota Public Service Commission for extension of time to submit written comments.

AARP is a non-profit non-partisan membership organization dedicated to making life better for people 50 and over.

AARP has filed a Petition to Intervene in the above case wherein Montana-Dakota Utilities Co. (MDU) filed an Application to increase rates for electrical utility services which would result in a 9.1% increase over current rates and an increase for the average consumer of $10.48 per month.

The Commission set the deadline for receiving written comments on the settlement for September 29, 2003, and scheduled a public hearing on the matter for November 12, 2003 at 8:30 a.m.

AARP has retained the services of an expert who is out of his office from September 15 to 29, 2003, and therefore is unable to prepare written comments by the September 29, 2003 deadline.

AARP requests that it be granted an extension of time to file written comments on MDU's request to increase its rates for electrical utility services at least until October 15, 2003.

59 PU-399-03-296 Pages: 2

Motion to Extend the Time to Provide Written Comments on Settlement by AARP North Dakota

09/23/2003 C: Comm Legal PUD (3) Mike ALJ

The requested two-week delay is a minimal delay and will permit both MDU and the PSC ample time to review the written comments before the scheduled hearing on November 12, 2003.

Dated this 22 day of September, 2003.

THOMAS D. KELSCH
State Bar ID No. 03918
KELSCH, KELSCH, RUFF & KRANDA
Attorneys for AARP
103 Collins Avenue, P.O. Box 1266
Mandan, North Dakota 58554-7266
(701) 663-9818

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was served on September 23, 2003, by mailing it to:

DONALD R BALL
ASSISTANT VICE PRESIDENT
REGULATORY AFFAIRS
MONTANA-DAKOTA UTILITIES CO
400 N 4 ST
BISMARCK ND 58501

DOUGLAS W SCHULZ
SENIOR ATTORNEY & ASSIST SECRETARY
MDU RESOURCES GROUP INC
PO BOX 5650
BISMARCK ND 58506-5650

DANIEL S KUNTZ
ZUGER KIRMIS & SMITH
PO BOX 1695
BISMARCK ND 58502-1695

THOMAS D. KELSCH

RECEIVED
SEP 15 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
SECRETARY

Affidavit of Publication

Colleen Park, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.

2. The newspapers listed on the exhibits published the advertisement of:
PSC; MDU Settlement, 1 time(s)
as required by law or ordinance.

3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

Signed: Colleen Park

State of ND

County of Burleigh

Subscribed and sworn to before me this 9th day of September 2003.

Kelli Richey

KELLI RICHEY
Notary Public
State of North Dakota
My Commission Expires Oct. 13, 2006

58 PU-399-03-296 Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

09/15/2003 C Comm Legal PUD (3) Mike ALJ

NDNA NORTH DAKOTA NEWSPAPER ASSOCIATION

North Dakota Newspaper Association
1435 Interstate Loop
Bismarck, ND 58503-0567
Ph (701) 223-6397 • Fax (701) 223-8185

INVOICE

Order **18029-03091PP2** Invoice # **23821**

September 10, 2003

Attn: JONH. MIELKE
PUBLIC SERVICE COMMISSION
600 E. BOULEVARD AVE.
STATE CAPITOL
BISMARCK, ND 58505
Voice: 701-328-4076

Advertiser: **Public Service Commission**

P.O.#: **PU-399-03-296**

Amount Due **$124.19**

Amount Paid

Please detach and return this portion with your payment

Public Service Commission Invoice # 18029-03091PP2-23821 PO# PU-399-03-296

Ad Size	*Rate Type*	*Rate*	*Total*	*Discount*	*(%)*	*Caption*	*Page*	*Run Date*
Bismarck Tribune (Bismarck ND)								
66.00	SPR2	0.64	42.24	0.00		MDU Settlement		09/03/03
Dickinson Press (Dickinson ND)								
71.00	SPR2	0.57	40.47	0.00		MDU Settlement		09/05/03
Williston Herald (Williston ND)								
68.00	SPR2	0.61	41.48	0.00		MDU Settlement		09/03/03

Gross Advertising	124.19	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
Other Discount	0.00	Total Billed	124.19	Payment Date	
Service Charge	0.00	Unbilled	0.00	Balance Due	124.19

58 **PU-399-03-296** Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

09/15/2003 C: Comm Legal PUD (3) Mike ALJ .

State Of North Dakota
Public Service Commission
Case No. PU-399-03-296
Notice of Settlement and
Notice of Intervention Dead Line
August 28, 2003

Bismarck	9-3
Williston	9-3
Dickinson	9-5

STATEMENT

Country Media, Inc.

(A) •Tri-State Livestock News
(C) •Adams County Record
(D) •Belle Fourche Bee
(E) •Belle Fourche Post
(F) •Black Hills Press
(G) •Bowman Finder
(H) •Bowman Pioneer
(I) •Butte County Valley Irrigator
(J) •Cavalier County Republican
(K) •Chadron Record
(L) •Dunn County Herald
(M) •Fallon County Times
(N) •Farmer & Rancher Exchange
(O) •The Herald
(P) •Hot Springs Star
(Q) •Lemmon Leader
(R) •Lawrence County Centennial
(S) •Meade County Times-Tribune
(U) •Your Neighbors
(V) •Country Printing
(W) •West River Catholic

Statement Date:

PUBLIC SERVICE COMMISSION B03996

September 5, 2003

600 EAST BLVD AVE
BISMARCK, ND 58505

DATE	PUBLICATION	DESCRIPTION	# INCHES	CHARGES	CREDITS	BALANCE
		PREVIOUS BALANCE				$0.00
08/13/03	G	MDU RATE MEETINGS, GH	2 X 4.00	$78.40		$78.40

A$25.00 service charge will be charged on all returned checks.

Sales tax included above: $0.00

RECEIVED
SEP 11 2003

PLEASE TEAR OFF AND RETURN BOTTOM PORTION WITH REMITTANCE TO COUNTRY MEDIA, INC. • P.O. BOX 870 • SCOTTSBLUFF, NE 69363

PUBLIC SERVICE COMMISSION B03996

600 EAST BLVD AVE
BISMARCK, ND 58505

AGING ANALYSIS:

CURRENT	$78.40
OVER 30 DAYS	$0.00
OVER 60 DAYS	$0.00
OVER 90 DAYS	$0.00
OVER 120 DAYS	$0.00
TOTAL AMT DUE:	**$78.40**

September 5, 2003

57 PU-399-03-296 Pages: 1

PLEASE RETURN BOTTOM PORTION O
PAYMENT DUE UPON F
- - - 1.5 % Service Charge (Minimum $ .50) charged on

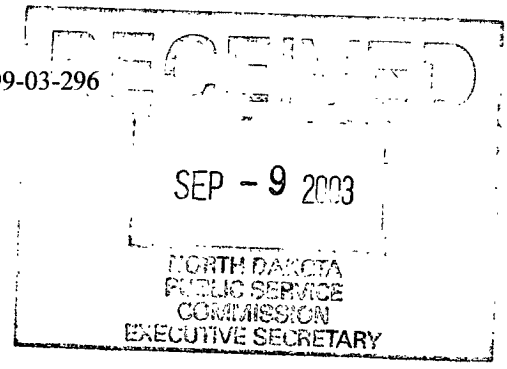
Invoice for publication in Bowman Finder/Pioneer by Country Media, Inc.

09/11/2003 C: Comm Legal PUD (3) Mike ALJ

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296



PETITION TO INTERVENE

Jim Roache hereby petitions the North Dakota Public Service Commission ("Commission") for leave to intervene in the above proceeding, pursuant to section 69-02-02-05 of the Commission's Rules of Practice and Procedure. As support, Jim Roache states:

1. Jim Roache is a resident of North Dakota and a ratepayer to Montana-Dakota Utilities Co.

2. Jim Roache has a substantial interest in the outcome of this proceeding due to:

   A. Jim Roache is a director of a North Dakota Non-Profit Organization which will be greatly affected by MDU's rate increase as proposed.

   B. Jim Roache is retired and living on a fixed income and will face financial difficulties if MDU's Rate Increase Application is approved as proposed.

   C. Jim Roache resides in Divide County where the per capita income is only 40% of the national average and where a large increase in residential electric rates would be harmful to the community as a whole.

3. Jim Roache is opposed to MDU's rate increase as proposed.

4. Jim Roache will contribute his views in this proceeding. He is educated in economics and has owned and operated businesses.

5. Jim Roache's participation in this proceeding will not unduly broaden the issues or otherwise delay the proceeding.

6. Communications should be addressed to:

   Jim Roache
   P.O. Box 564
   Crosby, ND 58730
   (701) 965-5564

7. Certified letters with copies of this petition to intervene were sent to:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St.
Bismarck, ND 58501

Douglas W. Schulz
Montana-Dakota Utilities Co.
400 N. 4th St.
Bismmarck, ND 58501

Dan Kuntz
P.O. Box 1695
Bismarck, ND 58502-1695

Jim Roache
September 8, 2003

Jim Roache
P.O. Box 564
Crosby, ND 58730
(701) 965-5564

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

September 8, 2003

Mr. Don Ball
Assistant Vice President
Regulatory Affairs
Montana-Dakota Utilities Co.
400 North 5th Street
Bismarck, ND 58501

Re: Trade Secret Material

Dear Don:

At your request, we are returning the confidential material which relates to Staff Data Request No. 1.9.

If you have any questions, please contact me.

Thank you.

Sincerely,

William W. Binek
Chief Counsel

WWB/sls
Enclosure

55 **PU-399-03-296** Pages 1

Trade Secert material returned to MDU

by Public Service Commission

09/08/2003 C: Comm Legal PUD (3) Mike ALJ

JOURNAL PUBLISHING INC.

The Journal, Crosby and Tioga Tribune

The JOURNAL

P.O. Box E - Crosby, ND 58730 - Phone 701-965-6088

Statement

Date

8/31/2003

RECEIVED
SEP -8 2
SOUTH DAKOTA
PUBLIC SERVICE
COMMISSION
BUREAU SECRETARY

To

Public Service Commission
600 E Boulevard Ave Dept 408
Bismarck ND 58505

Amount Due	Amount Enc
$58.80	

Date	Transaction	Amount	Balance
07/31/2003	Balance forward		0.00
08/13/2003	8" ad - Electric Rates, Your Opportunity To Be Heard (The Journal & Tioga Tribune)	58.80	58.80

54 **PU-399-03-296** Pages. 1

Statement for Advertising

by Journal Publishing, Inc. Crosby, ND

09/08/2003 C: Comm Legal PUD (3) Mike ALJ .

Current	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Amount Due
58.80	0.00	0.00	0.00	0.00	$58.80

BISMARCK TRIBUNE
Printing & Publishing

PO Box 5516
Bismarck, ND 58506-5516
701-223-2500
In State 800-472-2273
Fax 701-223-6584

ADVERTISING INVOICE and STATEMENT

BILLING PERIOD	ADVERTISER/CLIENT NAME
08-01-03 TO 08-31-03	PUBLIC SERVICE

AMOUNT DUE	UNAPPLIED AMOUNT	TERMS OF PAYMENT
141.12		PLEASE PAY BY SEPT 15.

CURRENT	30 DAYS	60 DAYS	OVER 90 DAYS
141.12			

AGE	BILLING DATE
1	08-31-03

BILLED ACCOUNT NUMBER
29846-6

ADVERTISER/CLIENT NUMBER
29846-6

**CR54
ND PUBLIC SERVICE
DEPT 408
600 E BOULEVARD AV
BISMARCK ND 58505

BISMARCK TRIBUNE
PO BOX 5516
BISMARCK ND 58506-5516

LATE CHARGE OF 1.75
ERCENT WILL BE ASSESSED
I UNPAID CHARGES MORE
IAN 1 MONTH OLD.

INVOICE #00358903 01
AMT PAID $_____
CHECK # _____

CREDIT CARD PAYMENT (CIRCLE ONE)

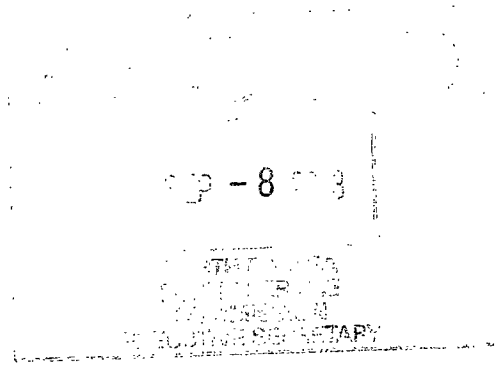
MasterCard VISA DISCOVER

CARD #: _____
EXP. DATE: _____
SIGNATURE: _____

CREDIT CARD USERS FAX TO: 701-223-6584

PLEASE DETACH AND RETURN UPPER PORTION WITH YOUR REMITTANCE

DATE	NEWSPAPER REFERENCE	DESCRIPTION/OTHER COMMENTS/CHARGES	SAU SIZE/BILLED UNITS	TIMES RUN	RATE	GROSS AMOUNT	NET AMOUNT
****)-17	00188510 BT	BT -LOCAL RETAIL ADVERTISING ELECTRIC RATES	2X 4.00 8.001		17.64	141.12	141.12
		BM10 SUB TOTAL 01				141.12	



53 **PU-399-03-296** Pages: 1

Statement for Advertising

by Bismarck Tribune

09/08/2003 C: Comm Legal PUD (3) Mike ALJ .

TATEMENT OF ACCOUNT AGING OF PAST DUE AMOUNTS

CURRENT NET AMOUNT DUE	30 DAYS	60 DAY	OVER 90 DAYS	UNAPPLIED AMOUNT	TOTAL AMOUNT DUE
141.12					141.12

ou may
each us
:

Bismarck Tribune
Bismarck Tribune 701-223-2500 In State 800-472-2273 Fax 701-223-6584

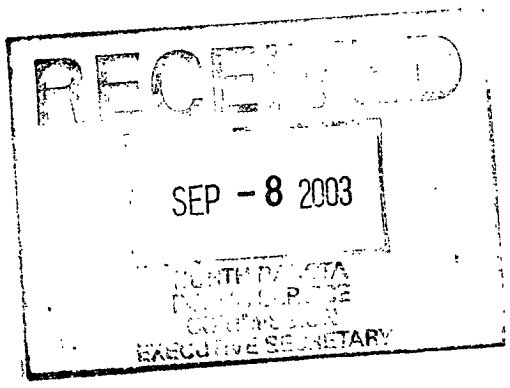
Finder Classifieds
Mandan Finder 701-663-6823 Toll Free 800-767-3590 Fax 701-663-2442
Minot Finder 701-838-3463 Fax 701-838-3250
Dickinson Finder 701-225-1374 Toll Free 800-767-35 Fax 701-225-8914

ADVERTISER INFORMATION				
BILLING PERIOD	BILLED ACCOUNT NUMBER	ADVERTISER/CLIENT NUMBER	ADVERTISER/CLIENT NAME	
358903	08-01-03 TO 08-31-03	29846-6	29846-6	ND PUBLIC SERVICE

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

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

September 5, 2003



Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue – 12th Floor
Bismarck, ND 58505-0480

Re: Docket No. PU-399-03-296

Montana-Dakota Utilities Co., (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith withdraws its Application For Trade Secret Protection dated August 25, 2003 related to Staff Data Request No. 1.9. Please return the Application and related materials to me.

The reason for this withdrawal is that Montana-Dakota and Staff Consultant Charles King entered into a Confidentiality Agreement subsequent to submitting the Application for Trade Secret Protection. Montana-Dakota, under the terms of the Confidentiality Agreement, will provide the requested information only to Mr. King for his use in this proceeding. Montana-Dakota will also provide other requested confidential material only to Mr. King as is necessary to respond to data requests. This process will avoid the need for multiple applications for trade secret protection unless such material is ultimately used in testimony or exhibits in this proceeding or if staff members other than Mr. King request copies of such confidential material.

Should you have any questions concerning this matter, please contact me.

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

Donald R. Ball
Assistant Vice President –
Regulatory Affairs

52 **PU-399-03-296** Pages: 1

Withdrawal of Application for Trae Secret Protection
by Montana-Dakota Utilities Co., a Division of MDU Re

09/08/2003 C: Comm Legal PUD (3) Mike ALJ

Williston Daily Herald
Plains Reporter
P.O. Box 1447 • Williston, ND 58802-1447
(701) 572-2165 • Fax 572-1965

ADVERTISING INVOICE and STATEMENT

ADVERTISER/CLIENT NAME			
N.D.PUBLIC SERVICE COMM.			
23 TOTAL AMOUNT DUE	*UNAPPLIED	T	3 TERMS OF PAYMENT
106.24			

21 CURRENT NET AMOUNT DUE	22 30 DAYS	60 DAYS	OVER 90 DAYS
106.24	.00	.00	.00

BILLED ACCOUNT NAME AND ADDRESS

N.D.PUBLIC SERVICE COMM.
600 EAST BLVD.AVE,DEPT
BISMARCK,ND
58505

9 REMITTANCE ADDRESS

Williston Daily Herald
Plains Reporter
P.O. Box 1447 • Williston, ND 58802-1447
(701) 572-2165 • Fax 572-1965

4 PAGE #	5 BILLING DATE
1	08/31/03

6 BILLED ACCOUNT NUMBER: 3432

7 ADVERTISER/CLIENT NUMBER:

SEPTEMBER DEADLINES:SAY NO TO DRUGS,9/5;FALL HOME IMPROVEMENT & FARM SAFETY 9/8
OKTOBERFEST & FALL HUNTING 9/15;COYOTA BANNER 9/18;HUNTING & FISHING 9/19.

PLEASE DETACH AND RETURN UPPER PORTION WITH YOUR REMITTANCE

DATE	11 NEWSPAPER REFERENCE	12 13 14 DESCRIPTION-OTHER COMMENTS/CHARGES	15 16 SAU SIZE BILLED UNITS	17 18 TIMES RUN RATE	19 GROSS AMOUNT	20 NET AMOUNT
		PREVIOUS BALANCE			.00	.00
8/13	PD9PR	ELECTRIC RATES	2X4.00	1	28.88	28.88
		ELECTRIC	8.00	3.610		
8/17	967WH	ELECTRIC RATES	2X4.00	1	77.36	77.36
		ELECTRIC	8.00	9.670		

7700
001
2440
23296-

MENT OF ACCOUNT AGING OF PAST DUE AMOUNTS

SAI™

URRENT NET AMOUNT DUE	22 30 DAYS	60 DAYS	90 DAYS	*UNAPPLIED AMOUNT	23 TOTAL AMOUNT DUE
106.24	.00	.00	.00		106.24

Williston Daily Herald
Plains Reporter
P.O. Box 1447 • Williston, ND 58802-1447
(701) 572-2165 • Fax 572-1965

***UNAPPLIED AMOUNTS ARE INCLUDED IN TOTAL AMOUNT DUE**

25 ADVERTISER INFORMATION				
1 BILLING PERIOD	6 BILLED ACCOUNT NUMBER	7 ADVERTISER/CLIENT NUMBER	2 ADVERTISER/CLIENT NAME	
276	3432	3432	N.D.PUBLIC SERVICE C	

51 **PU-399-03-296**

Pages: 1

THE KENMARE NEWS, INC.
Phone 701-385-4275
P.O. Box 896
Kenmare, ND 58746 0896

STATEMENT	08-27-03 DATE	129 NUMBER

RECEIVED
SEP - 2 2003
SOUTH DAKOTA
PUBLIC SERVICE
COMMISSION
SUE SICKENIUS, SECRETARY

Public Service Commission
0 E Blvd Ave
Dept. 408
Bismarck, ND 58505

Account No.: 791

DATE	DESCRIPTION	UNITS	CHARGES	CREDITS
08/13/03	display ad- local MDU Rate Increase	8.000 inch	32.00	
	Balance Due		32.00	

50 **PU-399-03-296** Pages: 1

Statement for publication in Kenmare
News, Inc.
by Kenmare News, Inc.

09/02/2003C: Comm Legal PUD (3) Mike AG's Office .

Current	30 - 60	60 - 90	90 - 120	OVER 120
32.00	0.00	0.00	0.00	0.00

50 **PU-399-03-296** Pages: 1

Statement for publication in Kenmare
News, Inc.
by Kenmare News, Inc.

09/02/2003 C: Comm Legal PUD (3) Mike ALJ .

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **29th day of August, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **three** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Notice of Settlement and Notice of Intervention Deadline

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501
Cert. No. 7002 2410 0003 4913 2732

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501
Cert. No. 7002 2030 0003 4913 2749

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695
Cert. No. 7002 2030 0003 4913 2756

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sharon Helbling

Sandra L. Scott
Notary Public

Subscribed and sworn to before me
this **29th day of August, 2003**.

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **29th day of August, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Notice of Settlement and Notice of Intervention Deadline

The envelopes were addressed as follows:

See Attached List

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sharon Helbling

Subscribed and sworn to before me
this **29th day of August, 2003**.

Sandra L Scott
Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

akemp@tminc.com
Ann-Marie Kemp

shandy@kwh.com
Scott Handy
Cass County Elec Coop Inc
P O Box 8
Kindred ND 58051

bschmidt@kwh.com
Brad Schmidt
Cass County Electric Coop
4100 32nd Ave SW
Fargo ND 58104

Mark.Hanson@grandforks.af.mil
Mark Hanson
Grand Forks Air Force Base
319 ARW/JA
460 Steen Blvd Ste 201
Grand Forks ND 58205

tgrove@grenergy.com
Terry Grove
Great River Energy
P O Box 800
Elk River MN 55330-0800

jason_gustafson@bobcat.com
Jason Gustafson
Melroe Company
P O Box 128
Gwinner ND 58040-0128

craig_scott@bobcat.com
Craig Scott
Melroe Company
P O Box 128
Gwinner ND 58040-0128

mbring@minnkota.com
Mark Bring
Minnkota Power Cooperative
Box 13200
Grand Forks ND 58208-3200

balld@mdu.mdures.com
Don Ball
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

collinsk@mdu.mdures.com
Karen Collins
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

dellefson@otpco.com
Dennis Ellefson
Otter Tail Corporation

tgreene@otpco.com
Tim Greene
Otter Tail Power Company

rmontonye@otpco.com
Ron Montoyne
Otter Tail Power Company

dross@otpco.com
David Ross
Otter Tail Power Company

sschultz@otpco.com
Steve Schultz
Otter Tail Power Company

dweiby@otpco.com
Dan Weiby
Otter Tail Power Company

rdenault@otpco.com
Russ Denault
Otter Tail Power Company
P O Box 400
Devils Lake ND 58301

pbeithon@otpco.com
Pete Beithon
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

bbrutlag@otpco.com
Bernadeen Brutlaq
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

llaugtug@otpco.com
Loren Lauqtuq
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

wpp@pearce-durick.com
William Pearce
Pearce & Durick Attorneys
PO Box 400
Bismarck ND 58502-0400

mdickerson@state.nd.us
Marcy Dickerson
State Tax Department
State Capitol
Bismarck ND 58505

dave.sederquist@xcelenergy.com
Dave Sederquist
Xcel Energy
P O Box 2747
Fargo ND 58108-2747

F James Moriarty
2333 Plum Grove Dr
O'Fallon MO 63366

Steven Tomac
2498 59th St
St Anthony ND 58566-9640

Will Kaul
Cooperative Power Association
P O Box 800
Elk River MN 55330-0800

Laurie Baranko
Dakota Resource Council
PO Box 1095
Dickinson ND 58602-1095

Mark Frederiksen
Economic Insights
416 Center St #365
Washington Grove MD 20880

Jay Casler
INDEPTH DATA INC
44 S Bdwy 18th Fl
White Plains NY 10601-4425

Karyn Grass
IPAMS
6620 Denver Club Bldg 518 17th St
Denver CO 80202-4167

KBMR AM-KQDY FM
3500 E Rosser Ave
Bismarck ND 58501

KBMW-AM
PO Box 1115
Wahpeton ND 58074-1115

KCJB AM-FM & KXMC TV
PO Box 1686
Minot ND 58702-1686

KDDR
Box 411
Oakes ND 58474-0411

Rod Kleinjan
KDIX AM Radio
119 2nd Ave W
Dickinson ND 58601-5115

KEYZ-AM
PO Box 2048
Williston ND 58802-2048

Jeff Alexander
KFYR-AM Radio
PO Box 1738
Bismarck ND 58502-1738

KHRT AM
PO Box 1210
Minot ND 58702-1210

KLXX AM
4303 Memorial Hwy
Mandan ND 58554

KMAV AM/FM RADIO
PO Box 216
Mayville ND 58257-0216

KMOT TV
Box 1120
Minot ND 58702-1120

KNDK-AM
HCR 5 Box 9
Langdon ND 58249

Terry Hildestad
Knife River Coal Mining Company
1915 N Kaveney Dr
Bismarck ND 58501

KTGO-AM
Box 457
Tioga ND 58852-0457

News Director
KXMA-TV
Drawer B
Dickinson ND 58602

KXMD-TV
PO Box 790
Williston ND 58802-0790

Bruce Imsdahl
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Mike Foley
NARUC
1101 Vermont Avenue NW Ste 200
Washington DC 20005

Scott Speaker
Natural Gas Week
1401 New York Ave NW Ste 500
Washington DC 20005-2150

Kim Christianson
ND Department of Commerce
Division of Community Services
Bismarck ND

Public Utilities Reports Inc
Law Dept
8229 Boone Blvd Ste 401
Vienna VA 22182
LeRoy Neubauer
Valley City Public Works
254 2nd Ave NE
Valley City ND 58072

KUMV-TV
PO Box 1287
Williston ND 58802-1287

KXMB TV
Box 1617
Bismarck ND 58502-1617

Michel Murray
MCI WorldCom Inc
707 17th St Ste 3600
Denver CO 80202

Ron Tipton
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dennis Lavallee
Nat'l Assoc Plumbing-Htng-Cooling
PO Box 6808
Falls Church VA 22046-6808

Harlan Fuglesten
ND Association of RECs
PO Box 727
Mandan ND 58554-0727

Everett Morris
NJ Public Service Electric & Gas
80 Park Pl
Newark NJ 07101

John Kapsner
The Vogel Law Firm
P O Box 2097
Bismarck ND 58502-2097

Helbling, Sharon D.

From: Helbling, Sharon D.
Sent: Friday, August 29, 2003 7:48 AM
To: ndna (E-mail)
Subject: Attached Notice of Settlement and Notice of Intervention Deadline, Case No. PU-399-03-296

Colleen Park
North Dakota Newspaper Association

Colleen:

Please have the attached Notice of Settlement and Notice of Intervention Deadline published as a Legal Publication in the next issue of the following daily newspapers:

Bismarck Tribune
Williston Herald
Dickinson Press

In addition to publishing, would you also run it as a "News Item Ony" article.

Please send the bill to the Public Service Commission, along with a tear sheet for billing purposes.

If you have any questions, please call me at 328-4076.

Thank you.

Sharon Helbling
Public Utilities Division

48 **PU-399-03-296** Pages: 1

Notice e-mailed to NDNA requesting publication
by Public Service Commission

8/29/2003

08/29/2003C: Comm Legal PUD (3) Mike AG's Office

APPROVED
DATE: 8-28-03
KMF

MOTION

August 28, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission issue a Notice of Settlement and Notice of Intervention Deadline in Montana-Dakota Utilities Co.'s Electric Rate Increase application, Case No. PU-399-03-296.

sdh

47 **PU-399-03-296** Pages: 1

Motion approved to issue Notice of Settlement
by Public Service Commission

08/28/2003C: Comm Legal PUD (3) Mike AG's Office

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

NOTICE OF SETTLEMENT and NOTICE OF INTERVENTION DEADLINE

August 28, 2003

On May 30, 2002, Montana Dakota Utilities Co. (MDU) filed an application to increase its rates for electric utility service to provide additional annual revenue of $7,788,565 or a 9.1% increase over current rates. MDU estimates the proposed increase for a residential customer using 500 kilowatt-hours in a month would average $10.48. MDU proposes to better align rates for service with costs.

On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session. One of the issues specified in the Notice was the following: "What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?" On July 23, 2003, MDU and Commission Staff filed a Settlement Agreement concerning this issue. MDU and staff agreed to an overall rate of return of 10.016%.

PLEASE TAKE NOTICE that written comments on the settlement will be received until **September 29, 2003**. The issue to be considered is whether the settlement is reasonable.

FURTHER, PLEASE TAKE NOTICE that persons wishing to intervene in this proceeding must file a petition to intervene by **September 29, 2003**.

In addition to any testimony presented on the issues identified in the July 16, 2003 Notice of Hearing, the Commission asks that MDU, staff and other parties to the proceeding present testimony on the following sub-issues:

1. How is the Commission assured that MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?

2. How is the Commission assured that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base?

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400 or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify, Jon H. Mielke, Executive Secretary, at least 24 hours prior.

PUBLIC SERVICE COMMISSION

Susan E. Wefald **Commissioner**	**Tony Clark** **President**	**Kevin Cramer** **Commissioner**

NORTH DAKOTA IVN
INTERACTIVE VIDEO NETWORK

PO Box 8384
Grand Forks, ND 58202-8384
Phone 701-777-6354 Fax 701-777-6353

RECEIVED
AUG 28

INVOICE

DATE: 8/25/2003
INVOICE # 1348

Bill To:

Public Service Commission
600 E. Boulevard
12th & 13th Floor
Bismarck, ND 58505-0480

Attn: Sandy

For: Event(s) on IVN
08/20/03
7:30-9:30pm

DESCRIPTION	HOURS	RATE	AMOUNT
Telephone Line Charge:	2	80.00	$ 160.00
Technical Charge $10/hr/site	2	30.00	60.00
Sites:			
Administrative Fee: per event		50.00	
Site Fee: per event		25.00	
Long Distance Line Charge		80.00	
		SUBTOTAL	$ 220.00
			-
		OTHER	-
		TOTAL	$ 220.00

Make all checks payable to: University of North Dakota and mail to: ND Interactive Video Network, PO Box 8384, Grand Forks, ND 58202-8384

Events cancelled less than 24 hours before the event will be charged the administration and site fee.
Sites dropped less than 24 hours before the event will be charged the technical support fee.

THANK YOU FOR USING THE NORTH DAKOTA INTERACTIVE VIDEO NETWORK!

RECEIVED
AUG 26
SECRETARY

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF NORTH DAKOTA

In the Matter of the Application of MONTANA-DAKOTA UTILITIES CO., a Division of MDU Resources Group, Inc., For Authority to Establish Increased Rates for Electric Service	Case No. PU-399-03-296

APPLICATION FOR TRADE SECRET PROTECTION

COMES NOW, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (Montana-Dakota) and respectfully moves the Commission for entry of a trade secret protective order under §69-02-09-01 of the North Dakota Administrative Code. The purpose of the requested protective order is to protect against public disclosure of trade secret information as defined by NDCC §47-25.1-(4).

The specific information which needs protection at this time is certain information requested by the Commission Staff in its First Data Request as follows:

1. Request No. 1.9. The request refers to Mr. Nguyen's testimony at page 9 and is asking for all documents, workpapers and other material supporting the cost comparisons made on that page. Attachment D to this response is a written quotation from the quoting power supplier. Montana-Dakota requests that trade secret protection be given to the power supplier information. Montana-Dakota believes that disclosure of the power supply quotation would be of independent economic value to competitors and would create a competitive disadvantage for Montana-Dakota if publicly disclosed to others because of the competitive nature of the business conducted by Montana-

Dakota. Access to such information by competitors would provide them with a portion of the costs of doing business and thus a competitive advantage.

In accordance with §69-02-09-02 of the North Dakota Administrative Code, one copy of the trade secret material is provided in the enclosed sealed envelope which is labeled; TRADE SECRET – PRIVATE.

Respectfully submitted this 25th day of August, 2003.

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

By Rita A. Mulkern

Rita A. Mulkern
Regulatory Analysis Manager

THE DICKINSON PRESS & ADVERTIZER
P.O.Box 1367
1815 West 1st Street
Dickinson, North Dakota 58601
701-225-8111
1-800-279-9150

AUG 19

ND Public Service Commission
600 E. Boulevard Ave.
Bismarck, ND 58501

DATE	DESCRIPTION	CHARGE	TOTAL
8/17/2003	Press Ad Size 2x4 (MDU Rate Increase)		$82.80

43 **PU-399-03-296** Pages: 1

Invoice for display ad for Public Input Session
by Dickinson Press & Advertizer

08/19/2003C: Comm Legal PUD (3) Mike AG's Office .

INFORMAL HEARING AGENDA

August 15, 2003

PU-399-03-296	Montana-Dakota Utilities Co. Electric Rate Increase Application

42 **PU-399-03-296** Pages: 0

Informal hearing held

by Public Service Commission

08/15/2003C: Comm Legal PUD (3) Mike AG's Office .

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

RECEIVED
AUG - 5 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

August 4, 2003

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase – Case No. PU-399-03-296

Dear Mr. Mielke:

On May 30, 2003, Montana-Dakota Utilities Co. ("Montana-Dakota"), a division of MDU Resources Group, Inc., filed a Motion for Interim Rate Relief in this proceeding. On July 31, 2003, the Public Service Commission held an informal hearing on Montana-Dakota's motion. As stated at the informal hearing, Montana-Dakota requests the Commission to hold the Motion for Interim Rate Relief in abeyance until the issuance of a final order in this proceeding or until Montana-Dakota renews the motion for interim relief. Montana-Dakota will notify the Commission in writing if it desires the Commission to consider Montana-Dakota's Motion for Interim Relief prior to issuance of a final order.

Sincerely,

Daniel S. Kuntz

c: Don Ball
Bill Binek

41 PU-399-03-296 Pages: 1

Request for Commission to hold the
Motion for Interim Rate Relief in abeyance
by Montana-Dakota Utilities Co., a Division of MDU Re

08/05/2003C: Comm Legal PUD (3) Mike AG's Office

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **1st day of August, 2003,** staff e-mailed the following:

Update of Margins through June 2003 Requested by Commissioner Wefald

To:

Don Ball
don.ball@mdu.com

Charlie King
charlieking@snavely-king.com

Each address shown is the respective addressee's last reasonably ascertainable address.

Sharon Helbling

Subscribed and sworn to before me
this **1st day of August, 2003**.

Sandra L Scott
Notary Public

SEAL

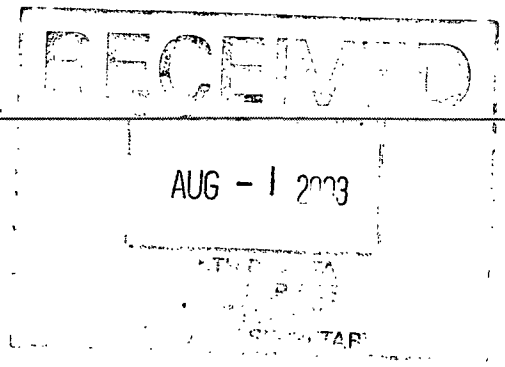
SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

40 **PU-399-03-296** Pages: 1

Affidavit of Service

by Public Service Commission

08/04/2003C: Comm Legal PUD (3) Mike AG's Office



Scott, Sandi L.

From: Diller, Michael R.
Sent: Friday, August 01, 2003 9:39 AM
To: Comm; Cramer, Kevin; Legal; PUD
Cc: Don Ball (E-mail); Charlie King (E-mail)
Subject: 2003 Case - Off System Sales Margins Summary

Attached is an update of margins requested by Commissioner Wefald through June, 2003. The overall margins were down during April, May and June of 2003 because of maintenance outages on Coyote and Big Stone but have since rebounded above company expectations.

Note to Sandi: Please docket the email and the attached schedule in case management.

Note to Sharon: Please prepare an affidavit of service for this email.

Montana-Dakota Utilities Co.
Case No. PU-399-01-186
Sales for Resale Statistics
(000's Omitted)

AUG - 1 2003

Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1996:									
kWh Sales for Resale	43,099	47,089	68,998	34,198	9,584	30,410	25,890	18,244	12,014
Revenues	$669	$716	$1,075	$492	$138	$546	$464	$342	$251
Fuel Cost	481	498	756	379	103	358	307	231	168
Margin	$188	$218	$319	$113	$35	$188	$157	$111	$83
Margin %	28%	30%	30%	23%	25%	34%	34%	32%	33%
1997:									
kWh Sales for Resale	33,549	47,963	33,383	1,802	9,395	34,576	33,514	6,564	30,534
Revenues	$668	$850	$571	$41	$149	$569	$865	$170	$525
Fuel Cost	452	520	375	28	106	417	572	112	376
Margin	$216	$330	$196	$13	$43	$152	$293	$58	$149
Margin %	32%	39%	34%	32%	29%	27%	34%	34%	28%
1998:									
kWh Sales for Resale	40,758	41,158	47,459	69,442	53,699	57,016	50,459	35,733	26,004
Revenues	$714	$754	$835	$1,118	$1,201	$1,245	$1,210	$840	$550
Demand/Other Revenue						17	0	0	0
Fuel Cost	428	426	553	725	699	655	690	531	361
Margin	$286	$328	$282	$393	$502	$607	$520	$309	$189
Margin %	40%	44%	34%	35%	42%	48%	43%	37%	34%
1999:									
kWh Sales for Resale	80,306	78,158	110,119	92,440	87,283	68,950	66,689	61,203	59,340
Revenues	$1,633	$1,536	$2,071	$1,832	$1,657	$1,817	$2,116	$1,820	$1,106
Demand/Other Revenue	-	-	-		45	45	45	45	45
Fuel Cost	968	875	1,150	1,019	952	1,026	1,209	882	642
Margin	$665	$661	$921	$813	$750	$836	$952	$983	$509
Margin %	41%	43%	44%	44%	44%	45%	44%	53%	44%
2000:									
kWh Sales for Resale	75,705	96,623	84,450	54,665	59,467	87,269	55,742	66,350	100,316
Revenues	$1,675	$1,906	$1,640	$997	$1,201	$2,477	$1,788	$2,235	$2,100
Demand/Other Revenue	0	0	0	0	0	240	120	120	120
Demand/Other Cost	0	0	0	0	0	107	53	53	53
Fuel Cost	1,204	1,086	920	618	606	1,306	1,262	1,124	1,135
Margin	$471	$820	$720	$379	$595	$1,304	$593	$1,178	$1,032
Margin %	28%	43%	44%	38%	50%	48%	31%	50%	46%
2001									
kWh Sales for Resale	83,940	85,313	98,385	82,021	50,891	47,452	59,469	67,521	74,006
Revenues	$2,336	$2,212	$2,679	$2,274	$1,345	$2,089	$3,582	$4,085	$1,437
Demand/Other Revenue	33	33	33	34	-				
Demand/Other Cost	-	-	-	-	-			280	
Insurance Recovery	-	918	-	(179)	72				
Fuel Cost	1,020	967	1,114	939	886	692	942	1,115	793
Margin	$1,349	$2,196	$1,598	$1,190	$531	$1,397	$2,640	$2,690	$644
Margin %	57%	98%	59%	52%	39%	67%	74%	66%	45%
2002									
kWh Sales for Resale	92,964	58,020	75,613	70,366	68,254	61,172	46,205	69,905	37,476
Revenues	$1,644	$996	$1,446	$1,471	$1,294	$1,052	$1,110	$1,338	$699
Fuel Cost	$1,022	$621	$826	$742	$753	$729	$613	$805	$536
Margin	$622	$375	$620	$729	$541	$323	$497	$533	$163
Margin %	38%	38%	43%	50%	42%	31%	45%	40%	23%
2003									
kWh Sales for Resale	86,863	72,673	91,855	23,269	44,802	54,855			
Revenues	$ 2,239	$ 2,194	$2,569	$544	$1,048	$1,561			
Fuel Cost	1,151	1,025	1,201	332	575	729			

Margin	$1,0[illegible]	$1,169	$1,368	$212	$473	$832
Margin %	49%	53%	53%	39%	45%	53%

Montana-Dakota Utilities Co
Case No. PU-399-01-186
Sales for Resale Statistics
(000's Omitted)

Description	Oct	Nov	Dec	Total
1996:				
kWh Sales for Resale	4,501	31,738	48,770	374,535
Revenues	$90	$609	$861	$6,253
Fuel Cost	64	421	572	4,338
Margin	$26	$188	$289	$1,915
Margin %	29%	31%	34%	31%
1997:				
kWh Sales for Resale	29,219	42,451	59,004	361,954
Revenues	$549	$921	$1,146	$7,024
Fuel Cost	380	522	672	4,532
Margin	$169	$399	$474	$2,492
Margin %	31%	43%	41%	35%
1998:				
kWh Sales for Resale	21,977	66,180	76,655	586,540
Revenues	$439	$1,368	$1,585	$11,859
Demand/Other Revenue	0	0	0	17
Fuel Cost	267	857	868	7,060
Margin	$172	$511	$717	$4,816
Margin %	39%	37%	45%	41%
1999:				
kWh Sales for Resale	72,200	83,644	83,189	943,521
Revenues	$1,172	$1,488	$1,458	$19,706
Demand/Other Revenue	45			270
Fuel Cost	678	934	868	11,203
Margin	$539	$554	$590	$8,773
Margin %	44%	37%	40%	44%
2000:				
kWh Sales for Resale	112,189	66,611	70,931	930,318
Revenues	$2,199	$1,794	$1,826	$21,838
Demand/Other Revenue	120	33	34	787
Demand/Other Cost	54	0	0	320
Fuel Cost	1,323	863	940	12,387
Margin	$942	$964	$920	$9,918
Margin %	41%	53%	49%	44%
2001				
kWh Sales for Resale	80,514	80,066	88,600	898,178
Revenues	$1,576	$1,530	$1,607	$26,752
Demand/Other Revenue				133
Demand/Other Cost			178	458
Insurance Recovery				811
Fuel Cost	984	891	957	11,300
Margin	$592	$639	$472	$15,938
Margin %	38%	42%	29%	59%
2002				
kWh Sales for Resale	32,582	92,868	79,105	784,530
Revenues	$661	$1,900	$1,752	$15,363
Fuel Cost	$476	$1,207	$1,050	$9,380
Margin	$185	$693	$702	$5,983
Margin %	28%	36%	40%	39%
2003				
kWh Sales for Resale				374,317
Revenues				$10,155
Fuel Cost				$5,013

Margin	$5,142
Margin %	51%

MDU Electric Rate Case
Interim Rate Request
PU-399-03-296

Informal Hearing
Issue Guide
31 July 2003

1. What standard must MDU meet to receive interim rates?

a. Pre-1986 PSC precedent:

Interim rates granted when company was not earning the return authorized in its most recent rate case.

b. Post-1986 PSC precedent:

Interim rates granted when there is an actual emergency or interim rates are necessary to prevent gross hardship or inequity. Interim rates appropriate when the company has confiscatorily low rates that would remain in effect for an unreasonably long time, such that the utility will suffer irreparable harm in the absence of immediate interim relief.

c. 2003 statute:

Is it appropriate to apply the policy and standards envisioned by the legislature in enacting HB 1363, even though the statute is not directly applicable to this proceeding?

d. Some other standard:

2. Does MDU meet the chosen standard in this case?

a. For the standard in (a) above, the issues are:

i. What is the most recently authorized rate of return for MDU Electric?
ii. What rate of return is MDU Electric currently earning?

b. For the standard in (b) above, the issues are:

i. What is the most recently authorized rate of return for MDU Electric?

38 PU-399-03-296 Pages: 2
Informal Hearing held
by Public Service Commission
07/31/2003C: Comm Legal PUD (3) Mike AG's Office

ii. What rate of return is MDU Electric currently earning?
iii. Does an actual emergency exist?
iv. Are interim rates necessary to prevent gross hardship or inequity?
v. Does MDU have confiscatorily low rates?
vi. If so, would these rates remain in effect for an unreasonably long time?
vii. If so, will MDU suffer irreparable harm in the absence of immediate interim relief?

c. For the standard in (c) above, the statute provides:

The interim rate schedule must be calculated using the proposed test year cost of capital, rate base, and expenses, except that the schedule must include:

a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;

b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and

c. No change in existing rate design.

RECEIVED
JUL 28 2003
NORTH DAKOTA PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

Affidavit of Publication

Colleen Park, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.

2. The newspapers listed on the exhibits published the advertisement of:

   MDU Increase Application - PSC, 1 time(s) as required by law or ordinance.

3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

Signed: Colleen Park

State of North Dakota

County of Burleigh

Subscribed and sworn to before me this 25 day of July 2003.

Kim Hilzendeger

KIM HILZENDEGER
Notary Public
State of North Dakota
My Commission Expires July 14, 2009

37 PU-399-03-296 Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

07/28/2003C: Comm Legal PUD (3) Mike AG's Office

NDNA NORTH DAKOTA NEWSPAPER ASSOCIATION

North Dakota Newspaper Associ. .on
1435 Interstate Loop
Bismarck, ND 58503-0567
Ph (701) 223-6397 • Fax (701) 223-8185

INVOICE

JUL 28

Order **17894-03074PP1** Invoice # **21185**

July 25, 2003

Advertiser: ~~Public Service Commission~~

P.O.#:

Amount Due	**$174.41**
Amount Paid	

Attn: JONH. MIELKE
PUBLIC SERVICE COMMISSION
600 E. BOULEVARD AVE.
STATE CAPITOL
BISMARCK, ND 58505

Voice: 701-328-4076

Please detach and return this portion with your payment

Public Service Commission Invoice # 17894-03074PP1-21185

Ad Size	*Rate Type*	*Rate*	*Total*	*Discount*	*(%)*	*Caption*	*Page*	*Run Date*
Bismarck Tribune (Bismarck ND)								
89.00	SPR2	0.64	56.96	0.00		MDU Increase Appl		07/22/03
Dickinson Press (Dickinson ND)								
92.00	SPR3	0.66	60.72	0.00		MDU Increase Appl		07/22/03
Williston Herald (Williston ND)								
93.00	SPR2	0.61	56.73	0.00		MDU Increase Appl		07/22/03

Gross Advertising	174.41	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
Other Discount	0.00	Total Billed	174.41	Payment Date	
Service Charge	0.00	Unbilled	0.00	Balance Due	174.41

37 **PU-399-03-296** Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

07/28/2003C: Comm Legal PUD (3) Mike AG's Office .

State Of North Dakota
Public Service Commission
Case No. PU-399-03-296
Notice Of Hearing Of Public
Input Session
July 16, 2003

Bismarck	7-22
Dickinson	7-22
Williston	7-22

OFFICE OF ADMINISTRATIVE HEARINGS

STATE OF NORTH DAKOTA
1707 North 9th Street
Bismarck, North Dakota 58501-1882

Allen C. Hoberg
DIRECTOR

701-328-3260
Fax 701-328-3254
oah@state.nd.us
www.state.nd.us/oah

July 23, 2003

RECEIVED
JUL 24 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

Mr. William W. Binek
Chief Counsel
Public Service Commission
600 E. Boulevard Avenue
Bismarck, ND 58505

Dear Mr. Binek:

Thank you for your July 17, 2003, request of the designation of an administrative law judge from the Office of Administrative Hearings to conduct a hearing in the matter of Montana-Dakota Utilities Co. (PU-399-03-296). I hereby designate myself to be assigned as an administrative law judge to conduct the hearing in regard to this matter. Because the administrative law judge will not be making recommended findings of fact and conclusions of law, or issuing a recommended order, the person or persons who will actually be making the final administrative decision in regard to this matter (i.e., commission) must actually be in attendance at the hearing.

Please send all additional relevant documents in regard to this matter (correspondence, and other pleadings and documents) to the designated administrative law judge in care of the Office of Administrative Hearings, 1707 North 9th Street, Bismarck, North Dakota 58501-1882. The hearing is scheduled for November 12, 2003, beginning at 8:30 a.m., in the Commission Hearing Room, State Capitol, 600 East Boulevard Avenue, Bismarck, North Dakota.

Sincerely,

Allen C. Hoberg
Director

ACH:ljc

cc: Daniel S. Kuntz
Douglas Schulz

36 **PU-399-03-296** Pages: 1

Allen Hoberg assigned Administrative Law Judge for November hearing by Office of Administrative Hearings

07/24/2003C: Comm Legal PUD (3) Mike AG's Office

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

July 23, 2003

RECEIVED
JUL 23 2003
ND PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase – Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of a Settlement Agreement entered into by Montana-Dakota Utilities Co. and the Staff of the North Dakota Public Service Commission. Acceptance of this Settlement Agreement by the Public Service Commission would resolve issues in this proceeding regarding what is a just and reasonable rate on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota. The parties to the Settlement Agreement request that the Agreement be brought to the attention of the Public Service Commission for consideration.

Please contact me or Bill Binek if you have any questions regarding this Agreement.

Sincerely,

Daniel S. Kuntz

Enclosures

c: Don Ball
Bill Binek

35 **PU-399-03-296** Pages: 1

Cover letter re Settlement Agreement

by Montana-Dakota Utilities Co., a Division of MDU Re

07/23/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

RECEIVED
JUL 23 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.	)	Case No. PU-399-03-296
Electric Rate Increase	)	
Application	)	

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company") and the Staff of the North Dakota Public Service Commission ("Staff"). This Settlement Agreement resolves the issue in this proceeding regarding what is a just and reasonable return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota. The Settlement Agreement resolves the issue in a manner consistent with the public interest and establishes a just and reasonable rate of return on Montana-Dakota's property for use in setting retail electric service rates in this proceeding.

PROCEDURAL HISTORY

1. On May 30, 2002, Montana-Dakota filed a Notice of an increase to its rates for electric utility service in North Dakota to provide additional annual revenue of $7,688,565, or 9.1%, over current rates. The North Dakota Public Service Commission ("Commission") suspended Montana-Dakota's rate filing and set the matter for investigation and hearing.

2. On July 16, 2003, the Commission issued a Notice of Hearing setting issues for consideration on Montana-Dakota's rate increase. The issues for consideration included:

34 PU-399-03-296 Pages: 6
Settlement Agreement
by Montana-Dakota Utilities Co., a Division of MDU Re
07/23/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

What is a just and reasonable rate of return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota?

A hearing on the issues identified in the Commission's Notice was scheduled for November 12, 2003.

3. With its Notice of a change in its electric rates, Montana-Dakota submitted the testimony of J. Stephen Gaske. Mr. Gaske's testimony and supporting studies indicated the Company's required overall rate of return is 10.177% which included an 11.75% return on common equity. Mr. Gaske recommended the following capital structure and cost of capital components for the 2003 test year:

Montana-Dakota
Average Capital Structure and Cost Components
Projected 2003

Description	Amount	Capital Ratio	Cost	Rate of Return
Long-Term Debt	$145,100,000	44.674%	9.027%	4.033%
Preferred Stock	$ 16,250,000	5.003%	4.622%	0.231%
Common Equity	$163,446,700	50.323%	11.750%	5.913%
Total	$324,796,700	100.000%		10.177%

4. Following the Staff's analysis of Mr. Gaske's testimony and supporting studies, settlement discussions were held between the Staff and Company representatives. As a result of those discussions, the parties reached this Settlement Agreement. The parties agree the Settlement Agreement resolves the issues in this proceeding related to a just and reasonable rate of return on Montana-Dakota's property, used and useful for the service and convenience of the public in North Dakota, for purposes of setting electric retail rates. The parties' further agree the Settlement Agreement resolves these issues in a

manner consistent with applicable law and the Commission's proposed Settlement Guidelines (July 1994).

5. The Settlement Agreement is supported by the administrative record. The parties jointly recommend the Commission issue an Order: (a) approving the Settlement Agreement in its entirety, without conditions or modifications; (b) approving the overall rate of return, capital structure and cost of capital components for purposes of establishing retail electric rates for Montana-Dakota in North Dakota; and (c) incorporating the overall rate of return, capital structure and cost of capital components in the Commission's final Order establishing retail electric rates for Montana-Dakota in North Dakota.

TERMS OF SETTLEMENT AGREEMENT

1. The Staff and Montana-Dakota agree and recommend that the Commission approve an overall rate of return of 10.016%, as well as the following capital structure and cost of capital components for ratemaking purposes in this proceeding:

Settlement
Average Capital Structure and Capital Cost Components
Projected 2003

Description	Amount	Capital Ratio	Cost	Rate of Return
Long-Term Debt	$145,100,000	44.674%	8.950%	3.998%
Preferred Stock	$16,250,000	5.003%	4.622%	0.231%
Common Equity	$163,446,692	50.323%	11.500%	5.787%
Total	$324,796,692	100.000%		10.016%

2. For settlement purposes only, the Company agreed to adjust its cost of long-term debt from that provided by Mr. Gaske to reflect a lower than anticipated cost of a long-term debt issuance in 2003. The recommended cost of Montana-Dakota's long-term debt of 8.950% is less than the cost of Montana-Dakota's long term debt of 9.220% determined

by the Commission for the 2002 test year used by the Commission to set Montana-Dakota's current electric rates in Case No. PU-399-01-186. The 11.5% settlement return on common equity ("ROE") is within the range of returns supported by the testimony of Mr. Gaske, who recommended a 11.75% ROE. The recommended 11.5% ROE is lower than the 11.8% ROE underlying Montana-Dakota's present electric rates set in Case No. PU-399-01-186.

3. The recommended capital structure and capital cost components were arrived through negotiations based upon the testimony and supporting studies provided by the expert consultant for the Company and the analysis of the testimony and studies by the Staff. Although the Staff and the Company agree to and recommend the capital structure and capital costs set forth above, the parties do not adopt or recommend as part of this Settlement Agreement a methodology for determining capital structures or capital costs. Nothing in this Settlement Agreement shall limit in future proceedings the authority of the Commission to establish or the Staff and the Company to advocate the appropriate methodology for determining Montana-Dakota's capital structure and capital costs or the amounts of Montana-Dakota's capital structure and capital costs.

OTHER TERMS AND CONDITIONS

A. Basis of Settlement.

It is agreed the negotiated capital structure and capital cost components contained in this Settlement Agreement are subject to approval by the Commission. This Settlement Agreement does not establish any principle or precedent regarding the methodology for establishing capital costs.

B. Effect of the Settlement Negotiations.

It is understood and agreed that all offers of settlement and discussions related to this Settlement Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Commission does not approve this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any party for any purpose in this proceeding or otherwise.

C. Applicability and Scope.

This Settlement Agreement shall be binding on the parties hereto, and their successors, assigns, agents and representatives. Consistent with the Commission's 1994 proposed Settlement Guidelines, this Settlement Agreement does not set policy or overturn precedent.

D. Effective Date.

This Settlement Agreement shall be effective on the date of final Commission Order approving the Settlement Agreement. The approved capital structure and capital costs shall be incorporated into the Commission's final Order in its investigation of Montana-Dakota's change of electric rates. If the Commission Order modifies or conditions approval of the Settlement Agreement, this Settlement Agreement shall be deemed terminated if either party files a letter with the Commission within three (3) business days after notice of such Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party.

Dated this 23rd day of July, 2003.

Montana-Dakota Utilities Co.

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

Dated this 23rd day of July, 2003.

North Dakota Public Service Commission

By:
William W. Binek
Its Chief Counsel

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Leo M. Reinbold
Susan E. Wefald

Executive Secretary
Jon H. Mielke

July 17, 2003

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: sab@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Mr. Allen C. Hoberg
Office of Administrative Hearings
1707 North 9th Street, Lower Level
Bismarck, ND 58501

Re: Case No. PU-399-03-296
Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Dear Mr. Hoberg:

Enclosed is a request for an administrative law judge in the above case. The Commission has scheduled a hearing for November 12, 2003, beginning at 8:30 a.m. in the Commission's Hearing Room, 12th Floor, State Capitol, Bismarck. The administrative law judge will serve as a procedural law judge, a court reporter may be present, and the hearing will be tape recorded. A copy of the case is enclosed.

Please provide the Commission with a copy of any filings issued by your office in this matter.

If you have any questions, please contact me. Thank you.

Sincerely,

William W. Binek
Hearing Administrator

/sls
Enclosure

c: Don Ball, MDU
Douglas Schulz
Daniel S. Kuntz

33 **PU-399-03-296** Pages: 2

Request for Administrative Law Judge

by Public Service Commission

07/17/2003 CC: Comm Legal Illona, Pat, Jerry Mike

REQUEST FOR ADMINISTRATIVE LAW JUDGE--APPEAL, APPLICATION, OR PETITION

NORTH DAKOTA OFFICE OF ADMINISTRATIVE HEARINGS

SFN 17819 (Rev. 03-2001)

Name of Agency, Board, or Commission
Public Service Commission

The above named agency, board, or commission requests designation of an administrative law judge from the Office of Administrative Hearings for the Hearing in Case No. PU-399-03-296, Montana-Dakota Utilities Co., Electric Rate Increase Application

(e.g., application of [name], appeal of [name], petition of [name]). Authority for the administrative action is found in Title 49 (North Dakota Century Code and/or North Dakota Administrative Code).

Please attach related documents and correspondence.

The administrative action is more fully described as follows:
Hearing is set for November 12, 2003 beginning at 8:30 a.m. in the Public Service Commission's Hearing Room. The hearing will be tape recorded and a court reporter will be present.

It requests designation of an administrative law judge (please check one):

- ☐ **To conduct the hearing and issue recommended findings of fact, conclusions of law, and order.**
- ☑ **To serve as a procedural administrative law judge only (no recommended decision). The agency head will be present at the hearing as required by NDCC 54-57-04(6).**
- ☐ **To conduct the hearing, issue findings of fact, conclusions of law, and a final order.**

PLEASE MAKE A REQUEST FOR AN ADMINISTRATIVE LAW JUDGE AT LEAST ONE MONTH BEFORE THE HEARING.

Please list parties, including the agency if it is a Party, and Representation [attorney (or other)] if known, or Agency Contact: (Attach separate list if necessary.)

AGENCY Public Service Commission	Address 600 E. Blvd. Ave., Dept. 408, Bismarck, ND 58505	Telephone Number 328-2400
Representation William W. Binek, Chief Counsel	Address Same as above	Telephone Number 328-4088
PARTY Montana-Dakota Utilities Co.. Attn. Don Ball	Address 400 N 4th Street, Bismarck, ND 58501	Telephone Number 222-7900
Representation Daniel S. Kuntz, Zuger Kirmis & Smith	Address P. O. Box 1605, Bismarck, ND 58502-1695	Telephone Number 223-2711
PARTY MDU	Address	Telephone Number
Representation Douglas Schulz, Chief Counsel	Address P. O. Box 5650, Bismarck, ND 58506-5650	Telephone Number 222-7900

Additional Comments

(For agencies required to use OAH, notice of hearing will be issued by the administrative law judge, unless a procedural administrative law judge is requested. Other requesting agencies and agencies requesting a procedural administrative law judge should first contact OAH about scheduling a hearing. If notice has already been issued, attach a copy of the notice.)

Typed or Printed Name and Title of Requesting Person William W. Binek, Hearing Administrator	Date July 17, 2003
Signature of Requesting Person X	Telephone Number 328-4088

CONFIRMATION

Confirmation - do not pay.

PO Box 8384
Grand Forks, ND 58202-8384
Phone 701-777-6354 Fax 701-777-6353

RECEIVED
JUL 21 2003
NORTH DAKOTA PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

DATE: July 16, 2003

Public Service Commission
600 E. Boulevard Ave, 12th & 13th Floor
Bismarck, ND 58505-0480

Date of Event: 08/20/03
Time: 7:30-9:30pm

Reservation #: 5179

Attn: Sandy

DESCRIPTION	HOURS	RATE	AMOUNT
Telephone Line Charge: $80/hr	2	80.00	$ 160.00
Technical Charge $10/hr/site	2	30.00	60.00
Sites:			
Host - BSC 216, DSU Klinefelter 220, WSC Main 120			
Administrative Fee: per event		50.00	
Site Fee: $25/site/event		25.00	
Long Distance Line Charge		80.00	
There will be a charge for streaming, but the prices are not in place at this time.			
		SUBTOTAL	$ 220.00
			-
		OTHER	-
		TOTAL	$ 220.00

Maps of the sites can be found on http://ndivn.nodak.edu. Click on Directory of Sites tab, the scroll down to Higher Ed Classroom maps.

Events cancelled less than 24 hours before the event will be charged the administration and site fee. Sites dropped less than 24 hours before the event will be charged the technical support fee.

THANK YOU FOR USING THE NORTH DAKOTA I

32 **PU-399-03-296** Pages: 1

Confirmation of IVN system for public input session
by North Dakota Interactive Video Network

07/21/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **17th day of July, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **three** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Notice of Hearing and Notice of Public Input Session

The envelopes weres addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501
Cert. No. 7002 2410 0003 4912 3280

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501
Cert. No. 7002 2030 0003 4912 3297

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695
Cert. No. 7002 2030 0003 4912 3303

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sharon Helbling

Subscribed and sworn to before me
this **17th day of July, 2003**.

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

Sandra L Scott
Notary Public

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **17th day of July, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Notice of Hearing and Notice of Public Input Session

The envelopes were addressed as follows:

See Attached List

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sharon Helbling

Subscribed and sworn to before me
this **17th day of July, 2003**.

Sandra L Scott
Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

akemp@tminc.com
Ann-Marie Kemp

shandy@kwh.com
Scott Handy
Cass County Elec Coop Inc
P O Box 8
Kindred ND 58051

bschmidt@kwh.com
Brad Schmidt
Cass County Electric Coop
4100 32nd Ave SW
Fargo ND 58104

Mark.Hanson@grandforks.af.mil
Mark Hanson
Grand Forks Air Force Base
319 ARW/JA
460 Steen Blvd Ste 201
Grand Forks ND 58205

tgrove@grenergy.com
Terry Grove
Great River Energy
P O Box 800
Elk River MN 55330-0800

jason_gustafson@bobcat.com
Jason Gustafson
Melroe Company
P O Box 128
Gwinner ND 58040-0128

craig_scott@bobcat.com
Craiq Scott
Melroe Company
P O Box 128
Gwinner ND 58040-0128

mbring@minnkota.com
Mark Bring
Minnkota Power Cooperative
Box 13200
Grand Forks ND 58208-3200

balld@mdu.mdures.com
Don Ball
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

collinsk@mdu.mdures.com
Karen Collins
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

dcichos@otpco.com
Dave Cichos
Otter Tail Corporation

dellefson@otpco.com
Dennis Ellefson
Otter Tail Corporation

tgreene@otpco.com
Tim Greene
Otter Tail Power Company

rmontonye@otpco.com
Ron Montoyne
Otter Tail Power Company

dross@otpco.com
David Ross
Otter Tail Power Company

sschultz@otpco.com
Steve Schultz
Otter Tail Power Company

dweiby@otpco.com
Dan Weiby
Otter Tail Power Company

rdenault@otpco.com
Russ Denault
Otter Tail Power Company
P O Box 400
Devils Lake ND 58301

pbeithon@otpco.com
Pete Beithon
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

bbrutlag@otpco.com
Bernadeen Brutlaq
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

llaugtug@otpco.com
Loren Lauqtuq
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

wpp@pearce-durick.com
William Pearce
Pearce & Durick Attorneys
PO Box 400
Bismarck ND 58502-0400

mdickerson@state.nd.us
Marcy Dickerson
State Tax Department
State Capitol
Bismarck ND 58505

dave.sederquist@xcelenergy.com
Dave Sederquist
Xcel Energy
P O Box 2747
Fargo ND 58108-2747

F James Moriarty
2333 Plum Grove Dr
O'Fallon MO 63366

Steven Tomac
2498 59th St
St Anthony ND 58566-9640

Will Kaul
Cooperative Power Association
P O Box 800
Elk River MN 55330-0800

Laurie Baranko
Dakota Resource Council
PO Box 1095
Dickinson ND 58602-1095

Mark Frederiksen
Economic Insights
416 Center St #365
Washington Grove MD 20880

Jay Casler
INDEPTH DATA INC
44 S Bdwy 18th Fl
White Plains NY 10601-4425

Karyn Grass
IPAMS
6620 Denver Club Bldg 518 17th St
Denver CO 80202-4167

KBMR AM-KQDY FM
3500 E Rosser Ave
Bismarck ND 58501

KBMW-AM
PO Box 1115
Wahpeton ND 58074-1115

KCJB AM-FM & KXMC TV
PO Box 1686
Minot ND 58702-1686

KDDR
Box 411
Oakes ND 58474-0411

Rod Kleinjan
KDIX AM Radio
119 2nd Ave W
Dickinson ND 58601-5115

KEYZ-AM
PO Box 2048
Williston ND 58802-2048

Jeff Alexander
KFYR-AM Radio
PO Box 1738
Bismarck ND 58502-1738

KHRT AM
PO Box 1210
Minot ND 58702-1210

KLXX AM
4303 Memorial Hwy
Mandan ND 58554

KMAV AM/FM RADIO
PO Box 216
Mayville ND 58257-0216

KMOT TV
Box 1120
Minot ND 58702-1120

KNDK-AM
HCR 5 Box 9
Langdon ND 58249

Terry Hildestad
Knife River Coal Mining Company
1915 N Kaveney Dr
Bismarck ND 58501

KTGO-AM
Box 457
Tioga ND 58852-0457

News Director
KXMA-TV
Drawer B
Dickinson ND 58602

KXMD-TV
PO Box 790
Williston ND 58802-0790

C W Fox
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Mike Foley
NARUC
1101 Vermont Avenue NW Ste 200
Washington DC 20005

Scott Speaker
Natural Gas Week
1401 New York Ave NW Ste 500
Washington DC 20005-2150

Kim Christianson
ND Department of Commerce
Division of Community Services
Bismarck ND

Public Utilities Reports Inc
Law Dept
8229 Boone Blvd Ste 401
Vienna VA 22182

LeRoy Neubauer
Valley City Public Works
254 2nd Ave NE
Valley City ND 58072

KUMV-TV
PO Box 1287
Williston ND 58802-1287

KXMB TV
Box 1617
Bismarck ND 58502-1617

Michel Murray
MCI WorldCom Inc
707 17th St Ste 3600
Denver CO 80202

Ron Tipton
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dennis Lavallee
Nat'l Assoc Plumbing-Htng-Cooling
PO Box 6808
Falls Church VA 22046-6808

Harlan Fuglesten
ND Association of RECs
PO Box 727
Mandan ND 58554-0727

Everett Morris
NJ Public Service Electric & Gas
80 Park Pl
Newark NJ 07101

John Kapsner
The Vogel Law Firm
P O Box 2097
Bismarck ND 58502-2097

Helbling, Sharon D.

From: Helbling, Sharon D.
Sent: Thursday, July 17, 2003 10:14 AM
To: ndna (E-mail)
Subject: MDU Notice of Hearing and Notice of Public Input Session, cAse No. PU_399-03-296

Colleen Park
North Dakota Newspaper Association

Colleen:

Please have the attached Notice of Hearing and Notice of Public Input Session published as a legal publication in the next issue of the following North Dakota daily newspapers:

Bismarck Tribune
Williston Herald
Dickinson Press

Also run it as a "News Item Ony" article.

Please send the bill directly to the Public Service Commission along with a tear sheet for billing purposes.

If you have any questions, please call me at 328-4076.

Thank you.

Sharon Helbling
Public Utilities Division

30 **PU-399-03-296** Pages: 1

Notice e-mailed to NDNA requesting publication
by Public Service Commission

07/17/2003 CC: Comm Legal Illona, Pat, Jerry Mike

APPROVED
DATE: 7-16-03
KMF

MOTION

July 16, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission issue a Notice of Hearing and Notice of Public Input Session in Montana-Dakota Utilities Co.'s Electric Rate Increase Application, Case No. PU-399-03-296.

sdh

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

NOTICE OF HEARING and NOTICE OF PUBLIC INPUT SESSION

July 16, 2003

On May 30, 2002, Montana Dakota Utilities Co. (MDU) filed an application to increase its rates for electric utility service to provide additional annual revenue of $7,788,565 or a 9.1% increase over current rates. MDU estimates the proposed increase for a residential customer using 500 kilowatthours in a month would average $10.48. MDU proposes to better align rates for service with costs.

A **public hearing** on this matter will be held beginning **November 12, 2003 at 8:30 a.m. CDT (7:30 a.m. MDT)** in the Commission hearing room, State Capitol, 12th Floor, Bismarck, North Dakota 58505. Issues to be considered in this matter include:

1. What is the value of MDU's property, used and useful, for the service and convenience of the public in North Dakota?

2. What is MDU's rate of return on its property, used and useful, for the service and convenience of the public in North Dakota?

3. What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

4. What rates and charges are necessary to provide a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

5. Are MDU's proposed rate schedules designed in such a manner that they result in a basis of charge to its customers that is just and reasonable without discrimination?

6. Other relevant information or proposals concerning the proceeding.

A public input session will be held via interactive television on **August 20, 2003 at 7:30 p.m. CDT (6:30 p.m. MDT)**. Members of the public are invited to appear and participate in the public input session at the locations set forth below.

Bismarck State College **Vocational Technical Ctr Rm 216** **1200 College Dr** **Bismarck ND 58501**	**Dickinson State University** **Klinefelter Hall, Room 220** **Dickinson, ND 58601**
Williston State College **Main Building, Room 120** **Williston ND 58801**	

The public will also be able to hear the input session by connecting to the Commission's web site www.psc.state.nd.us and accessing the NDPSC **Public Input Session-MDU Electric** link. The Commission will receive e-mail questions during the input session at ndpsc@psc.state.nd.us.

The session is not considered part of the technical hearing and the discussion at the session will not become part of the record evidence reviewed by the Commission in making its decision. The discussion will, however, aid the Commission and its staff in identifying areas of concern that may require further investigation.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400 or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify, Jon H. Mielke, Executive Secretary, at least 24 hours prior.

PUBLIC SERVICE COMMISSION

Susan E. Wefald **Commissioner**	**Tony Clark** **President**	**Leo M. Reinbold** **Commissioner**

ZUGER KIRMIS & SMITH

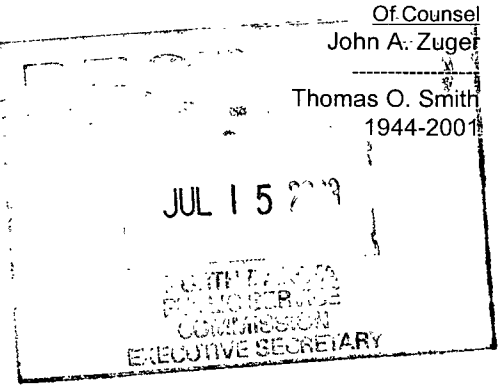
COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001



^Certified Civil Trial Specialist
National Board of Trial Advocacy

July 15, 2003

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase Application
Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of the Supplemental Brief of Montana-Dakota Utilities Co. on Request for Interim Rate Relief. Thank you for your cooperation in this matter.

Sincerely,

Daniel S. Kuntz

Enclosures

c: Don Ball

27 **PU-399-03-296** Pages: 1

Cover letter on Supplemental Brief on
Request for Interim Rat Relief
by Montana-Dakota Utilities Co , a Division of MDU Re

07/15/2003 CC. Comm Legal Illona, Pat, Jerry Mike .

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

JUL 15 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

Montana-Dakota Utilities Co.	)	Case No. PU-399-03-296
Electric Rate Increase	)	
Application	)	

SUPPLEMENTAL BRIEF OF MONTANA-DAKOTA UTILITIES CO. ON REQUEST FOR INTERIM RATE RELIEF

Montana-Dakota was requested to submit a brief on whether the Public Service Commission, after receipt of additional information and further review of Montana-Dakota's Motion for Interim Relief, could approve an interim rate change that would enable Montana-Dakota to recover any revenue shortfall occurring prior to issuance of the Commission's order on the Motion.

When the Public Service Commission determines that existing rates are unreasonable, it may only establish new rates to be charged in the future. Montana-Dakota Utilities Co. v. Public Service Commission, 431 N.W.2d 276, 280 (N.D. 1988). Accordingly, the Commission may not establish interim rates retroactive to a date prior to the Commission's order. Nor may the Commission establish increased future rates for the purpose of recovering a revenue shortfall during a prior period. Such a rate change would be similar to the Commission's order that was overturned by the North Dakota Supreme Court in Montana-Dakota Utilities Co. v. Public Service Commission, supra at 281. In that case the Court determined that the Commission could not establish future rates in order to compensate for previous high rates.

Although the Commission could presumably allow rates to become effective without suspension that were filed by Montana-Dakota above the levels found just and reasonable

Supplemental Brief on Request for Interim Rate Relief
by Montana-Dakota Utilities Co., a Division of MDU Re

07/15/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

by the Commission's following investigation, and thereby recover a prior revenue shortfall, such a practice would seemingly violate the intent of N.D.C.C. Chapter 49-05.

Rather than attempt to circumvent restrictions on retroactive ratemaking, Montana-Dakota believes the Commission should grant interim rate relief subject to refund after further review and investigation. Prior to 1986, the Public Service Commission allowed interim rate relief in situations where a utilities' existing rates were inadequate to produce a reasonable return on the company's North Dakota rate base, particularly when new investment was added to the rate base prior to completion of a rate investigation. See In the Matter of Application of Otter Tail Power Company for a Change in Its Electric Rates in North Dakota, 1980, NDPSC Case No. 10,124 (April 20, 1981). The Commission subsequently adopted a more restrictive policy of only granting interim rate relief in cases of emergency:

> The Commission views an interim rate increase as an extraordinary remedy which should be granted only where an actual emergency exists or where the relief is necessary to prevent gross hardship or inequity. If existing rates are confiscatorily low and those consfiscatorily low rates will remain in effect for an unreasonably long time such that the utility will suffer irreparable harm in the absence of immediate interim relief, then an interim increase, subject to refund may be an appropriate remedy.

In the Matter of the Application of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., for Authority to Establish Increased Rates for Electric Service; NDPSC Case No. 10,799 (May 29, 1986).

The North Dakota Legislature overwhelmingly adopted a new public policy for the State of North Dakota regarding interim rate relief for public utilities with the enactment of HB 1363. Pursuant to the new public policy, a public utility is entitled to automatic interim

rate relief, subject to refund, within 60 days of a rate increase filing, without public hearing. This new public policy is clearly intended to allow a utility the opportunity to earn a reasonable rate of return on its current rate base similar to the Commission's policy prior to 1986. Although HB 1363 will not be effective until August 1, 2003, it establishes public policy for the State of North Dakota that should be recognized by the Commission in reviewing Montana-Dakota's pending Motion for Interim Relief.

Dated this 15th day of July, 2003.

By: _____

Daniel S. Kuntz (ID #03490)
Zuger Kirmis & Smith
Attorneys for Montana-Dakota Utilities Co.
P.O. Box 1695
Bismarck, ND 58502-1695
(701)223-2711

Public Service Commission
State of North Dakota

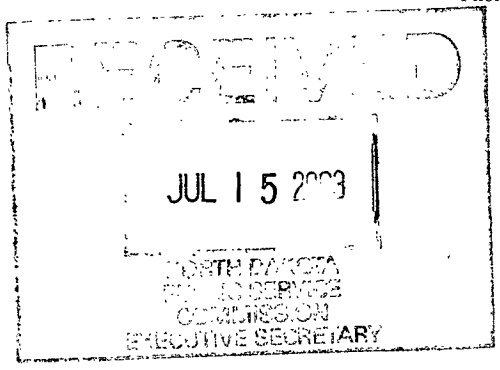
COMMISSIONERS

Tony Clark, President
Leo M. Reinbold
Susan E. Wefald

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: sab@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

July 15, 2003



Mr. Jon H. Mielke
Public Service Commission
600 E Boulevard Ave. Dept. 408
Bismarck, ND 58505-0480

RE: **Montana-Dakota Utilities Co.**
Electric Rate Increase Application
Case No. PU-399-03-296

Dear Jon:

Enclosed for filing in the above referenced case are the original and seven copies of the **Staff Brief Regarding Retroactive Ratemaking.**

Thank you.

Sincerely,

William W. Binek
Chief Counsel

WWBsls
Enclosure

C: Parties of Record

25 **PU-399-03-296** Pages: 1

Cover letter re Staff Brief

by Public Service Commission

07/15/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

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JUL 15 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

STAFF BRIEF REGARDING RETROACTIVE RATEMAKING

On July 2, 2003, the Commission postponed its consideration of MDU's request for July 1, 2003 interim rates, and directed MDU and advocacy staff to file briefs on the legality and merits of the Commission making an interim rate decision after July 1, 2003, with interim rates becoming effective retroactively and including the appropriate method for collection from customers.

It is staff's position that any interim rate increase granted by the Commission may only be applied prospectively. The application of interim rates set after July 1, 2003 and applied retroactively to July 1, 2003 would constitute retroactive ratemaking in violation of N.D.C.C. § 49-02-03, which provides:

> **49-02-03. Power of public service commission to establish rates.** The commission shall supervise the rates of all public utilities. It shall have the power, after notice and hearing, to originate, establish, modify, adjust, promulgate, and enforce tariffs, rates, joint rates, and charges of all public utilities. Whenever the commission, after hearing, shall find any existing rates, tariffs, joint rates, or schedules unjust, unreasonable, insufficient, unjustly discriminatory, or otherwise in violation of any of the provisions of this title, the commission by order shall fix reasonable rates, joint rates, charges, or schedules **to be followed in the future** in lieu of those found to be unjust, unreasonable, insufficient, unjustly discriminatory, or otherwise in violation of any provision of law. (Emphasis supplied)

In *Montana-Dakota Utilities Co. v. Public Service Commission,* 431 N.W.2d 276, 280 (N.D. 1988), the North Dakota Supreme Court, citing the above statute, ruled that "[w]hen the PSC determines that existing rates are unreasonable, it may only fix or establish new rates to be charged in the future."

Retroactive ratemaking is generally prohibited in most jurisdictions. It is unlawful, in the absence of express statutory direction, for an agency to alter the past legal consequences of past actions. Leonard Saul Goodman, *The Process of Ratemaking,* 192-193 (1998). Agencies may, however, grant interim relief subject to refunds if the final rates are less than interim rates. *Id.* at 167. The Court of Appeals of Michigan held that "[r]etroactive ratemaking applies to a change, either upward or downward, in the rates charged by a utility for its service under a lawful order." *Attorney General v. Michigan Public Service Commission,* 520 N.W.2d 636, 640 (Mich. App. 1994). In *Re Northern Indiana Pub. Svc. Co.,* 157 PUR4th 206, 228 (Ind. URC, 1994) The Indiana Utility Regulatory Commission summarized the three basic functions served by the rule against retroactive ratemaking as:

- Protecting the public by ensuring that current customers pay for their own service and not for past deficits;
- Preventing utilities from using future rates to protect the financial investment of their stockholders, *i.e.,* providing a guaranty, rather than an opportunity, for a fair rate of return; and
- Requiring utilities to bear losses and enjoy gains that depend on their own managerial efficiency.

Staff's position, as stated in its response to MDU's request for interim relief, is that interim rate relief should be denied. If the Commission chooses to grant interim relief, the interim rates must be prospective, but should be subject to refund if final rates are less than the interim rates.

Staff recommends that if interim rates are approved, that such rates be imposed on customers based on the rate design in effect at the present time.

Dated July 15, 2003.

William W. Binek
Chief Counsel

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY FIRST CLASS MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sandra L. Scott deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **15th day** of **July, 2003,** she deposited in the United States Mail, Bismarck, North Dakota, **three** envelopes with regular postage, securely sealed and each containing a photocopy of:

STAFF BRIEF REGARDING RETROACTIVE RATEMAKING

To:

DON BALL
MONTANA-DAKOTA UTILITIES CO
400 NORTH 4TH STREET
BISMARCK ND 58501

DOUGLAS W SCHULZ
MDU RESOURCES GROUP INC
P O BOX 5650
BISMRACK ND 58506-5650

DANIEL S KUNTZ
ZUGER KIRMIS & SMITH
P O BOX 1695
BISMARCK ND 58502-1695

Each address shown is the respective addressee's last reasonably ascertainable address.

Sandra L Scott

Subscribed and sworn to before me
this **15th day of July, 2003**.

Charlene A Magstadt
Notary Public

SEAL

CHARLENE A. MAGSTADT
Notary Public, State of NORTH DAKOTA
My Commission Expires Jan. 7, 2004

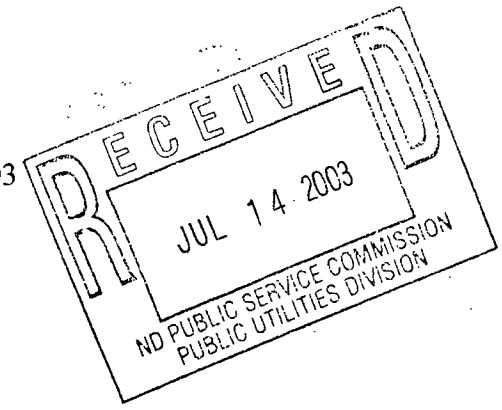
23 **PU-399-03-296** Pages: 1

Affidavit of Service

by Public Service Commission

07/15/2003 CC Comm Legal Illona, Pat, Jerry Mike

SNAVELY KING MAJOROS O'CONNOR & LEE, INC.
ECONOMIC AND MANAGEMENT CONSULTANTS



July 8, 2003

Sharon Helbling
North Dakota Public Service Commission
12th Floor
State Capitol
Bismarck, ND 58505-0480

Dear Ms. Helbling:

Enclosed is a signed copy of the Contract No. PU-468-03 between your commission and our firm for expert witness consulting services in connection with Case No. PU-399-03-296, the recently initiated electric rate case filed by Montana-Dakota Utilities Company. I have retained the other copy you sent me for our files.

Please call me at 202-371-9156 if you have any questions or comments. Thank you very much for your attention to this matter.

Sincerely,

Charles W. King
President

22 **PU-399-03-296** Pages: 1

Cover letter re signed contract

by Snavely King Majoros O'Connor & Lee, Inc.

07/14/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

1220 L STREET, NW • SUITE 410 • WASHINGTON, DC 20005
TEL (202) 371-1111 • FAX (202) 842-4966 • www.snavely-king.com

CONTRACT

RECEIVED
JUL 14 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

Administrator: Public Service Commission
State Capitol - 12th Floor
Bismarck, ND 58505-0480
(701) 328-2400

Date: July 2, 2003

Susan E. Wefald	Anthony T. Clark	Leo M. Reinbold
Commissioner	**President**	**Commissioner**

Contractor		
Snavely King Majoros O'Connor & Lee, Inc.		
Name		
1220 L St NW Ste 410	Washington D C 20005	202-371-9156
Address	**City/State/Zip**	**Phone**
Charles W. King		President
Typed Name		**Title**
Signature		**Date**

July 9, 2003

Agreement Information

Contract No.:	PU-468-03
Start Date:	7-2-03
End Date:	6-30-05
Program Title:	PU-399-03-296

Type of Contract:
(X) Cost Reimb.
( ) Fixed Price
( ) Unit Price
( ) Other

Budget Information

Cost Center:	7700
Services:	$36,004
Optional on-site review:	0
Expenses:	0
ID	52-0901220

Type of Contractor:
(X) Corporation
( ) Individual
( ) Partnership
( ) Public Agency
( ) Nonprofit Organization
( ) Other

This contract is entered into between the above two parties. This contract consists of this sheet, general provisions and specific provisions.

Signed Contract No. PU-468-03 for
$36,004
by Snavely King Majoros O'Connor & Lee, Inc.

07/14/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

GENERAL PROVISIONS

CONTRACTUAL FEATURES

Legal Authority

The Contractor assures that it possesses legal authority to participate in this contract.

Assignment/Subcontracting

The Contractor may not assign this contract or any part thereof, or assign any of the monies to be paid hereunder, nor shall any part of the work done or material furnished under this contract be sublet.

The Contractor may not enter into subcontracts for any of the work contemplated under this contract unless included in the specific provisions of this contract.

Termination

The Commission, by ten days written notice listing causes and reasons, may terminate this contract in whole or in part when it is determined that the Contractor has failed to meet the conditions of the contract. The Commission will be liable only for payment provisions of this contract for services satisfactorily rendered prior to the effective date of termination.

Significant deviation from performance standards in this contract may result in reduced or terminated financial participation of the Contractor, subsequent to negotiations with the Commission.

The Contractor or the Commission may terminate this contract in whole or in part upon settlement or when both parties agree that the continuation of the contract would not produce results commensurate with further expenditures of funds. The two parties shall agree upon the termination conditions including effective date and in the case of partial terminations, that portion to be terminated.

Any contract that extends beyond the current biennium may be terminated by the Commission if sufficient funds are unavailable, if the law regarding the contract is changed, or without cause at any time.

In the event state or federal funds are reduced or terminated, the financial participation of the Commission may be reduced or terminated.

Disputes

The Contractor agrees to attempt to resolve disputes arising from this contract by administrative process and negotiations in lieu of litigation. Continued performance by the Contractor during disputes is assured.

Any dispute concerning a question of fact arising under this contract which is not settled by the informal means shall be decided by the authorized representative of the Commission who shall reduce the decision to writing and mail or otherwise furnish a copy thereof to the Contractor.

The Contractor shall be afforded an opportunity to be heard and to offer evidence in support of an appeal. Pending final decision of a dispute, the Contractor shall proceed diligently with the performance of the contract and in accordance with the decision of the Commission.

The Commission does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolutions. The parties have the right to enforce their rights and remedies in judicial proceedings. The Commission does not waive any right to a jury trial.

FISCAL RESPONSIBILITIES

Records

The Contractor agrees to maintain program records required by the Commission and to produce program narrative and statistical data at times prescribed by the Commission.

The Contractor agrees to maintain and retain all books, records, and other documents required by the Commission relevant to this agreement for four years after final payment. Records shall be retained beyond four years if audit findings have not been resolved.

No Claim for Additional Work

No claim for additional services not specifically herein provided, done, or furnished by the Contractor will be allowed, nor shall the Contractor do any work or furnish any material not covered by the contract, unless such work is ordered in writing by the Commission.

Time Keeping Procedures

The Contractor shall require employees and subcontractors, if applicable, whose positions are funded under this contract or included as match, to maintain adequate documentation for services provided. For positions that are funded from more than one source, an analysis of duties performed by program shall also be prepared.

Monitoring, Evaluation and Audit

The Contractor agrees to cooperate with any monitoring, evaluating and/or audit conducted by the Commission, or their designees who shall have full access to and the right to examine all books, records and other relevant documents.

The Contractor agrees to take immediate corrective action on deficiencies disclosed through program monitoring of costs disallowed in the course of an audit, review, or monitoring.

PROGRAM REQUIREMENTS

Equal Opportunity

No individual shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in the administration of or in connection with this contract because of race, color, disability, or political affiliation or belief.

The Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, disability, age, sex, political affiliation or belief or citizenship.

Nondiscrimination

This contract and any subcontract hereunder is subject to the Age Discrimination Act of 1975, Section 504 of the Rehabilitation Act, Title VI of the Civil Rights of 1964 and the Americans with Disabilities Act of 1990.

Copyrights and Rights in Data

The contractor agrees that any plans, drawings, designs, specifications, computer programs (which are substantially paid for with federal grant or state funds), technical reports, operation manuals and other work submitted with a proposal or grant application or which are specified to be delivered under this contract or which are developed or produced and paid for under this contract (referred to in this clause as "subject data") are subject to the rights of the Commission to use, duplicate and disclose the subject data in whole or in part, in any manner for any purpose whatsoever, and have others do so. If the material is copyrightable, the contractor may copyright the material, subject to the rights in the government, but the Commission reserves a royalty-free, non-exclusive and irrevocable license to reproduce, publish and use the material, in whole or in part, and to authorize others to do so. The contractor shall include provisions appropriate to effectuate the purposes of this condition in all subcontracts expected to produce copyrightable "subject data."

Applicable Law and Venue

This contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.

Indemnity

Contractor shall defend, indemnify, and hold harmless the State of North Dakota, its agencies, officers and employees (State) from any and all claims of any nature including all costs, expenses and attorneys' fees, that may in any manner result from or arise out of this agreement, except for claims resulting from or arising out of the State's sole negligence. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if

retention of separate legal counsel for the State is necessary. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

Confidentiality

Contractor agrees not to use or disclose any information it receives from the State under this contract that the State has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by the State. The State agrees not to disclose any information it receives from Contractor that the Contractor has previously identified as confidential and which the State determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. §44-04-18. The duty of the State and Contractor to maintain confidentiality of information under this section continues beyond the term of this contract, or any extensions or renewals of it.

Contractor understands that, except for disclosures prohibited in N.D.C.C. Chapter 47-25.1, the State must disclose to the public upon request any records it receives from Contractor. Contractor further understands that any records which are obtained or generated by the Contractor under this contract, except for records that are confidential under N.D.C.C. Chapter 47-25.1, may, under certain circumstances, be open to the public upon request under North Dakota open records law. Contractor agrees to contact the State immediately upon receiving a request for information under the open records law and to comply with the State's instructions on how to respond to the request.

SPECIFIC PROVISIONS
July 2, 2003

Purpose

Montana-Dakota Utilities Co. has filed an application to increase its North Dakota electric utility service rates. To fully pursue and represent its case, staff requires assistance to analyze MDU's filing and to provide written and oral testimony. The work will include sufficient detail as is necessary to successfully testify under cross-examination.

All work under this contract must be completed prior to the commission's fiscal year ending June 30, 2005. More importantly, the work needs to be sufficiently complete so that the contractor can provide written testimony by September 29, 2003 and oral testimony at the technical hearing scheduled to begin November 12, 2003.

The specific purpose is to investigate, analyze and provide testimony on issues no. 1 (appropriate revenue requirement) and no. 3 (appropriate rate design) identified in the contractor's July 1, 2003 proposal in order to provide MDU an opportunity to earn a fair and reasonable return on its electric utility investment in North Dakota. Other issues identified in the proposal, no. 2 (appropriate cost of capital excluding equity), no. 4 (appropriate cost of equity) and no. 5 (appropriate depreciation rates), are not included in the scope of this contract, but may be incorporated into future amendments. The scope of work includes:

1. Professional analysis and review of filing.
2. Prepare and conduct discovery.
3. Periodic progress reports of discovery, conclusions and recommendations to keep staff updated.
4. Prepare written testimony and provide an advanced copy to staff for review prior to submitting as a formal document.
5. Prepare written and oral testimony in rebuttal to testimony of other parties in the proceeding.
6. Testify at the hearing.
7. Assist staff legal counsel in preparation of cross-examination of the witnesses of other parties to the proceedings.
8. After the hearing, assist staff legal counsel in preparation of findings of fact for a proposed commission decision.

Compensation

The Contractor will be compensated based on periodic submittal of progress reports. Final payment will be made upon satisfactory completion of the described project work, as determined by the commission.

In the event the case is settled or this agreement is otherwise terminated prior to completion of project work, then compensation will be awarded for work satisfactorily completed.

No part of this contract may be assigned, sublet or subcontracted.

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Leo M. Reinbold
Susan E. Wefald

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: sab@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

July 3, 2003

Charles W King
Snavely King Majoros O'Connor & Lee Inc
1220 L St NW Ste 410
Washington D C 20005

Dear Mr. King:

Enclosed is Contract No. PU-468-03 for consulting services in Case No. PU-399-03-296. Please sign both copies of the contract, keep one copy for your files and return one copy to me.

When submitting invoices for payment, **please send them directly to Mike Diller** and identify the case number for each invoiced amount.

If you have any questions, please call me at 701-328-4079.

Sincerely,

Sharon Helbling
Public Utilities Division

Enclosures

20 **PU-399-03-296** Pages: 1

Letter to Snavely King Majoros O'Connor & Lee re Contract by Public Service Commission

07/03/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

APPROVED
DATE: 7-2-03
KMF

MOTION

July 2, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission execute a $36,004 contract with Snavely King Majoros O'Connor & Lee, Inc. for consulting services in Montana-Dakota Utilities Co.'s Electric Rate Increase Application, Case No. PU-399-03-296.

sdh

19 **PU-399-03-296** Pages: 1

Motion approved to execute a $36,004 contract with Snavely King etc. by Public Service Commission

07/02/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

CONTRACT

Administrator: Public Service Commission
State Capitol - 12th Floor
Bismarck, ND 58505-0480
(701) 328-2400

Date: July 2, 2003

Susan E. Wefald	**Anthony T. Clark**	**Leo M. Reinbold**
Commissioner	**President**	**Commissioner**

Contractor

Snavely King Majoros O'Connor & Lee, Inc.
Name

1220 L St NW Ste 410	Washington D C 20005	202-371-9156
Address	**City/State/Zip**	**Phone**

Charles W. King	President
Typed Name	**Title**

Signature	**Date**

Agreement Information

Contract No.: PU-468-03

Start Date: 7-2-03

End Date: 6-30-05

Program Title: PU-399-03-296

Type of Contract: ( ) Fixed Price
(X) Cost Reimb. ( ) Unit Price
( ) Other

Budget Information

Cost Center: 7700

Services: $36,004

Optional on-site review: 0

Expenses: 0

ID 52-0901220

Type of Contractor: ( ) Individual
(X) Corporation ( ) Partnership
( ) Public Agency
( ) Nonprofit Organization
( ) Other

This contract is entered into between the above two parties. This contract consists of this sheet, general provisions and specific provisions.

Contract No. PU-468-03 issued to Snavely King Majoros O'Connor & Lee, Inc. by Public Service Commission

07/02/2003 CC: Comm Legal Illona, Pat, Jerry Mike

GENERAL PROVISIONS

CONTRACTUAL FEATURES

Legal Authority

The Contractor assures that it possesses legal authority to participate in this contract.

Assignment/Subcontracting

The Contractor may not assign this contract or any part thereof, or assign any of the monies to be paid hereunder, nor shall any part of the work done or material furnished under this contract be sublet.

The Contractor may not enter into subcontracts for any of the work contemplated under this contract unless included in the specific provisions of this contract.

Termination

The Commission, by ten days written notice listing causes and reasons, may terminate this contract in whole or in part when it is determined that the Contractor has failed to meet the conditions of the contract. The Commission will be liable only for payment provisions of this contract for services satisfactorily rendered prior to the effective date of termination.

Significant deviation from performance standards in this contract may result in reduced or terminated financial participation of the Contractor, subsequent to negotiations with the Commission.

The Contractor or the Commission may terminate this contract in whole or in part upon settlement or when both parties agree that the continuation of the contract would not produce results commensurate with further expenditures of funds. The two parties shall agree upon the termination conditions including effective date and in the case of partial terminations, that portion to be terminated.

Any contract that extends beyond the current biennium may be terminated by the Commission if sufficient funds are unavailable, if the law regarding the contract is changed, or without cause at any time.

In the event state or federal funds are reduced or terminated, the financial participation of the Commission may be reduced or terminated.

Disputes

The Contractor agrees to attempt to resolve disputes arising from this contract by administrative process and negotiations in lieu of litigation. Continued performance by the Contractor during disputes is assured.

Any dispute concerning a question of fact arising under this contract which is not settled by the informal means shall be decided by the authorized representative of the Commission who shall reduce the decision to writing and mail or otherwise furnish a copy thereof to the Contractor.

The Contractor shall be afforded an opportunity to be heard and to offer evidence in support of an appeal. Pending final decision of a dispute, the Contractor shall proceed diligently with the performance of the contract and in accordance with the decision of the Commission.

The Commission does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolutions. The parties have the right to enforce their rights and remedies in judicial proceedings. The Commission does not waive any right to a jury trial.

FISCAL RESPONSIBILITIES

Records

The Contractor agrees to maintain program records required by the Commission and to produce program narrative and statistical data at times prescribed by the Commission.

The Contractor agrees to maintain and retain all books, records, and other documents required by the Commission relevant to this agreement for four years after final payment. Records shall be retained beyond four years if audit findings have not been resolved.

No Claim for Additional Work

No claim for additional services not specifically herein provided, done, or furnished by the Contractor will be allowed, nor shall the Contractor do any work or furnish any material not covered by the contract, unless such work is ordered in writing by the Commission.

Time Keeping Procedures

The Contractor shall require employees and subcontractors, if applicable, whose positions are funded under this contract or included as match, to maintain adequate documentation for services provided. For positions that are funded from more than one source, an analysis of duties performed by program shall also be prepared.

Monitoring, Evaluation and Audit

The Contractor agrees to cooperate with any monitoring, evaluating and/or audit conducted by the Commission, or their designees who shall have full access to and the right to examine all books, records and other relevant documents.

The Contractor agrees to take immediate corrective action on deficiencies disclosed through program monitoring of costs disallowed in the course of an audit, review, or monitoring.

PROGRAM REQUIREMENTS

Equal Opportunity

No individual shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in the administration of or in connection with this contract because of race, color, disability, or political affiliation or belief.

The Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, disability, age, sex, political affiliation or belief or citizenship.

Nondiscrimination

This contract and any subcontract hereunder is subject to the Age Discrimination Act of 1975, Section 504 of the Rehabilitation Act, Title VI of the Civil Rights of 1964 and the Americans with Disabilities Act of 1990.

Copyrights and Rights in Data

The contractor agrees that any plans, drawings, designs, specifications, computer programs (which are substantially paid for with federal grant or state funds), technical reports, operation manuals and other work submitted with a proposal or grant application or which are specified to be delivered under this contract or which are developed or produced and paid for under this contract (referred to in this clause as "subject data") are subject to the rights of the Commission to use, duplicate and disclose the subject data in whole or in part, in any manner for any purpose whatsoever, and have others do so. If the material is copyrightable, the contractor may copyright the material, subject to the rights in the government, but the Commission reserves a royalty-free, non-exclusive and irrevocable license to reproduce, publish and use the material, in whole or in part, and to authorize others to do so. The contractor shall include provisions appropriate to effectuate the purposes of this condition in all subcontracts expected to produce copyrightable "subject data."

Applicable Law and Venue

This contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.

Indemnity

Contractor shall defend, indemnify, and hold harmless the State of North Dakota, its agencies, officers and employees (State) from any and all claims of any nature including all costs, expenses and attorneys' fees, that may in any manner result from or arise out of this agreement, except for claims resulting from or arising out of the State's sole negligence. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if

retention of separate legal counsel for the State is necessary. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

Confidentiality

Contractor agrees not to use or disclose any information it receives from the State under this contract that the State has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by the State. The State agrees not to disclose any information it receives from Contractor that the Contractor has previously identified as confidential and which the State determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. §44-04-18. The duty of the State and Contractor to maintain confidentiality of information under this section continues beyond the term of this contract, or any extensions or renewals of it.

Contractor understands that, except for disclosures prohibited in N.D.C.C. Chapter 47-25.1, the State must disclose to the public upon request any records it receives from Contractor. Contractor further understands that any records which are obtained or generated by the Contractor under this contract, except for records that are confidential under N.D.C.C. Chapter 47-25.1, may, under certain circumstances, be open to the public upon request under North Dakota open records law. Contractor agrees to contact the State immediately upon receiving a request for information under the open records law and to comply with the State's instructions on how to respond to the request.

SPECIFIC PROVISIONS
July 2, 2003

Purpose

Montana-Dakota Utilities Co. has filed an application to increase its North Dakota electric utility service rates. To fully pursue and represent its case, staff requires assistance to analyze MDU's filing and to provide written and oral testimony. The work will include sufficient detail as is necessary to successfully testify under cross-examination.

All work under this contract must be completed prior to the commission's fiscal year ending June 30, 2005. More importantly, the work needs to be sufficiently complete so that the contractor can provide written testimony by September 29, 2003 and oral testimony at the technical hearing scheduled to begin November 12, 2003.

The specific purpose is to investigate, analyze and provide testimony on issues no. 1 (appropriate revenue requirement) and no. 3 (appropriate rate design) identified in the contractor's July 1, 2003 proposal in order to provide MDU an opportunity to earn a fair and reasonable return on its electric utility investment in North Dakota. Other issues identified in the proposal, no. 2 (appropriate cost of capital excluding equity), no. 4 (appropriate cost of equity) and no. 5 (appropriate depreciation rates), are not included in the scope of this contract, but may be incorporated into future amendments. The scope of work includes:

1. Professional analysis and review of filing.
2. Prepare and conduct discovery.
3. Periodic progress reports of discovery, conclusions and recommendations to keep staff updated.
4. Prepare written testimony and provide an advanced copy to staff for review prior to submitting as a formal document.
5. Prepare written and oral testimony in rebuttal to testimony of other parties in the proceeding.
6. Testify at the hearing.
7. Assist staff legal counsel in preparation of cross-examination of the witnesses of other parties to the proceedings.
8. After the hearing, assist staff legal counsel in preparation of findings of fact for a proposed commission decision.

Compensation

The Contractor will be compensated based on periodic submittal of progress reports. Final payment will be made upon satisfactory completion of the described project work, as determined by the commission.

In the event the case is settled or this agreement is otherwise terminated prior to completion of project work, then compensation will be awarded for work satisfactorily completed.

No part of this contract may be assigned, sublet or subcontracted.

MOTION

APPROVED
DATE: 7-2-03
KMF

July 2, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission appoint Jerry Lein as advocacy staff in Montana-Dakota Utilities Co.'s Electric Rate Increase application in Case No. PU-399-03-296.

Sdh

17 **PU-399-03-296** Pages: 1

Motion appointing Jerry Lein as advocacy staff
by Public Service Commission

07/02/2003 CC. Comm Legal Illona, Pat, Jerry Mike .

APPROVED
DATE: 7-2-03
KMF

MOTION

July 2, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission postpone consideration of MDU's request for July 1, 2003 interim rates, Case No. PU-399-03-296, Montana-Dakota Utilities Co., Electric Rate Increase Application. I further move that MDU and advocacy staff file briefs by July 16, 2003 on the legality and merits of the Commission making an interim rate decision after July 1, 2003, with those interim rates becoming effective retroactively, including the appropriate method for collection from customers.

PJF/sdh

16 **PU-399-03-296** Pages: 1

Motion

by Public Service Commission

07/02/2003 CC: Comm Legal Illona, Pat, Jerry Mike

RECEIVED
JUL 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

Proposal by
SNAVELY KING MAJOROS O'CONNOR & LEE, INC
to the
Public Service Commission of North Dakota
Case No. PU-399-03-296

Snavely King Majoros O'Connor & Lee, Inc. ("Snavely King") is pleased to offer the following proposal to the Public Utilities Commission of North Dakota ("PSC") to provide expert witness consulting assistance in connection with Case No PU-399-03-296, involving Montana-Dakota Utilities' ("MDU") rates for electric service.

I. The Firm

Snavely King, formerly Snavely, King & Associates, Inc., was founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs and economic performance of regulated firms and industries. The firm has a professional staff of 10 economists, accountants, engineers and cost analysts. Most of its work involves the development, preparation and presentation of expert witness testimony before federal and state regulatory agencies. Over the course of its 33-year history, members of the firm have participated in over 500 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

II. Objective

The objective of the work contemplated in this proposal is to develop the Commission Staff's position on five issues pertaining to MDU's request for an increase in its electric rates: (1) the appropriate revenue requirement, (2) the appropriate cost of capital excluding equity, (3), the appropriate rate design, (4) the appropriate cost of equity and (5) appropriate depreciation rates. For purposes of this proposal, issue (4) will be considered as incremental to issue (2), and issue (5) will be conducted separately in a deferred proceeding.

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Proposal by Snavely King Majoros O'Connor & Lee, Inc.
by Snavely King Majoros O'Connor & Lee, Inc.
07/01/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

III. Issues

A. Revenue Requirement

The structure of the electric industry in North Dakota has changed over the past few years. Although Mid-continent Area Power Pool ("MAPP") members that are "load-serving entities" such as MDU are still required to acquire sufficient firm resources to serve their loads, those resources need not belong to the utility. To the contrary, they could be provided by totally unrelated "merchant" generators of electricity that have no retail service territory, only generating facilities. Alternatively, they could be provided by neighboring utilities that have excess production facilities or complementary load profiles.

The "driver" of much of the rate increase that MDU is requesting appears to be a 40 MW combustion turbine that the Company proposes to construct at its Glendive, Montana generating facility. The Company claims that this is the most cost-effective resource available, but it is not clear whether MDU has explored all possible alternatives available. Specifically, it is unclear whether MDU conducted a competitive solicitation for this added capacity. We propose to explore this issue intensively to determine the propriety of placing the investment and operating expenses of this plant into the revenue requirement at this time.

There are a number of additional revenue requirements issues that were raised in MDU's electric case, Case No. PU-399-01-186, and in the gas case, Case No. PU-399-02-183 and resolved in favor of the Commission staff. For example, the Commission has twice rejected the inclusion of the Supplemental Security Income Plan as chargeable to ratepayers. Yet, the Company continues to press for the inclusion of this plan in its revenue requirement. Snavely King proposes to examine all expenditures, capital and operating, to ensure that they are fully justified by the need to serve the Company's North Dakota retail customers.

B. Cost of Capital

The Commission's decisions in Case Nos. PU-399-01-186 and PU-399-02-183 resolved some of the controversies that have arisen with resect to MDU's cost of capital. These cases found the cost of equity in 2001 for electric service to be 11.8 percent and the cost for gas service in 2002 to be 11.329 percent. In this case, the Company is asking for an equity cost of 11.75 percent. While good arguments exist to support a lower rate of return, the Staff may determine that this equity return is sufficiently consistent with the Commission's recent findings that it is difficult to justify the effort and expense required to present a case on this issue. For this reason, our proposal presents equity return as a separate sub-issue with a budget incremental to the remaining issues of capital structure, cost of debt and overall cost of capital.

These remaining issues have also been litigated in the recent cases, but they have not been altogether resolved. Specifically, in its gas case decision, the Commission challenged the Staff to demonstrate that MDU's parent company, MDU Resources, has "gamed" the regulatory system to delegate its highest-cost debt to the regulated enterprise. We propose to determine whether a persuasive case can be made that such gaming took place. There are also serious questions as to whether the Company has made maximum use of the currently very low cost of short-term debt.

C. Rate Design

In this case, MDU is proposing the following rate changes by class:

- Residential +16.9%
- Small General Service +8.7%
- Large General Service +2.3%
- Lighting -15.2%
- Pumping +1.9%

These extraordinarily disproportionate increases are supported by a class cost of service study the purports to show residential customers generating rates of return substantially below those of the other classes. Snavely King is familiar with such cost of service studies and is prepared to refashion them so as to impose less of the load of fixed distribution system costs on residential customers.

Even if the adjusted cost of service study still shows residential customers earning less than the average rate of return, most commissions, including this one, regard highly disproportionate class increases as unfair and unreasonable. For example, few commissions would tolerate a substantial rate increase to the residential class while another class receives a rate reduction, as MDU is proposing here. Most commissions require that all classes receive at least a portion of the rate increase, and this is what Snavely King will advocate in this case.

Another issue that arguably relates to rate design is the Company's proposal to allocate 60% of the margins on wholesale sales to ratepayers and 40% to the Company. In view of the fact that that the Company expects to assign 100% of wholesale purchases to ratepayers, this arrangement appears decidedly one-sided in favor of the Company. Snavely King will advocate either a 100% attribution of these margins to ratepayers or, at best, a 90/10 split between ratepayers and the Company.

D. Depreciation

Snavely King is widely recognized as one of the nation's leading analysts of utility depreciation on behalf of consumer interests. Its experience goes back to the 1970s, when Snavely King acted as consulting experts to a number of state commissions and consumer advocates in the tri-annual represcriptions of depreciation rates conducted by the FCC Accounting and Audits Division. Generally, Snavely King reviews, evaluates and restates depreciation rate studies submitted by the utilities. However, the firm has the capability to conduct a *de novo* depreciation study if it can be given access to the utility's plant records.

The situation with respect to depreciation in this case resembles that in the gas case, Case No. PU-399-02-183. The Company has not addressed depreciation in its initial filing, but proposes to submit an electric depreciation study on a deferred basis. Presumably, the Company's depreciation methodology, proposals and some of the rates will resemble those presented in the gas case. Since the gas case settlement does not constitute precedent that can be cited in the electric case, Staff will have to make its case again, presenting much the same arguments, albeit with different numbers. For this reason, the tasks and budget presented here reflect those presented to the Commission in Snavely King's proposal for the gas case.

IV. Staffing

Charles W. King, President of Snavely King, will be the overall project director. He will also serve as the expert witness on cost of capital and rate design. Michael J. Majoros, Jr., Vice President, will direct the review of MDU's accounting presentation and will provide expert witness testimony on the revenue requirement. Either Mr. King or Mr. Majoros may present the depreciation case depending on their availability. These two principals will be assisted by Snavely King's support staff, consisting of Margaret Kenney, Michael Schneider, David Geissler and Christopher Sylvester. Resumes of Messrs. King and Majoros are attached to this proposal.

V. Work Plan

The work tasks required for this project are those conventionally associated with rate cases, as follows:

- Review the Company's initial filing,
- Prepare initial data requests,
- Evaluate the responses to the data requests and determine the availability of data to support the analysis of the issues,
- Evaluate and analyze each issue, quantitatively wherever possible,

- Prepare direct testimony,
- Respond to data requests on the prefiled testimony,
- Review and evaluate the Company's rebuttal testimony,
- Prepare data requests on the rebuttal testimony,
- Prepare oral surrebuttal testimony,
- Attend hearing in Bismarck, and
- Assist counsel on brief.

Our experience in North Dakota is that oral surrebuttal is typically presented at the hearing. The work hour budget allows two days for the hearing. It is possible that the hearing will not require two days' attendance by both Snavely King witnesses.

The attached schedule sets forth the estimated work hours of company principals and support staff for each task, subdivided by subject area. Note that separate work hour estimates are provided for "cost of capital without equity" and an incremental cost for presenting testimony on the cost of equity. The "depreciation study" budget assumes that Snavely King will conduct a depreciation study directly from the Company's plant records, but that this effort will be in a deferred proceeding with a separate hearing.

VI. Budget

The attached schedule presents the fee and expense budget for each of four subject areas, with the cost of capital task split between "without equity" and "cost of equity" as an incremental task.

The subject area budgets are presented at the bottom of the budget calculation. The minimum task assignment at the present time would be revenue requirement, cost of capital without equity, and rate design. The cumulative budget for these subject areas is $44,930, and this is the amount displayed in the attached contract document. If the Commission determines that the cost of equity should be addressed, the contract should be increased to $52,055. We assume that the Commission would prefer to wait until

MDU has produced its depreciation study and proposals before awarding any funds to rebut them. Nonetheless, we are proposing a budget of $23,416 for that effort.

VI. Conclusion

We believe the foregoing information responds fully to the Commission Staff's request. However, we would be happy to respond to any questions or comments the Commission Staff may have concerning our firm, its staff or this proposal. Snavely King appreciates this opportunity to submit its proposal to the North Dakota Public Service Commission.

Respectfully Submitted,

Charles W. King
President

Snavely King Majoros O'Connor & Lee, Inc.
Suite 410
1220 L Street, N.W.
Washington, DC 20005
Tel: (202) 371-1111
FAX: (202) 842-4966
e-mail: charlieking@snavely-king.com

Snavely King Majoros O'Connor & Lee, Inc.
MDU Electric Rate Case
Project Budget

Workhours:

	Task	Revenue Requirement			Cost of Capital w/o Equity			Rate Design (Including Wholesale Sharing)			Cost of Equity (Incremental)			Depreciation Study (Deferred Proceeding)		
		Principals	Staff	Total	Principals	Staff	Total	Principals	Staff	Total	Principals	Staff	Total	Principals	Staff	Total
1	Review Company Filing	8		8	3		3	3		3	0		0	8		8
2	Prepare Initial Data Requests	10		10	3		3	2		2	2		2	6		6
3	Evaluate Responses/Data Availability	8		8	3		5	3		3	3		3	6		6
4	Conduct Evaluation/Analyses	40	35	75	20	15	35	25	40	65	12	10	22	35	40	75
5	Prepare Direct Testimony	35	15	50	15	5	20	20	10	30	12	5	17	25	30	55
6	Respond to Data Requests	8		8	3		3	3		3	2		2	7		7
7	Review/Evaluate Rebuttal	10		10	5		5	3		3	3		3	12		12
8	Prepare Data Requests on Rebuttal	3		3	2		2	2		2	2		2	3		3
9	Prepare Oral Surrebuttal	5		5	2		2	3		3	2		2	4	12	16
10	Attend Hearing	16		16	16		16							16		16
11	Assist Counsel on Brief	7		7	2		2	2		2	7		7	4		4
	Total Workhours	150	50	200	74	20	96	66	50	116	45	15	60	126	82	208
	Rate Per Hour	$ 125	$ 75		$ 125	$ 75		$ 125	$ 75		$ 125	$ 75		$ 125	$ 75	
	Fees	$ 18,750	$ 3,750	**$ 22,500**	$ 9,250	$ 1,500	**$ 10,750**	$ 8,250	$ 3,750	**$ 12,000**	$ 5,625	$ 1,125	**$ 6,750**	$ 15,750	$ 6,150	**$ 21,900**
	Expenses															
	Air Fare	900			900									900		
	Hotel & Meals	240			240									240		
	Local Travel	90												90		
	Airport Parking	24			36									36		
	Reproduction	100												100		
	Delivery and Postage	150												150		
	Total Expenses			1,504			1,176									1,516
	Total Costs			**$ 24,004**			**$ 11,926**			**$ 12,000**			**$ 6,750**			**$ 23,416**
	Cumulative Costs									**$ 47,930**			**$ 54,680**			$ 78,096

Charles W. King

Experience

Snavely King Majoros O'Connor & Lee, Inc.
Washington, DC

President (1989 to Present)
Vice President (1970 - 1989)

Mr. King, a founder of the firm and acknowledged authority on regulatory economics, brings over 35 years of experience in economic consulting to his direction of the firm's work in transportation, utility and telecommunications economics.

Mr. King has appeared as an expert witness on over 300 separate occasions before more than thirty state and nine U.S. Canadian federal regulatory agencies, presenting testimony on rate base calculations, rate of return, rate design, costing methodology, depreciation market forecasting, and ratemaking principles. Mr. King has also testified before House and Senate Committees on energy and telecommunications legislation pending before the U.S. Congress.

In telecommunications, Mr. King has testified before the Federal Communications Commission on a number of policy issues, service authorization, competitive impacts, video dialtone, and prescription of interstate depreciation rates. Before state regulatory bodies, he has presented testimony in proceedings on intrastate rates, earnings and depreciation. Mr. King recently directed analyses of the prices of services under Federal Government's FTS2000 long distance system.

In addition to his appearances as a witness in judicial and administrative proceedings, Mr. King has negotiated settlements among private parties and between private parties and regulatory offices. Mr. King also has directed depreciation studies, investment cost benefit analyses, demand forecasts, cost allocation studies and antitrust damage calculations.

In Canada, Mr. King designed and directed an extended inquiry into the principles and procedures for regulating the telecommunication carriers subject to the jurisdiction of the Canadian Transport Commission. He also was the principal investigator in the Canadian Transport Commission's comprehensive review of rail costing procedures.

EBS Management Consultants, Inc., Washington, DC

Director, Economic Development Department (1966-1970)

Mr. King organized and directed a five-person staff of economists performing research, evaluation, and planning relating to economic development of depressed areas and communities within the U.S. Most of this work was on behalf of federal, state, and municipal agencies responsible for community or regional economic development.

Principal Consultant (1966-1968)

Mr. King conducted research on a broad range of economic topics, including transportation, regional economic development, communications, and physical distribution.

W.B. Saunders & Company, Inc., Washington, DC

Staff Economist (1962-1966)

For this economic consulting firm, which later merged with EBS Management Consultants, Inc., Mr. King engaged in numerous research efforts relating primarily to economic development and transportation.

U.S. Bureau of the Budget, Office of Statistical Standards

Analytical Statistician (1961-1962)

Mr. King was responsible for the review of all federal statistical and data-gathering programs relating to transportation.

Education

Washington & Lee University, B.A. in Economics

The George Washington University, M.A. in Government Economic Policy

Michael J. Majoros, Jr.

Experience

Snavely King Majoros O'Connor & Lee, Inc.

Vice President and Treasurer (1988 to Present)
Senior Consultant (1981-1987)

Mr. Majoros provides consultation specializing in accounting, financial, and management issues. He has testified as an expert witness or negotiated on behalf of clients in more than one hundred thirty regulatory proceedings involving telephone, electric, gas, water and sewerage companies. Mr. Majoros has appeared before Federal and state agencies. His testimony has encompassed a wide variety of complex issues including taxation, divestiture accounting, revenue requirements, rate base, nuclear decommissioning, plant lives, and capital recovery. Mr. Majoros also provides consultation to the U.S. Department of Justice.

Mr. Majoros has been responsible for developing the firm's consulting services on depreciation and other capital recovery issues into a major area of practice. He has also developed the firm's capabilities in the management audit area.

Van Scoyoc & Wiskup, Inc., *Consultant (1978-1981)*

Mr. Majoros performed various management and regulatory consulting projects in the public utility field, including preparation of electric system load projections for a group of municipally and cooperatively owned electric systems; preparation of a system of accounts and reporting of gas and oil pipelines to be used by a state regulatory commission; accounting system analysis and design for rate proceedings involving electric, gas, and telephone utilities. Mr. Majoros also assisted in an antitrust proceeding involving a major electric utility. He submitted expert testimony in FERC Docket No. RP79-12 (El Paso Natural Gas Company). In addition, he co-authored a study entitled Analysis of Staff Study on Comprehensive Tax Normalization that was submitted to FERC in Docket No. RM80-42.

Handling Equipment Sales Company, Inc., *Treasurer (1976-1978)*

Mr. Majoros' responsibilities included financial management, general accounting and reporting, and income taxes.

Ernst & Ernst, *Auditor (1973-1976)*

Mr. Majoros was a member of the audit staff where his responsibilities included auditing, supervision, business systems analysis, report preparation, and corporate income taxes.

University of Baltimore - *(1971-1973)*

Mr. Majoros was a full-time student in the School of Business. During this period Mr. Majoros worked consistently on a part-time basis in the following positions: **Assistant Legislative Auditor – State of Maryland, Staff Accountant – Robert M. Carney & Co., CPA's, Staff Accountant – Noron & Wrgod, CPA's, Credit Clerk – Montgomery Wards.**

Central Savings Bank, *(1969-1971)*

Mr. Majoros was an Assistant Branch Manager at the time he left the bank to attend college as a full-time student. During his tenure at the bank, Mr. Majoros gained experience in each department of the bank. In addition, he attended night school at the University of Baltimore.

Education

University of Baltimore, School of Business, B.S. – Concentration in Accounting

Professional Affiliations

American Institute of Certified Public Accountants
Maryland Association of C.P.A.s
Society of Depreciation Professionals

Publications, Papers, and Panels

"Analysis of Staff Study on Comprehensive Tax Normalization," FERC Docket No. RM 80-42, 1980.

"Telephone Company Deferred Taxes and Investment Tax Credits – A Capital Loss for Ratepayers," Public Utility Fortnightly, September 27, 1984.

"The Use of Customer Discount Rates in Revenue Requirement Comparisons," Proceedings of the 25th Annual Iowa State Regulatory Conference, 1986

"The Regulatory Dilemma Created By Emerging Revenue Streams of Independent Telephone Companies," Proceedings of NARUC 101st Annual Convention and Regulatory Symposium, 1989.

"BOC Depreciation Issues in the States," National Association of State Utility Consumer Advocates, 1990 Med-Year Meeting, 1990.

"Current Issues in Capital Recovery" 30th Annual Iowa State Regulatory Conference, 1991.

"Impaired Assets Under SFAS No. 121," National Association of State Utility consumer Advocates, 1996 Mid-Year Meeting, 1996.
"What's 'Sunk' Ain't Stranded: Why Excessive Utility Depreciation is Avoidable," with James Campbell, Public Utilities Fortnightly, April 1, 1999.

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dan Kuntz
PO Box 1695
Bismarck ND 58502-1695

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 7-18-03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4912 3303

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Douglas W Schulz
MDL
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 7-18-03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4912 3297

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Don Ball
MDL
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 7-18-03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4912 3280

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PY-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Douglas Schulz
MBR
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 9/27/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 2749

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PY-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Don Ball
MBR
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 9/27/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 2732

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PY-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Dan Kunz
PO Box 1695
Bismarck ND 58502-1695

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 9/27/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 2756

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-09

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 9/29/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 3111

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Thomas D Kelsch
PO Box 1266
Mandan ND 58554-1266

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) Valene Ehrlich C. Date of Delivery 9/29/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 3852

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Douglas Schultz
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 9/29/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 3128

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-098

PY-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Jim Roache
PO Box 564
Crosby ND 58730

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Jim Roache ☐ Agent ☐ Addressee

B. Received by (Printed Name) JIM ROACHE C. Date of Delivery 10/25/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 4132

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PY-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Jim Roache
PO Box 564
Crosby ND 58730

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Jim Roache ☐ Agent ☑ Addressee

B. Received by (Printed Name) JIM ROACHE C. Date of Delivery 9-30-03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 3142

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PY-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Dan Kuntz
PO Box 1695
Bismarck ND 58502-1695

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery 10/29/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 3135

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dan Kurtz
PO Box 1695
Bismarck ND 58502-1695

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) | C. Date of Delivery
[signature] | 10-24-03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 4125

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-098

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Douglas Schulz
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) | C. Date of Delivery
[signature] | 10/24/03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 4118

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Thomas D Kelsch
PO Box 1266
Mandan ND 58554-1266

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) | C. Date of Delivery
| 10-24-03

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 4149

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-0985

PM-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dan Kuntz
PO Box 1695
Bismarck ND 58502-1695

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 11-14-03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7003 1680 0004 9646 2941

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

PM-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Don Ball
MDU
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 11-14-03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7003 1680 0004 9646 2927

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-154

PM-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Don Ball
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 10/24/03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0003 4913 4101

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-098

PY-399-03-996

SENDER: *COMPLETE THIS SECTION*

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

14 NOV 2003

1. Article Addressed to:

Douglas Schulz
NDRL
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [illegible] C. Date of Delivery 11-14-03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
(Transfer from service label) 7003 1680 0004 9646 2934

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

PY-399-03-996

SENDER: *COMPLETE THIS SECTION*

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jeni Roache
PO Box 564
Crosby ND 58730

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [illegible] C. Date of Delivery 11/15/03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
(Transfer from service label) 7003 1680 0004 9646 2958

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **19th day of December, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Order Approving Settlement

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501
Cert. No. 7003 1680 0004 9646 3535

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501
Cert. No. 7003 1680 0004 9646 3542

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695
Cert. No. 7003 1680 0004 9646 3559

Jim Roache
P O Box 564
Crosby ND 58730
Cert. No. 7003 1680 0004 9646 3566

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266
Cert. No. 7003 1680 0004 9646 3573

129 PU-399-03-296 Pages: 7
Affidavits of Service
by Public Service Commission
12/19/2003 CC: Comm Legal Illona, Pat, Jerry Mike

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **19th day of December, 2003**.

Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **19th day of December, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Order Approving Settlement

The envelopes were addressed as follows:

See Attached List

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sharon Helbling

Subscribed and sworn to before me
this **19th day of December, 2003**.

Sandra L Scott
Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

shandy@kwh.com
Scott Handy
Cass County Elec Coop Inc
P O Box 8
Kindred ND 58051

bschmidt@kwh.com
Brad Schmidt
Cass County Electric Coop
4100 32nd Ave SW
Fargo ND 58104

jason_gustafson@bobcat.com
Jason Gustafson
Melroe Company
P O Box 128
Gwinner ND 58040-0128

craig_scott@bobcat.com
Craig Scott
Melroe Company
P O Box 128
Gwinner ND 58040-0128

mbring@minnkota.com
Mark Bring
Minnkota Power Cooperative
Box 13200
Grand Forks ND 58208-3200

balld@mdu.mdures.com
Don Ball
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

collinsk@mdu.mdures.com
Karen Collins
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

hfuglest@ndarec.com
Harlan Fugelsten
ND Assn Rural Electric Coops
PO Box 727
Mandan ND 58554-0727

kchristianson@state.nd.us
Kim Christianson
ND Department of Commerce
Bismarck ND

dellefson@otpco.com
Dennis Ellefson
Otter Tail Corporation

tgreene@otpco.com
Tim Greene
Otter Tail Power Company

rmontonye@otpco.com
Ron Montoyne
Otter Tail Power Company

dross@otpco.com
David Ross
Otter Tail Power Company

sschultz@otpco.com
Steve Schultz
Otter Tail Power Company

dweiby@otpco.com
Dan Weiby
Otter Tail Power Company

rdenault@otpco.com
Russ Denault
Otter Tail Power Company
P O Box 400
Devils Lake ND 58301

pbeithon@otpco.com
Pete Beithon
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

bbrutlag@otpco.com
Bernadeen Brutlag
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

wpp@pearce-durick.com
William Pearce
Pearce & Durick Attorneys
PO Box 400
Bismarck ND 58502-0400

mdickerson@state.nd.us
Marcy Dickerson
State Tax Department
State Capitol
Bismarck ND 58505

dave.sederquist@xcelenergy.com
Dave Sederquist
Xcel Energy
P O Box 2747
Fargo ND 58108-2747

James Roache
P O Box 564
Crosby ND 58730

Steven Tomac
2498 59th St
St Anthony ND 58566-9640

Will Kaul
Cooperative Power Association
P O Box 800
Elk River MN 55330-0800

Laurie Baranko
Dakota Resource Council
PO Box 1095
Dickinson ND 58602-1095

Karyn Grass
IPAMS
6620 Denver Club Bldg 518 17th St
Denver CO 80202-4167

KMAV AM/FM RADIO
PO Box 216
Mayville ND 58257-0216

Bruce Imsdahl
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Mike Foley
NARUC
1101 Vermont Avenue NW Ste 200
Washington DC 20005

Dennis Lavallee
Nat'l Assoc Plumbing-Htng-Cooling
PO Box 6808
Falls Church VA 22046-6808

Public Utilities Reports Inc
Law Dept
8229 Boone Blvd Ste 401
Vienna VA 22182

F James Moriarty
2333 Plum Grove Dr
O'Fallon MO 63366

Vernon Baszler
Community Action Program Reg VII Inc
1825 S Grandview #15
Bismarck ND 58501

William Jackson
Dakota Justice
38 8th Ave W
Dickinson ND 58601

Jay Casler
INDEPTH DATA INC
44 S Bdwy 18th Fl
White Plains NY 10601-4425

Rick Jensen
KHND AM Radio
PO Box 6
Harvey ND 58341-0006

Michel Murray
MCI WorldCom Inc
707 17th St Ste 3600
Denver CO 80202

Ron Tipton
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Robert Burns
National Regulatory Research Inst
406 Bevis Hall 1080 Carmack
Columbus OH 43210

Scott Speaker
Natural Gas Week
1401 New York Ave NW Ste 500
Washington DC 20005-2150

John Kapsner
The Vogel Law Firm
P O Box 2097
Bismarck ND 58502-2097

LeRoy Neubauer
Valley City Public Works
254 2nd Ave NE
Valley City ND 58072

Paul Lehman
Xcel Energy
512 Nicollet Mall
Minneapolis MN 55402

APPROVED
DATE: 12-18-03
KMF

MOTION

December 18, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission adopt the Order Approving Settlement in Montana-Dakota Utilities Co.'s electric rate increase application, Case No. PU-399-03-296.

sdh

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Motion

by Public Service Commission

12/18/2003 CC: Comm Legal Illona, Pat, Jerry Mike

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

ORDER APPROVING SETTLEMENT AGREEMENT

December 18, 2003

Appearances

Commissioners: Tony Clark, Kevin Cramer, Susan E. Wefald

William W. Binek, Chief Counsel, Public Service Commission, State Capitol, 600 East Boulevard, Bismarck, ND 58505, appearing for the Public Service Commission advocacy staff.

Allen C. Hoberg, Director, Office of Administrative Hearings, 1707 North 9th Street - Lower Level, Bismarck, ND 58501-1882, presiding Administrative Law Judge.

Thomas D. Kelsch, Attorney at Law, 103 Collins Avenue, PO Box 1266, Mandan, North Dakota 58554-7266 appearing for AARP.

Daniel S. Kuntz, Attorney at Law, 316 North Fifth Street, PO Box 1695, Bismarck, ND 58502-1695 appearing for Montana-Dakota Utilities Co.

Jim Roaché, PO Box 564, Crosby, ND 58730 appearing for a North Dakota Non-Profit Organization and as an MDU customer.

Preliminary Statement

On May 30, 2003, Montana-Dakota Utilities Co. (MDU) filed a notice of a proposed increase to its North Dakota retail electric rates to become effective July 1, 2003, based on a 2003 test year. The Notice proposed an increase in electric rates to provide additional annual revenue of $7,788,565, or a 9.1 percent increase, over current rates. The proposed tariff changes also included implementation of a sharing mechanism between the MDU and its North Dakota retail customers of wholesale electric sales margins realized by MDU. Filed with the Notice were revised tariffs, direct testimony, and exhibits including a class cost of service study. The revised tariffs reflected changes to the design of

MDU's current rates intended to more accurately reflect the cost of providing electric service to its customers based on a class cost of service study.

On May 30, 2003, MDU also filed a Motion for Interim Relief requesting that the Commission issue an order allowing MDU to file an interim tariff providing for an across-the-board per kilowatt hour increase in retail electric rates that would derive additional annual revenues of $2,404,100 to MDU from retail electric service in North Dakota effective July 1, 2003.

On June 25, 2003, the North Dakota Public Service Commission advocacy staff (Staff) filed a response opposing MDU's request for interim rate relief. On July 1, 2003 MDU filed a response to the Staff response.

On July 2, 2003, the Commission postponed consideration of MDU's request for July 1, 2003 interim rates and asked that MDU and Staff file briefs on the legality and merits of the Commission making an interim rate decision after July 1, 2003, with those interim rates becoming effective retroactively, including the appropriate method for collection from customers. MDU and Staff filed said briefs on July 15, 2003.

On August 4, 2003, MDU filed a request that the Commission hold MDU's Motion for Interim Rate Relief in abeyance until the issuance of the final order in this proceeding or until MDU renews the motion for interim relief.

On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session that set forth the following issues to be considered in this case:

1. What is the value of MDU's property, used and useful, for the service and convenience of the public in North Dakota?

2. What is MDU's rate of return on its property, used and useful, for the service and convenience of the public in North Dakota?

3. What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

4. What rates and charges are necessary to provide a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

5. Are MDU's proposed rate schedules designed in such a manner that they result in a basis of charge to its customers that is just and reasonable without discrimination?

6. Other relevant information or proposals concerning the proceeding.

On August 20, 2003, the Commission conducted a Public Input Session via interactive video with hearing sites in Bismarck, Dickinson, and Williston.

On July 23, 2003, MDU and Staff filed a Settlement Agreement on the issue of a just and reasonable return on MDU's property, used and useful, for the service and convenience of the public in North Dakota. MDU and Staff agreed to and recommended approval of an overall rate of return of 10.016 percent. On August 28, 2003, the Commission issued a Notice of Settlement and Notice of Intervention Deadline providing that written comments on the Settlement Agreement would be received until September 29, 2003. No comments were received. Copies of the Settlement Agreement and the Commission's October 22, 2003 order approving the Settlement Agreement are attached to this order. The effect of the Settlement Agreement was a reduction of the test year revenue requirement by approximately $380,000.

In its Notice of Settlement and Notice of Intervention Deadline issued on August 28, 2003, the Commission requested MDU, Staff, and other parties to the proceeding to present testimony on the following sub-issues:

1. How is the Commission assured that MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?

2. How is the Commission assured that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base?

On September 24, 2003, the Commission granted intervention to Jim Roaché and AARP.

On September 29, 2003, Staff filed direct testimony of Charles W. King, President of Snavely King Majoros O'Connor & Lee. In his direct testimony, Mr. King recommended an adjustment to the 2003 test year for removal of 10 percent of the cost of MDU's new Glendive 2 generating station and a reduction in the test year O&M expenses by $4,992,800. Mr. King also recommended that the test year revenue requirement be reduced by $5,579,400 to reflect wholesale sales margins to be realized by MDU. Mr. King further commented on MDU's class cost of service study and proposed rate design changes. In particular, Mr. King recommended that MDU's proposed residential base rate of $17.00 per month be set at $5.25 per month.

On September 29, 2003, Staff filed Supplemental Testimony of Charles W. King recommending an increase in the test year revenue requirement for additional depreciation expense for common plant and an adjustment in the interest deduction for calculation of income taxes.

On October 15, 2003, AARP filed direct testimony of Ronald J. Binz, President of Public Policy Consulting. Mr. Binz recommended a reduction in the 2003 test year O&M expenses by $5,734,000 and a further reduction in the test year revenue requirement of $3,965,000 for wholesale sales margins to be realized by MDU. Mr. Binz also commented on MDU's class cost of service study and proposed rate design changes. In particular, Mr. Binz recommended a residential base rate of $6.00 per month.

On October 22, 2003, MDU issued a Notice of Settlement Discussions under the Settlement Guidelines of the North Dakota Public Service Commission (Policy 4-01-95(0) – January 4, 1995) stating that MDU contemplated engaging in settlement discussions with Staff. Settlement discussions were held on October 29, 2003. All Parties were represented at the discussions. As a result of those and subsequent discussions, the Parties reached a Settlement Agreement.

On November 3, 2003, MDU filed testimony on the sub-issues stated in the Commission's Notice issued on August 28, 2003. On the same date, MDU filed rebuttal testimony to the testimony of Staff and AARP. In its rebuttal testimony, MDU agreed with the adjustments recommended by Mr. King in his supplemental testimony and also identified an error in the preparation of its test year O&M expenses which reduced the test year revenue requirement by $1,224,200.

On November 4, 2003, Jim Roaché filed a Motion to Dismiss. On November 5, 2003, MDU filed a brief in response to Jim Roaché's Motion to Dismiss.

On November 10, 2003, MDU filed Prepared Supplemental Rebuttal Testimony of J. Stephen Gaske, which responded to various aspects of the testimony of AARP.

On November 19, 2003, MDU, Staff, and the interveners AARP and Jim Roaché (collectively the Parties) filed a Settlement Agreement to resolve all outstanding issues in this proceeding. As a result of the Settlement Agreement, the Motion to Dismiss of Jim Roaché is moot.

On November 24, 2003 the Commission held an Informal Hearing to consider the Settlement Agreement.

On November 25, 2003, MDU filed a request to withdraw the proposed Electric Service Rules and Regulations Rate 110 rate schedule from the rate case application.

On December 1, 2003, the Commission held a second Informal Hearing at which the sub-issues identified in the proceeding, the rate design changes considered as part of the Settlement Agreement, the workpapers underlying the revenue and rate calculations, and the sub-issue on MDU's demand side energy procurement policies were discussed.

Settlement Agreement

The Settlement Agreement is a negotiated settlement, subject to Commission approval, and does not establish any principle or precedent, except as expressly provided therein.

The Settlement Agreement recommends a net increase in MDU's electric rates for retail customers in North Dakota to yield a revenue increase of $1,000,000 per year effective January 1, 2004.

The Settlement Agreement recommends that retail electric rates be revised to produce a net rate decrease of 1.25 percent to the Street Lighting Service class and an equal percentage net rate increase to all other customer classes.

The Settlement Agreement includes a proposed mechanism for crediting North Dakota retail electric customers for 85% of actual margins realized by MDU on the wholesale sale of electricity. MDU agrees to continue its best efforts to maximize wholesale sales margins consistent with its current practice to provide MDU and its retail customers with the financial benefit of such wholesale sales.

The Settlement Agreement recommends that the changes in Montana-Dakota's retail rates to yield the $1,000,000 per year revenue increase include an increase in Montana-Dakota's residential base rate from $3.50 per month to $5.50 per month and an increase in its small general service base rate from $12.00 per month to $20.00 per month.

The Settlement Agreement proposes that, within the revenue increase and base rate limits specified in the Settlement Agreement, MDU would file revised tariffs effective January 1, 2004 for retail electric service in North Dakota consistent with the rate design changes proposed by MDU in this proceeding and except that the flexible provision of the Firm Service Economic Development Rate would be filed and approved by the Commission on a case by case basis and that the demand charge for the Interruptible Large Power Service Class would not exceed $2.25 per Kw.

The Settlement Agreement recommends that, if MDU were to file revised rates to become effective prior to January 1, 2006 which result in a net increase in North Dakota retail electric revenues to MDU, such revenue increase would be recovered through an equal percentage increase in the rates for all retail customer classes except for the municipal lighting class for which the then current rates may remain in effect.

Having reviewed the testimony and other information provided by the parties, the Commission finds the Settlement Agreement is a fair and reasonable resolution of the issues in this case. The resulting rates and charges for retail electric service will provide a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota. The Commission concludes that the Settlement Agreement is in the public interest and should be approved.

At the December 1, 2003 Informal Hearing, MDU summarized the Integrated Resource Plan and the competitive bidding practices and procedures it uses to evaluate and procure demand and supply resources to meet future energy demand. There was agreement that ongoing discussions of these practices and procedures would be in the best interest of both MDU and the Commission.

Order

1. The attached Settlement Agreement dated November 19, 2003 is approved.

2. MDU's request to withdraw the proposed Electric Service Rules and Regulations Rate 110 rate schedule from the rate case application is approved.

3. MDU shall file revised tariff sheets as agreed to in the attached Settlement Agreement to yield an annual revenue increase of $1,000,000 effective on or after January 1, 2004.

PUBLIC SERVICE COMMISSION

Susan E. Wefald	Tony Clark	Kevin Cramer
Commissioner	President	Commissioner

RECEIVED
JUL 23 2003
NORTH DAKOTA PUBLIC SERVICE COMMISSION
ELECTRONIC SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate Increase Application	)))	Case No. PU-399-03-296

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company") and the Staff of the North Dakota Public Service Commission ("Staff"). This Settlement Agreement resolves the issue in this proceeding regarding what is a just and reasonable return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota. The Settlement Agreement resolves the issue in a manner consistent with the public interest and establishes a just and reasonable rate of return on Montana-Dakota's property for use in setting retail electric service rates in this proceeding.

PROCEDURAL HISTORY

1. On May 30, 2002, Montana-Dakota filed a Notice of an increase to its rates for electric utility service in North Dakota to provide additional annual revenue of $7,688,565, or 9.1%, over current rates. The North Dakota Public Service Commission ("Commission") suspended Montana-Dakota's rate filing and set the matter for investigation and hearing.

2. On July 16, 2003, the Commission issued a Notice of Hearing setting issues for consideration on Montana-Dakota's rate increase. The issues for consideration included:

What is a just and reasonable rate of return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota?

A hearing on the issues identified in the Commission's Notice was scheduled for November 12, 2003.

3. With its Notice of a change in its electric rates, Montana-Dakota submitted the testimony of J. Stephen Gaske. Mr. Gaske's testimony and supporting studies indicated the Company's required overall rate of return is 10.177% which included an 11.75% return on common equity. Mr. Gaske recommended the following capital structure and cost of capital components for the 2003 test year:

Montana-Dakota
Average Capital Structure and Cost Components
Projected 2003

Description	Amount	Capital Ratio	Cost	Rate of Return
Long-Term Debt	$145,100,000	44.674%	9.027%	4.033%
Preferred Stock	$ 16,250,000	5.003%	4.622%	0.231%
Common Equity	$163,446,700	50.323%	11.750%	5.913%
Total	$324,796,700	100.000%		10.177%

4. Following the Staff's analysis of Mr. Gaske's testimony and supporting studies, settlement discussions were held between the Staff and Company representatives. As a result of those discussions, the parties reached this Settlement Agreement. The parties agree the Settlement Agreement resolves the issues in this proceeding related to a just and reasonable rate of return on Montana-Dakota's property, used and useful for the service and convenience of the public in North Dakota, for purposes of setting electric retail rates. The parties' further agree the Settlement Agreement resolves these issues in a

manner consistent with applicable law and the Commission's proposed Settlement Guidelines (July 1994).

5. The Settlement Agreement is supported by the administrative record. The parties jointly recommend the Commission issue an Order: (a) approving the Settlement Agreement in its entirety, without conditions or modifications; (b) approving the overall rate of return, capital structure and cost of capital components for purposes of establishing retail electric rates for Montana-Dakota in North Dakota; and (c) incorporating the overall rate of return, capital structure and cost of capital components in the Commission's final Order establishing retail electric rates for Montana-Dakota in North Dakota.

TERMS OF SETTLEMENT AGREEMENT

1. The Staff and Montana-Dakota agree and recommend that the Commission approve an overall rate of return of 10.016%, as well as the following capital structure and cost of capital components for ratemaking purposes in this proceeding:

Settlement
Average Capital Structure and Capital Cost Components
Projected 2003

Description	Amount	Capital Ratio	Cost	Rate of Return
Long-Term Debt	$145,100,000	44.674%	8.950%	3.998%
Preferred Stock	$16,250,000	5.003%	4.622%	0.231%
Common Equity	$163,446,692	50.323%	11.500%	5.787%
Total	$324,796,692	100.000%		10.016%

2. For settlement purposes only, the Company agreed to adjust its cost of long-term debt from that provided by Mr. Gaske to reflect a lower than anticipated cost of a long-term debt issuance in 2003. The recommended cost of Montana-Dakota's long-term debt of 8.950% is less than the cost of Montana-Dakota's long term debt of 9.220% determined

by the Commission for the 2002 test year used by the Commission to set Montana-Dakota's current electric rates in Case No. PU-399-01-186. The 11.5% settlement return on common equity ("ROE") is within the range of returns supported by the testimony of Mr. Gaske, who recommended a 11.75% ROE. The recommended 11.5% ROE is lower than the 11.8% ROE underlying Montana-Dakota's present electric rates set in Case No. PU-399-01-186.

3. The recommended capital structure and capital cost components were arrived through negotiations based upon the testimony and supporting studies provided by the expert consultant for the Company and the analysis of the testimony and studies by the Staff. Although the Staff and the Company agree to and recommend the capital structure and capital costs set forth above, the parties do not adopt or recommend as part of this Settlement Agreement a methodology for determining capital structures or capital costs. Nothing in this Settlement Agreement shall limit in future proceedings the authority of the Commission to establish or the Staff and the Company to advocate the appropriate methodology for determining Montana-Dakota's capital structure and capital costs or the amounts of Montana-Dakota's capital structure and capital costs.

OTHER TERMS AND CONDITIONS

A. Basis of Settlement.

It is agreed the negotiated capital structure and capital cost components contained in this Settlement Agreement are subject to approval by the Commission. This Settlement Agreement does not establish any principle or precedent regarding the methodology for establishing capital costs.

B. Effect of the Settlement Negotiations.

It is understood and agreed that all offers of settlement and discussions related to this Settlement Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Commission does not approve this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any party for any purpose in this proceeding or otherwise.

C. Applicability and Scope.

This Settlement Agreement shall be binding on the parties hereto, and their successors, assigns, agents and representatives. Consistent with the Commission's 1994 proposed Settlement Guidelines, this Settlement Agreement does not set policy or overturn precedent.

D. Effective Date.

This Settlement Agreement shall be effective on the date of final Commission Order approving the Settlement Agreement. The approved capital structure and capital costs shall be incorporated into the Commission's final Order in its investigation of Montana-Dakota's change of electric rates. If the Commission Order modifies or conditions approval of the Settlement Agreement, this Settlement Agreement shall be deemed terminated if either party files a letter with the Commission within three (3) business days after notice of such Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party.

Dated this 23rd day of July, 2003.

Montana-Dakota Utilities Co.

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

Dated this 23rd day of July, 2003.

North Dakota Public Service Commission

By:
William W. Binek
Its Chief Counsel

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

ORDER APPROVING SETTLEMENT

October 22, 2003

On May 30, 2002, Montana Dakota Utilities Co. (MDU) filed an application to increase its rates for electric utility service to provide additional annual revenue of $7,788,565 or a 9.1% increase over current rates. MDU estimates the proposed increase for a residential customer using 500 kilowatt-hours in a month would average $10.48. MDU proposes to better align rates for service with costs.

On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session. One of the issues specified in the Notice was the following: "What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?" On July 23, 2003, MDU and Commission Staff filed a Settlement Agreement concerning this issue. MDU and staff agreed to an overall rate of return of 10.016%.

On August 28, 2003 the Commission issued a Notice of Settlement and Notice of Intervention Deadline providing that written comments on the Settlement would be received until September 29, 2003. No comments were received.

The Commission finds the settlement reasonable. The Commission's Findings of Fact, Conclusions of Law and Order will incorporate the settlement provisions regarding the rate of return issue and its impact on rates.

Order

The Settlement Agreement is approved.

PUBLIC SERVICE COMMISSION

Susan E. Wefald	Tony Clark	Kevin Cramer
Commissioner	President	Commissioner

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Order Approving Settlement

by Public Service Commission

10/22/2003 C: Comm Legal PUD (3) Mike ALJ

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NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate	))	Case No. PU-399-03-296

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company"), the Staff of the North Dakota Public Service Commission ("Staff"), and the interveners AARP and Jim Roache (collectively the "Parties"). This Settlement Agreement resolves all outstanding issues in this case in a manner consistent with the public interest and will result in just and reasonable rates for the Company's retail electric operations in North Dakota.

PROCEDURAL HISTORY

1. On May 30, 2003, Montana-Dakota filed a notice of a proposed increase to its North Dakota retail electric rates to become effective July 1, 2003, based on a 2003 test year. The Notice proposed an increase in electric rates to provide additional annual revenue of $7,788,565, or a 9.1 percent increase, over current rates. The proposed tariff changes also included implementation of a sharing mechanism between the Company and its North Dakota retail customers of wholesale electric sales margins realized by Montana-Dakota. Filed with the Notice were revised tariffs, direct testimony, and exhibits including a class cost of service study. The revised tariffs reflected changes to the design of Montana-Dakota's current rates to more accurately reflect the cost of providing electric service to its customers based on the class cost of

service study.

The North Dakota Public Service Commission ("Commission") suspended Montana-Dakota's rate filing and set the matter for investigation and hearing. On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session which set forth the following issues to be considered in this case:

1. What is the value of MDU's property, used and useful, for the service and convenience of the public in North Dakota?

2. What is MDU's rate of return on its property, used and useful, for the service and convenience of the public in North Dakota?

3. What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

4. What rates and charges are necessary to provide a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

5. Are MDU's proposed rate schedules designed in such a manner that they result in a basis of charge to its customers that is just and reasonable without discrimination?

6. Other relevant information or proposals concerning the proceeding.

On August 20, 2003, the Commission conducted a Public Input Session via interactive video conference with hearing sites in Bismarck, Dickinson, and Williston.

3. On July 23, 2003, Montana-Dakota and the Staff filed a Settlement Agreement on the issue of a just and reasonable return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota. Montana-Dakota and the Staff agreed to and recommended approval of an overall rate of return of 10.016 percent. On August 28, 2003, the Commission issued a Notice of Settlement and Notice of Intervention Deadline providing that written comments on the

Settlement Agreement would be received until September 29, 2003. No comments were received. On October 22, 2003, the Commission issued an order approving the Settlement Agreement. The effect of the Settlement Agreement was a reduction of the test year revenue requirement by approximately $380,000.

4. In its Notice of Settlement and Notice of Intervention Deadline issued on August 28, 2003, the Commission requested Montana-Dakota, the Staff, and other parties to the proceeding to present testimony on the following sub-issues:

1. How is the Commission assured that MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?

2. How is the Commission assured that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base?

5. Jim Roache filed a Petition to Intervene in the proceeding on September 9, 2003. On September 23, 2003, AARP filed a Petition to Intervene. The Commission granted both petitions by orders dated September 24, 2003.

6. Discovery requests were served on Montana-Dakota by the Staff, AARP, and Jim Roache and responded to by the Company.

7. On September 29, 2003, the Staff filed direct testimony of Charles W. King, President of Snavely King Majoros O'Connor & Lee. In his direct testimony, Mr. King recommended an adjustment to the 2003 test year for removal of 10 percent of the cost of the Company's new Glendive 2 generating station and a reduction in the test year O&M expenses by $4,992,800. Mr. King also recommended the test year revenue requirement be reduced by $5,579,400 to reflect wholesale sales margins to be realized by the Company. Mr. King further commented on Montana-Dakota's class cost of

service study and proposed rate design changes. In particular, Mr. King recommended that Montana-Dakota's proposed residential base rate of $17.00 per month be set at $5.25 per month.

8. On September 29, 2003, the Staff filed Supplemental Testimony of Charles W. King recommending an increase in the test year revenue requirement for additional depreciation expense for common plant and an adjustment in the interest deduction for calculation of income taxes.

9. On October 15, 2003, AARP filed direct testimony of Ronald J. Binz, who is President of Public Policy Consulting. Mr. Binz recommended a reduction in the 2003 test year O&M expenses by $5,734,000 and a further reduction in the test year revenue requirement of $3,965,000 for wholesale sales margins to be realized by the Company. Mr. Binz also commented on Montana-Dakota's class cost of service study and proposed rate design changes. In particular, Mr. Binz recommended that a residential base rate of $6.00 per month would be reasonable.

10. On November 3, 2003, Montana-Dakota filed testimony on the sub-issues stated in the Commission's Notice issued on August 28, 2003. On the same date, Montana-Dakota filed rebuttal testimony to the testimony of the Staff and AARP. In its rebuttal testimony, Montana-Dakota agreed with the adjustments recommended by Mr. King in his supplemental testimony and also identified an error in the preparation of its test year O&M expenses which reduced the test year revenue requirement by $1,224,200.

11. On October 22, 2003, Montana-Dakota issued a Notice of Settlement Discussions pursuant to the Settlement Guidelines of the North Dakota Public Service

Commission (Policy 4-01-95(0) – January 4, 1995) stating that Montana-Dakota contemplated engaging in settlement discussions with the Staff. Settlement discussions were held on October 29, 2003. All Parties were represented at the discussions. As a result of those and subsequent discussions, the Parties reached this Settlement Agreement. The Parties agree that this Settlement Agreement resolves all outstanding issues in the case in a manner consistent with applicable law and the Settlement Guidelines.

12. The Settlement Agreement is supported by the administrative record. Accordingly, the parties jointly recommend the Commission issue an Order approving this Settlement Agreement in its entirety, without conditions or modifications.

TERMS OF SETTLEMENT AGREEMENT

1. Revenue Increase. The Parties agree to, and recommend the Commission approve, a net increase in Montana-Dakota's electric rates for retail customers in North Dakota to yield a revenue increase of $1,000,000 per year effective January 1, 2004. Retail electric rates shall be revised in a manner to result in a net rate decrease of 1.25 percent to the Street Lighting Service class and an equal percentage net rate increase to all other customer classes.

2. Wholesale Sales Margins. The Parties agree to, and recommend the Commission approve, the tariff attached hereto as Attachment A to provide for the treatment of margins realized by Montana-Dakota on the wholesale sale of electricity. The tariff shall become effective coincident with the increased rates stated in paragraph 1. The tariff provides a mechanism to adjust Montana-Dakota's retail rates for wholesale sale margins to be credited to its North Dakota retail electric customers,

which shall be 85% of actual annual margins, as compared to an annual wholesale margin credit of $6,500,000 included in Montana-Dakota's base rates pursuant to this Settlement Agreement. Effective for bills after April 1, 2005, an adjustment (positive or negative) will be applied per Kwh to all Montana-Dakota service rates to recover any difference between the actual and base rate credits, plus carrying charges, for the prior year; provided, however, the adjustment shall not include a difference greater than defined in Attachment A. Montana-Dakota agrees to continue its best efforts to maximize wholesale sales margins consistent with its current practice to provide Montana-Dakota and its retail customers with the financial benefit of such wholesale sales in accordance with the letter and spirit of this Settlement Agreement and Attachment A.

3. Residential and Small General Service Base Rate. The Parties agree to, and recommend the Commission approve, that the changes in Montana-Dakota's retail rates to yield the revenue increase in paragraph 1 include an increase in Montana-Dakota's residential base rate from $3.50 per month to $5.50 per month and an increase in its small general service base rate from $12.00 per month to $20.00 per month.

4. Rate Design. The parties agree to, and recommend the Commission approve, that within the revenue increase and base rate limits stated in paragraphs 1 and 3 above, Montana-Dakota may file revised tariffs effective January 1, 2004 for retail electric service in North Dakota consistent with the rate design changes proposed by Montana-Dakota in this proceeding and except that the flexible provision of the Firm Service Economic Development Rate shall be filed and approved by the Commission on

a case by case basis and that the demand charge for the Interruptible Large Power Service Class shall not exceed $2.25 per Kw.

5. The Parties agree to, and recommend the Commission approve, that if Montana-Dakota files revised rates to become effective prior to January 1, 2006 which result in a net increase in North Dakota retail electric revenues to Montana-Dakota, such revenue increase shall be recovered through an equal percentage increase in the rates for all retail customer classes except for the municipal lighting class for which the then current rates may remain in effect.

OTHER TERMS AND CONDITIONS

1. Basis of Settlement.

It is agreed this Settlement Agreement is a negotiated settlement agreement subject to approval by the Commission. The Settlement Agreement does not establish any principle or precedent, nor adopt or recommend any specific type or amount of expense or rate base, for this or any future proceeding.

2. Effect of the Settlement Negotiations.

It is understood and agreed that all offers of settlement and discussions related to this Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Public Service Commission does not approve this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any party for any purpose in this case or otherwise.

3. Applicability and Scope.

This Settlement Agreement shall be binding on the Parties, and their successors, assigns, agents, and representatives. Consistent with the Commission's settlement guidelines, this Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement shall not in any respect constitute an agreement, admission or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in this proceeding.

4. Effective Date.

This Settlement Agreement shall be effective on the date of the Commission Order approving the Settlement Agreement. The revised rates and tariff agreed to by this settlement agreement shall be effective on the dates specified herein.

5. Modification.

If the Commission Order modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if any party files a letter with the Commission within three (3) business days of notice of such Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party.

Dated this 19th day of November, 2003.

MONTANA-DAKOTA UTILITIES CO.

By: Bruce Imsdahl

Its: President

Dated this 14th day of November, 2003.

AARP

By: _____

Its: Local Counsel

Dated this 19th day of November, 2003.

NORTH DAKOTA PUBLIC SERVICE COMMISSION STAFF

By: _____

Its: CHIEF COUNSEL

Dated this _____ day of _____, 2003.

_____

Jim Roache

P:\DKUNTZ\11056 MDU 2003 electric case\Settlement Agreement.11.13.doc

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. __

MARGIN SHARING ADJUSTMENT Rate 57

1. **Applicability:**
This rate schedule constitutes an electric wholesale margin sharing adjustment (MSA) provision and specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's electric wholesale sales margins as allocated to its North Dakota electric jurisdiction, and (b) amortization of the Margin Sharing Account.

2. **Effective Date of Adjustment:**
The effective date of the MSA shall be bills rendered on and after the first day of April of each year, unless the Commission shall otherwise order. The initial adjustment under this tariff shall become effective April 1, 2005.

3. **Margin Sharing Adjustment:**
The MSA shall reflect changes in Montana-Dakota's electric wholesale margins as compared to the wholesale margins reflected in base rates. The MSA is made up of:

   (a) Current margin adjustment

   (b) Carrying charges on 3(a)

   (c) Surcharge adjustment

   The adjustment per kwh shall be determined by dividing the amount determined above by the estimated kwh sales for the twelve months following the effective date of the adjustment.

4. **Current Margin Adjustment:**
The current margin adjustment shall be:
   (a) $6,500,000 less

   (b) 85 percent of the actual wholesale sales margins for the preceding calendar year, unless

   (c) Wholesale sales margins in the preceding calendar year are less than $3,300,000, then the current margin adjustment shall be 15 percent of actual wholesales sales margins for the preceding calendar year plus $3,200,000.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. ___

MARGIN SHARING ADJUSTMENT Rate 57

5. **Carrying Charges:**
   (a) Carrying charges will be applied to the accumulated balance of the difference each month between $542,000 and 85 percent of actual wholesale sales margins.

   (b) Carrying charges on the amounts shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

   (c) If annual wholesale margins are less than $3,300,000 then interest calculated in (a) and (b) will be recalculated to reflect the minimum annual level.

6. **Surcharge Adjustment:**
   The Surcharge Adjustment shall reflect amortization of the estimated balance in the Margin Sharing Account as of April 1 each year.

7. **Margin Sharing Account:**
   The Margin Sharing Account shall consist of:
   (a) The balance of the current margin adjustment and the carrying charges as of December 31 each year, less

   (b) The amount determined by multiplying the currently effective Surcharge Adjustment included in rates by the kwhs sold during each month. The account shall be increased in the event the Surcharge Adjustment is a negative amount.

   (c) Carrying charges on the net balance shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

8. **Time and Manner of Filing:**
   (a) Montana-Dakota shall file the MSA at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of revised MSA sheets identifying the amounts of the adjustment, the derivation of the adjustment and the resulting MSA rate.

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

Concurring Opinion
Commissioner Susan E. Wefald

December 18, 2003

At the December 1, 2003, Informal Hearing, MDU summarized its prefiled direct testimony describing four groups of mechanisms that are in place to assure that electric ratepayers are insulated from unregulated businesses within the MDU Resources group, Inc. corporate structure. First, Title 49 of the North Dakota Century Code contains regulatory restrictions including the Commission's authority to examine MDU's accounts, books, and records and prescribe the system of accounts and records that must be followed by MDU and the Commission approval required to dispose of, encumber, merge, or consolidate its works or system used to perform its public utility duties. Second, MDU stated that it incorporates non-regulatory financial restrictions to ensure that utility and non-utility funds are not co-mingled and uses separate debt instruments for its utility and non-utility companies. Third, MDU stated that it incorporates structural limitations including separate corporate structures for its regulated and non-regulated utility businesses. Fourth, MDU indicated that it incorporates operational restrictions with each company having separate boards of directors and management teams and maintaining separate corporate books, records and documentation. The only shared expenses between the regulated and non-regulated businesses are at the upper levels of the corporate executives. There is also very little shared investment between the regulated and non-regulated businesses. Staff stated that there is such a large risk to MDU for not following the insulation mechanisms that the risk to MDU customers is minimal.

The Commission did not take any position, in this case, on whether the safeguards that MDU has in place are adequate to insulate ratepayers from unregulated businesses within the MDU Resources Group, Inc. This matter deserves further study and analysis by the Commission in the coming months. Since it affects Ottertail and XCEL as well as MDU customers, the Commission should start workshops leading to a rulemaking on this important issue.

Also, at the December 1, 2003, Informal Hearing, MDU summarized its prefiled direct testimony describing its policies and practices to assure that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base.

The Commission is concerned that the native load customers have first access to rate base generation in the future wholesale electric energy market. MDU stated that all of its generation is dedicated first and foremost to its retail customers and MDU does not purchase power unless the cost is cheaper than its own generation. In addition, MDU is still required to have enough generation capacity to meet its native load plus reserve requirements. MDU stated that it uses an economic dispatch program that assigns the highest incremental generation cost to off-system sales. MDU also stated that, under the emerging market, it should be able to establish, as a business practice, the ability to serve native load using rate base generation. Energy offered to the wholesale market would consist of energy not consumed by native load customers.

The Commission did not take any position, in this case, on whether the policies and practices MDU has in place are adequate to assure that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base. As wholesale markets in the Midwest undergo changes, it is important that the Commission perform further study and analysis on this issue in the coming months. Since this issue also affects Ottertail and XCEL as well as MDU customers, the Commission should start workshops leading to a rulemaking on this important issue.

OFFICE OF ADMINISTRATIVE HEARINGS

STATE OF NORTH DAKOTA
1707 North 9th Street
Bismarck, North Dakota 58501-1882

Allen C. Hoberg
DIRECTOR

701-328-3260
Fax 701-328-3254
oah@state.nd.us
www.state.nd.us/oah

December 11, 2003

RECEIVED
DEC 15 2003
PUBLIC SERVICE COMMISSION
SECRETARY

Mr. William Binek
Chief Counsel
Public Service Commission
600 E. Boulevard Avenue
Bismarck, ND 58505

Dear Mr. Binek:

On July 22, 2003, you requested the designation of an administrative law judge from the Office of Administrative Hearings to conduct a hearing in the matter of Montana Dakota Utilities, PU-399-03-296. I was designated as procedural hearing officer to conduct the hearing, but not to make recommended findings of fact and conclusions of law, or issue a recommended order. Although the hearing on this matter was eventually rescheduled for December 1, 2003, it has been canceled because of a settlement by the parties, pending issuance of an order by the Commission. I now understand that the Commission will issue the appropriate order and that OAH's file can be closed.

I am closing our file on this matter and returning that portion of the record I have in my possession to you for filing with the official agency record of this matter. Most of the documentation forwarded are copies of originals already on file, but some of the documentation are originals to be appropriately filed.

If this matter is not settled or otherwise disposed of, and a new hearing is scheduled, please make a new request for the designation of an administrative law judge for this matter using the appropriate OAH administrative law judge request form.

Sincerely,

Allen C. Hoberg
Administrative Law Judge
Procedural Hearing Officer

ACH/ljc
Encl.
cc: Mr. Daniel S. Kuntz

126 PU-399-03-296 Pages 1
Letter closing ALJ's file
by Office of Administrative Hearings
12/15/2003 CC: Comm Legal Illona, Pat, Jerry Mike

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

DEC 15 2003
PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

IN THE MATTER OF:	)	
	)	**NOTICE OF**
Montana-Dakota Utilities Co.	)	**PREHEARING CONFERENCE**
Electric Rate Increase Application	)	
	)	Case No. PU-399-03-296

To: Jim Roaché; Daniel S. Kuntz, Zuger Kirmis & Smith, counsel for Montana-Dakota Utilities Co.

Please take notice that a prehearing conference for this matter will be held at 3:30 p.m. on October 27, 2003, to consider the motion to compel discovery made by Jim Roaché dated October 20, 2003. The prehearing conference will be conducted by telephone conference originated by the Office of Administrative Hearings. Mr. Roaché will be contacted at his home, 701-965-5564. Mr. Kuntz will be contacted at the offices of Zuger Kirmis & Smith, 701-223-2711.

Dated at Bismarck, North Dakota this 23d day of October, 2003.

State of North Dakota
Public Service Commission

By: _____
Al Wahl, for Allen C. Hoberg
Administrative Law Judge
Office of Administrative Hearings
1707 North 9th Street
Bismarck, North Dakota 58501-1882
Telephone: (701) 328-3260

AMERICANS WITH DISABILITIES ACT NOTIFICATION: A party shall promptly notify the administrative law judge if the party or a witness to be called by the party has a disability which will require auxiliary aids or services at the hearing, so that appropriate accommodation can be made prior to the hearing.

125 PU-399-03-296 Pages: 2

Notice of Prehearing Conference
(docketed out of sequence)
by Office of Administrative Hearings by

10/23/2003 CC: Comm Legal Illona, Pat, Jerry Mike

STATE OF NORTH DAKOTA

WORKERS COMPENSATION BUREAU

IN THE MATTER OF:	)	
	)	**CERTIFICATE**
Montana-Dakota Utilities Co.	)	**OF SERVICE**
Electric Rate Increase Application	)	
	)	Case No. PU-399-03-296

The undersigned certifies that a true and correct copy of the **NOTICE OF PREHEARING CONFERENCE** was mailed, regular mail, on the 23 day of October, 2003, to:

Mr. Jim Roaché
P.O. Box 564
Crosby, ND 58730

Mr. Daniel S. Kuntz
Zuger Kirmis & Smith
P.O. Box 1695
Bismarck, ND 58502

OFFICE OF ADMINISTRATIVE HEARINGS
Allen C. Hoberg, Administrative Law Judge

Margaret A. Stanton

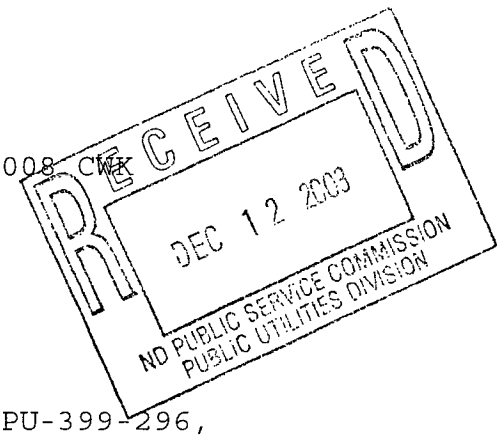
Margaret A. Stanton

SNAVELY KING MAJOROS O'CONNOR & LEE, INC.
ECONOMIC AND MANAGEMENT CONSULTANTS

November 30, 2003

Billed through 11/25/03

2-112-00000-008 CWK



Mike Diller
Public Service Commission
State Capitol - 12th Floor
Bismarck, ND 58505-0480

For services rendered in connection with Case No. PU-399-296, Application of Montana-Dakota Utilities for an increase in electric rates.

Balance forward as of invoice no. 007 dated 10/31/03			$ 3,239.94
FEES			
King, C.	25.00 hrs	127 /hr	3,175.00
TOTAL FEES	25.00 hrs		$ 3,175.00
EXPENSES			
Transportation, Commercial			769.00
Communications, Telephone			.36
Delivery			53.30
TOTAL EXPENSES			$ 822.66
TOTAL FEES			$ 3,175.00

OK to pay
Mike Diller

7700
001
2640
23296

124 PU-399-03-296 Pages: 8

Invoice for services rendered

by Snavely King Majoros O'Connor & Lee, Inc.

12/12/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

1220 L STREET, NW, SUITE 410, WASHINGTON, DC 20005-(202)371-1111, FAX (202)842-4966

1471 CASTILLO DELMAR, CAROLINA, PR 00979-(809)783-7683, FAX(809)783-7559

SNAVELY KING MAJOROS O'CONNOR & LEE, INC.
ECONOMIC AND MANAGEMENT CONSULTANTS

Mike Diller

2-112-00000-008 CWK

TOTAL EXPENSES	$ 822.66
TOTAL FEES AND EXPENSES	$ 3,997.66
NET BALANCE FORWARD	$ 3,239.94
TOTAL BALANCE DUE	$ 7,237.60

1220 L STREET, NW, SUITE 410, WASHINGTON, DC 20005-(202)371-1111, FAX (202)842-4966

1471 CASTILLO DELMAR, CAROLINA, PR 00979-(809)783-7683, FAX(809)783-7559

SK&A

Page____ of ____

SNAVELY, KING & ASSOCIATES, INC.
PROJECT ACTIVITY REPORT

Charles W. King
BWV12

For Period Beginning 10/26/03
Ending 11/26/03

Client North Dakota PSC

Billing Code 2-112

Date	Hours	Activity
10/31	.5	Teleconference w client
11/3	1.0	Search testimony for document request
11/4	4.0	Read rebuttal; telcon w. Diller
11/5	6.0	Prepare surrebuttal exhibits
11/6	2.0	Telcon w. Diller; assemble e-mail documents
11/7	.5	Telcon w Clients
11/10	.5	Cancel reservations
11/11	2.5	Settlement Conferences
11/12	3.0	Teleconferences re Settlement
11/13	1.5	Conference calls on settlement
11/14	1.0	" " " "
11/17	1.5	Read Settlement - e-mails
11/18	.5	Review changes to settlement documents
11/24	.5	Put away files
Page Total	25.5	
Month Total		

SKA Form MTR-3

SK&A Form MER-1

Page ___ of

SK&A
ECONOMIC CONSULTANTS

Detailed Monthly Expense Report

Name Churchill/Kling For Period Beginning Oct 26, 03 Client/Dept. LLD PSC

Identification Number BWV-12 Ending Nov 29 03 Acct. No./ Activity 2-112

	1. Date	10/31										Total
	2. Place	DC										
	Commercial 3. Transportation											
§1.	a. Air	769-										
§1.	b. Rail/Bus											
	c. Intracity											
	d. Total	769-										769-
	4. Auto Rental											
§2.	5. Auto Personal											
	6. Parking/Tolls											
	7. Lodging											
	8. Personal Meals											
§3.	a. Breakfast											
§3.	b. Lunch											
§3.	c. Dinner											
	d. Total											
	Telephone/ 9. Telegraph											
	Miscellaneous 10. Travel Expenses											
§4.	11. Business Meals											
§5.	12. Other Expenses											
	13. Total Expenses	769-										769-

Signed _____

§1. Attach MER-3

§2. Attach MER-4

§3. Attach MER-5 if meals include other SK&A employees

§4. Attach MER-5

§5. Attach MER-6

VTS Travel Direct
a VTS Travel Enterprises Inc. company
www.vtstraveldirect.com

1129 20TH STREET NW
SUITE 505
WASHINGTON D.C. 20036

SALES PERSON: H7 ITINERARY/INVOICE NO. 7428501 DATE: OCT 31 2003
CUSTOMER NBR: 2S1041 BRANCH 842 LKHFPE PAGE 01

MAIL ETKT

FOR: KING/CHARLES

BE PREPARED TO SHOW A GOVERNMENT ISSUED PHOTO I.D. AT CHECKIN

11 NOV 03 - TUESDAY
AIR NORTHWST AIR 845 COACH CLASS 757 CONFIRMED
LV: WASH/REAGAN 229P NONSTOP
AR: MPLS/ST PAUL 414P
SEAT-36D
FREQ FLYER NW 253906995

AIR NORTHWST AIR 2987 COACH CLASS SF3 CONFIRMED
LV: MPLS/ST PAUL 500P NONSTOP
AR: BISMARCK 705P
SEAT- 3D
FREQ FLYER NW 253906995
OPERATED BY-MESABA AVIATION INC.

CAR HERTZ 1 COMPACT 2/4 DR DROP-13NOV CONFIRMED
PICKUP-BISMARCK BISMARK MUNICIPAL AP
RATE- 35.00 DAILY GUARANTEED EXTRA HR
CODE-NDLA
CONFIRMATION-C3570786234 OSI

13 NOV 03 - THURSDAY
AIR NORTHWST AIR 1674 COACH CLASS D9S CONFIRMED
LV: BISMARCK 420P NONSTOP
AR: MPLS/ST PAUL 538P
SEAT- 9F
FREQ FLYER NW 253906995

AIR NORTHWST AIR 1712 COACH CLASS 320 CONFIRMED
LV: MPLS/ST PAUL 650P NONSTOP
AR: WASH/REAGAN 1000P
SEAT- 8A
FREQ FLYER NW 253906995

TICKET NUMBER:
7577757592 AX XXXXXXXXXX2002 PRICE OF TICKET: 724.00

TICKET PROCESSING CHARGE: 45.00
NET CHARGED TO CARD: 769.00=

ORIGINAL INVOICE

02 8212 6389

PASSENGER TICKET AND BAGGAGE CHECK
SUBJECT TO CONDITIONS OF CONTRACT
ISSUED BY ETKT **ARC** DATE OF ISSUE 31OCT03 PASSENGER RECEIPT 1 OF 1

NORTHWEST AIRLINES INC CARRIER ID 5880/DINAH7 / BOOK. KEY ID 0DINH7 ISO SITI US

ISS. AGT. ID / PLACE OF ISSUE VTS TRAVEL DIRECT /WASHINGTON DC ISS. OFF CODE AD9696886

NAME OF PASSENGER (NOT TRANSFERABLE) KING/CHARLES FARE BASIS TOUR CODE FT 3

FROM **NOT VALID FOR******RETAIN THIS RECEIPT*** CARRIER/FLIGHT CLASS/DATE TIME RES INVALID BEFORE INVALID AFTER

TO **TRANSPORTATION***THROUGHOUT YOUR JOURNEY* REVALIDATION

ENDORSEMENTS/RESTRICTIONS NON-REFUNDABLE-/PENALTY FOR CHANGES END CODE LKHFPE /1V

ORIGINAL ISSUE ISSUED IN EXCHANGE FOR CONJ. TKT. NO.

FARE CALCULATION 11NOV WAS NH X/MSP NH BIS Q9.30 308.84MRA7ZNR NH X/MSP NH WAS Q9.30 308.83MRA7ZNR USD 636.27 END ZPDCAMSPBISMSP XT 12.00ZP 10.00AY 18.00XFDCA4.5MSP4.5BIS4.5MSP4.5

FARE USD636.27 EQUIV. FARE PAID FORM OF PAYMENT AXXXXXXXXXXXX2002 EXP0604/ 148667

TAX/FEE/CHARGE US47.73 PCS CK WT UNCK WT SEQ NO ALLOW PCS CK WT UNCK WT

TAX/FEE/CHARGE XT40.00 STOCK CONTROL NUMBER TX 88931756882161 DOCUMENT NUMBER 0 012 7577757592 5

TAX/FEE/CHARGE

TOTAL USD724.00

DCA			3
MSP NW 845	M	11NOVMRA7ZNR	
BIS NW 2987	M	11NOVMRA7ZNR	
MSP NW 1674	M	13NOVMRA7ZNR	
DCA NW 1712	M	13NOVMRA7ZNR	

FROM TO

CARRIER/FLIGHT CLASS/DATE TIME

GATE BOARD TIME SEAT SMOKE

ADDITIONAL SEAT INFORMATION

PCS CK WT UNCK WT SEQ NO PCS CK WT UNCK WT

BAGGAGE ID. NO.

NOT VALID FOR TRAVEL

DOCUMENT NUMBER 012 7577757592 5

DOCUMENT IS HEAT SENSITIVE
Do not expose to prolonged periods of excessive heat or light

STOCK 8212 D35202 1-01

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MG

IT IS UNLAWFUL TO PURCHASE OR RESELL THIS TICKET FROM/TO ANY ENTITY OTHER THAN THE ISSUING CARRIER OR ITS AUTHORIZED AGENTS.

Account Number	Bill Date	Payment Due Date
030 237 1228 001	OCT 28, 2003	NOV 23, 2003

Location: 011 024 2327 003

SNAVELEY KING & ASSOC
1220 L ST NW STE 410
WASHINGTON DC 20005-4018

TELEPHONE NUMBER: 202 371 1111

AT&T All in One Service

Call Detail

For Customer Care: 1 877 325-0445

ITEM	DATE	TIME (hh:mm:ss)	DAY OF WEEK	PLACE		AREA CODE/ NUMBER	DURATION (hh:mm:ss)	CALL TYPE	AMOUNT
LONG DISTANCE SERVICE									
PRIMARY ACCOUNT CODE: 02012									
STATE-TO-STATE CALLS									
1	10/07/03	9:50:55A	TUE	TO SOLOMONS	MD	410 326-2504	20:00	DDC	1.78
2	10/16/03	3:11:33P	THU	TO WEST RIVER	MD	410 867-8565	1:00	DDC	0.09
3	10/17/03	11:43:06A	FRI	TO WEST RIVER	MD	410 867-8565	1:00	DDC	0.09
SUBTOTAL							0:22:00		$1.96
TOTALS FOR ACCOUNT CODE: 02012							0:22:00		$1.96
PRIMARY ACCOUNT CODE: 02070									
STATE-TO-STATE CALLS									
4	10/03/03	1:30:22P	FRI	TO LINDAVISTA	CA	858 650-4115	1:00	DDC	0.09
SUBTOTAL							0:01:00		$0.09
TOTALS FOR ACCOUNT CODE: 02070							0:01:00		$0.09
PRIMARY ACCOUNT CODE: 02104									
STATE-TO-STATE CALLS									
5	10/03/03	11:28:34A	FRI	TO ANKENY	IA	515 964-8902	1:00	DDC	0.09
6	10/03/03	11:31:50A	FRI	TO ANKENY	IA	515 964-8902	2:00	DDC	0.18
7	10/03/03	11:48:26A	FRI	TO FORT MYERS	FL	239 433-3166	1:00	DDC	0.09
8	10/03/03	1:29:20P	FRI	TO ANKENY	IA	515 964-8902	1:00	DDC	0.09
9	10/03/03	3:40:15P	FRI	TO ANKENY	IA	515 964-8902	4:00	DDC	0.36
10	10/03/03	3:47:04P	FRI	TO ANKENY	IA	515 964-8902	3:00	DDC	0.27
SUBTOTAL							0:12:00		$1.08
TOTALS FOR ACCOUNT CODE: 02104							0:12:00		$1.08
PRIMARY ACCOUNT CODE: 02112									
STATE-TO-STATE CALLS									
11	9/29/03	9:24:35A	MON	TO BISMARCK	ND	701 328-1035	1:00	DDC	0.09
12	9/29/03	9:28:53A	MON	TO BISMARCK	ND	701 328-4079	1:00	DDC	0.09
13	10/03/03	4:29:15P	FRI	TO DENVER	CO	303 355-7318	2:00	DDC	0.18
SUBTOTAL							0:04:00		$0.36
TOTALS FOR ACCOUNT CODE: 02112							0:04:00		$0.36
PRIMARY ACCOUNT CODE: 02992									
STATE-TO-STATE CALLS									
14	9/29/03	3:50:56P	MON	TO SAN FRAN	CA	415 442-3378	1:00	DDC	0.09
15	9/30/03	11:56:43A	TUE	TO BALTIMORE	MD	410 767-8053	2:00	DDC	0.18
16	10/03/03	10:21:15A	FRI	TO ATLANTA SO	GA	770 284-5497	1:00	DDC	0.09

AT&T Call Type Information:
DDC=Direct Dialed Call
CCS=Calling Card Station Call
CCO=Operator Handled Card Call
CCP=Calling Card Person Call
OHS=Operator Handled Station Call
ODR=Operator Handled Station Call-Dial Rate
OHP=Operator Handled Person Call
OCP=Operator Handled Person Collect Call

FedEx Express Shipment Detail By Reference (Original)

Dropped off: Nov 06, 2003 **Payor: Shipper** **Reference: ~~2-211~~ 2112**

- Fuel Surcharge - FedEx has applied a fuel surcharge of 3.00% to this shipment.
- Distance Based Pricing, Zone 6

Tracking ID	830044965348
Service Type	FedEx Priority Overnight
Package Type	FedEx Box
Zone	6
Packages	1
Weight	2.0 lbs, 0.9 kgs
Delivered	Nov 07, 2003 09:48
Svc Area	AA
Signed by	D.PANKO
FedEx Use	310129910/01574/_

Sender
ANGEL SINCH
SNAVELY KING MAJOROS
1220 L ST NW STE 410
WASHINGTON DC 20005-4050 US

Recipient
DONALD R BALL AV P
REGULATORY AFFAIRS-MONTANA OAK
400 NORTH FOURTH ST
BISMARCK ND 58501 US

Transportation Charge		28.75
Discount		-2.88
Fuel Surcharge		0.78
Total Charge	**USD $**	**26.65**

Dropped off: Nov 06, 2003 **Payor: Shipper** **Reference: ~~2-211~~ 2112**

- Fuel Surcharge - FedEx has applied a fuel surcharge of 3.00% to this shipment.
- Distance Based Pricing, Zone 6

Tracking ID	830044965359
Service Type	FedEx Priority Overnight
Package Type	FedEx Box
Zone	6
Packages	1
Weight	2.0 lbs, 0.9 kgs
Delivered	Nov 07, 2003 10:04
Svc Area	AA
Signed by	S.HELDING
FedEx Use	310129910/01574/_

Sender
ANGEL SINCH
SNAVELY KING MAJOROS
1220 L ST NW STE 410
WASHINGTON DC 20005-4050 US

Recipient
MIKE DILLER
N D PSC
12TH FLOOR STATE CAPITOL
BISMARCK ND 58505 US

Transportation Charge		28.75
Discount		-2.88
Fuel Surcharge		0.78
Total Charge	**USD $**	**26.65**

Shipment Detail Subtotal ..... **USD $** **53.30**

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

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

RECEIVED
NOV 26 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

November 26, 2003

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505

Re: Electric Rate Application
Case No. PU-399-03-296

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith submits the following documents to be discussed at the Informal Hearing scheduled for December 1, 2003 regarding the above-referenced Case.

- An overview of the rate design changes considered as part of the Settlement Agreement filed on November 19, 2003.
- The work papers underlying the allocation of revenues and rate calculations.
- Draft tariff sheets reflecting the proposed rates.

Upon the Commission's issuance of Final Order in this Case, a compliance filing reflecting the result of the Order will be submitted for Commission approval. The tariff sheets attached hereto are for discussion purposes only.

Please acknowledge receipt by stamping or initiating the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

Donald R. Ball

Donald R. Ball
Assistant Vice President –
Regulatory Affairs

cc: D.W. Schulz
D.S. Kuntz
Bill Binek
Thomas D. Kelsch
Jim Roache

123 PU-399-03-296 Pages. 116

Overview of rate design/work papers &
draft tariff sheets
by Montana-Dakota Utilities Co., a Division of MDU R

11/26/2003 CC: Comm Legal Illona, Pat, Jerry Mike

ND Electric Rate Design Changes – Per Settlement
Case No. PU-399-03-296

Changes Specifically Outlined in the Settlement Agreement:

- The increase of $1,000,000 has been allocated across the board to all classes with the exception of the lighting class that was allocated a decrease of 1.25%. This allocation results in an increase of 1.21% allocated to all other customer classes.
- The residential base rate will be set @ $5.50 per month and the small general service base rate will be set @ $20.00 per month.
- The flexible provision in the economic development rate will be applied to the demand component and not the energy component but each contract will be filed with the Commission for approval.
- The demand charge for the Interruptible Rate 39 rate schedule will be limited to $2.25 per Kw.

Changes Provided for in the Settlement That Were Proposed in the Case:

- Seasonal rates reflecting a summer period of June-September will be added to all rate schedules. This seasonal differentiation in rates will provide electric space heating customers a lower rate in the winter period defined as October through May. This will also allow the Company to eliminate the dual fuel rates (11 and 22) that required customers to interrupt their use of electricity during certain conditions in the winter. Given the off-peak nature of this load it is no longer appropriate to require an interruption of service but it is appropriate to reflect a lower price during the off-peak period. Customers taking service under the dual fuel rate schedules have been required to separately meter their heating load in order to accommodate the interruption requirement. This will no longer be required under the seasonally differentiated rates. The Company will commit to handling the metering situations on a case by case basis. For example, in some instances it may be most economical to simply rewire the meters. In other cases, this may not be cost effective so the Company will add the meter reads together and bill accordingly. The existing dual fuel customers will benefit through the elimination of the additional base rate charge currently applicable under the dual fuel rate schedules and will no longer need to maintain an alternate heat source to get them through the service interruption.

- The existing Dual Fuel rates provide that heat pump space heating equipment can only be served under the rate if a Company approved automatic transfer switch is installed to ensure energy used for non-heating (cooling) purposes is provided and metered under the applicable firm service rate and the heat pump is interrupted under the same criteria as defined for space heating equipment. This provision will no longer be necessary because any usage during the summer or on-peak period will

be assessed the higher summer charges. The manufacturer of this control device recognizes this is no longer required and is presently looking for additional opportunities to market a new design under the proposed seasonally differentiated rates.

- The following rates will be consolidated with the otherwise applicable residential or general service rate:
  - Rate 11 Dual Fuel – consolidated with Rate 10
  - Rate 13 Thermal Storage – consolidated with Rate 10
  - Rate 50 General Water Heating – this tariff currently applies to both residential and general service customers. The residential customers will be moved to Rate 10 and the general service customers will be moved to Rate 20 or 30 as appropriate.
  - Rate 56 General Space Heating this tariff currently applies to both residential and general service customers. The residential customers will be moved to Rate 10 and the general service customers will be moved to Rate 20 or 30 as appropriate.
  - Rate 22 Dual Fuel – consolidated with Rate 20 or Rate 30/32 if demand metered.
  - Rate 27 Feed Grinding - consolidated with the General Service Time of Day Rate 26.

- A new General Electric Space Heating Rate 32 will be introduced that will accommodate the demand metered dual fuel customers' load and new space heating load.

- The Small General Service Rate 20 schedule is currently applicable to all general service customers with billing demands less than 50 kw. Some of the customers are demand metered while the smaller customers are not. Under the proposed rate customers warranting a demand meter, as prescribed in the tariff, will be moved to Large General Service Rate 30. The non-demand metered customers will remain on Small General Service Rate 20.

- The differential in energy charges between customers that own their lighting facilities and those that rent those facilities from the Company is being eliminated.

- Private Lighting Rate 52 is being expanded to include all lighting loads– other than street lighting.

- The irrigation and municipal pumping rates have been revised so that demand is billed on a metered basis rather than the installed horsepower of the motor.

- The peak hours on the time of day schedules have been reduced from the current period of 9:00 a.m. to 9:00 p.m. to 12:00 p.m. to 8:00 p.m. This new time period reflects the highest probability of when the system may experience peaking conditions.

- A primary service rate has been added to replace the current 5% discount for customers that own their transformer equipment.

- The reconnection fee has been increased from $12 to $20 to reflect the current cost of reconnecting customers.

- The power factor penalty has been increased from $1.75 to $3.35 per Kvar as a result of the increase in demand charges.

Proposed Change Required as a Result of the Settlement but Different Than Proposed in the Case:

- The Company originally proposed to consolidate the existing Municipal Service Rate 40 schedule with the otherwise applicable general service rates. The increases associated with the elimination of this rate were offset by decreases the municipalities would have seen under the Company's proposed lighting rates. Given the lighting rates will now be decreased by only 1.25% under the Settlement, this off-set has been eliminated and the municipal customers would experience a significant increase (in the range of 15%). To minimize this increase, the Company is now proposing to retain the Municipal Service Rate 40 rate schedule.

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Revenue Allocation - Settlement PU-399-03-296

Rate	Rate Class	Revenue Data Before Increase: Bills	Kwh	Kw	Total Revenue	Target Design: Revenue Increase $	%	Actual Design: Total Revenue	Revenue Increase $	%
Residential										
10	Residential	713,490	477,832,651		$33,267,173	$401,964	1.21%			
11	Dual Fuel	0	11,411,441		393,627	4,756	1.21%			
13	Thermal Storage	0	92,252		3,088	37	1.20%			
50	General Water Heating	0	3,092		198	2	1.01%			
56	General Space Heating	0	106,323		6,121	74	1.21%			
	Subtotal Rate 10	713,490	489,445,759		$33,670,207	$406,833	1.21%	$34,075,367	$405,160	1.20%
16	T-O-D	165	228,511		13,156	159	1.21%	13,318	162	1.23%
	Total Residential	713,655	489,674,270		$33,683,363	$406,992	1.21%	$34,088,685	$405,322	1.20%
Small General Service										
20	Small General Service	87,489	57,198,141	0.0	5,167,305	$62,436	1.21%			
22	Dual Fuel	0	3,684,891		126,581	1,529	1.21%			
50	General Water Heating	0	209,659		11,912	144	1.21%			
56	General Space Heating	0	11,207,106		632,527	7,643	1.21%			
	Subtotal Rate 20	87,489	72,299,797	0.0	$5,938,325	$71,752	1.21%	$6,009,752	$71,427	1.20%
26	T-O-D	217	1,378,641	3,648.0	75,728	915	1.21%			
27	Feed Grinding	119	29,093	0.0	4,103	50	1.22%			
	Subtotal Rate 26	336	1,407,734	3,648.0	$79,831	$965	1.21%	$80,796	$965	1.21%
	Total Small General Service	87,825	73,707,531	3,648.0	6,018,156	72,717	1.21%	6,090,548	72,392	1.20%
Large General Service										
30	Large General Service	41,861	712,292,262	2,200,024.0	$42,747,313	516,511	1.21%	43,264,476	517,163	1.21%
31	T-O-D	62	316,337	11,228.0	67,892	820	1.21%	68,714	822	1.21%
39	Interruptible Large Power	24	6,783,905	21,106.0	236,445	2,857	1.21%	239,287	2,842	1.20%
	Total Large General Service	41,947	719,392,504	2,232,358	$43,051,650	$520,188	1.21%	$43,572,477	$520,827	1.21%
Irrigation										
25	Irrigation Service	201	764,169		37,235	450	1.21%	37,822	587	1.58%
Municipal Services										
40	Muncipal Service	4,993	4,462,402	11,971.0	298,929	3,612	1.21%	302,535	3,606	1.21%
48	Municipal Pumping	3,756	25,926,045	89,350.0	1,201,065	14,512	1.21%	1,215,845	14,780	1.23%
	Total Municipal	8,749	30,388,447	101,321.0	$1,499,994	$18,124	1.21%	$1,518,380	$18,386	1.23%
Lighting										
41&42	Street Lighting	10,458	20,739,452		1,198,802	(14,985)	-1.25%	1,183,807	(14,995)	-1.25%
52	Private Lighting	31,174	3,718,628		278,979	(3,487)	-1.25%	275,501	(3,478)	-1.25%
	Total Lighting	41,632	24,458,080		1,477,781	(18,472)	-1.25%	1,459,308	(18,473)	-1.25%
Total North Dakota		894,009	1,338,385,001	2,337,327.0	$85,768,179	$999,999	1.17%	$86,767,220	$999,041	1.16%

Attachment A
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MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Electric Service - Rate 10
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rates 100 & 180				
Bills	713,490	$5.50	$3,924,195	
Rates 100 & 180 (June-Sept)				
Kwh				
1st 750 Kwh	116,590,211	$0.06830	7,963,111	
Over 750 Kwh	47,520,935	0.06830	3,245,680	
Total Kwh	164,111,146		11,208,791	
Rate 100 and 180 (Oct-May)				
Kwh				
1st 750 Kwh	224,906,750	$0.06830	15,361,131	
Over 750 Kwh	88,814,755	0.03431	3,047,234	
Total Kwh	313,721,505		18,408,365	
Total Rate 10 & 18-00	477,832,651			$33,541,351
11-00				
Bills	0	$5.50	$0	
11-00 (June-Sept)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	3,919,248	$0.06830	267,685	
Total Kwh	3,919,248		267,685	
11-00 (Oct-May)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	7,492,193	$0.03431	257,057	
Total Kwh	7,492,193		257,057	
Total Rate 11-00	11,411,441			$524,742
13-00				
Bills	0	$5.50	$0	
13-00 (June-Sept)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	31,684	$0.06830	2,164	
Total Kwh	31,684		2,164	
13-00 (Oct-May)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	60,568	$0.03431	2,078	
Total Kwh	60,568		2,078	
Total Rate 13-00	92,252			$4,242

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Electric Service - Rate 10
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
50-00				
Bills	0	$5.50	$0	
50-00 (June-Sept)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	1,062	$0.06830	73	
Total Kwh	1,062		73	
50-00 (Oct-May)				
Kwh				
1st 750 Kwh		$0.06830	0	
Over 750 Kwh	2,030	$0.03431	70	
Total Kwh	2,030		70	
Total Rate 50-00	3,092			$143
56-00				
Bills	0	$5.50	$0	
56-00 (June-Sept)				
Kwh				
1st 750 Kwh		$0.06830	0	
Over 750 Kwh	36,517	$0.06830	2,494	
Total Kwh	36,517		2,494	
56-00 (Oct-May)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	69,806	$0.03431	2,395	
Total Kwh	69,806		2,395	
Total Rate 56-00	106,323			4,889
Total Rate 10 Revenues Per Design				$34,075,367
Target Revenues				34,077,040
Difference				($1,673)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Electric Service - Rate 10
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate Calculations:				
Pro Forma Revenues			$33,670,207	
Proposed Revenue Increase			406,833	
Total Target Revenues			34,077,040	
Less:				
Base Rate Revenues			$3,924,195	
Over 750 Kwh Oct-May Block			3,308,834	
Total To Be Collected From Energy Charge			$26,844,011	
Total Kwh Sales (Excl Oct-May > 750)			393,006,407	
Energy Charge:			Summer	Winter
1st 750 Block			$0.06830	$0.06830
Over 750 Block			$0.06830	$0.03431

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Time-of-Day - Rate 16
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
16-00			
Bills	165	$10.50	$1,733
Kwh			
On-Peak Oct-May	47,496	$0.08320	$3,952
On-Peak June-Sept	15,996	0.12320	1,971
Off-Peak	165,019	0.03431	5,662
Total Kwh	228,511		11,585
Total Revenue			$13,318

Total Rate 16 Revenues Per Design	$13,318
Target Revenues	13,315
Difference	$3

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Time-of-Day - Rate 16
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$13,156
Proposed Revenue Increase	159
Total Target Revenues	13,315
Less:	
Base Rate Revenues	$1,733
Off-Peak Revenues	5,662
On-Peak June-Sept Differential	640
Total To Be Collected From Energy Charge	$5,280
Total On-Peak Kwh Sales	63,492
On-Peak Energy Charge:	
June-Sept	$0.12320
Oct -May	$0.08320
Winter/Summer Differential	$0.0400

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
General Service - Rate 20
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 20				
Secondary & Primary Co. Owned				
Bills	87,313	$20.00	$1,746,260	
June-September All Kwh	19,611,144	$0.06789	1,331,401	
Oct-May				
1st 750 Kwh	26,876,166	$0.06789	1,824,623	
Over 750 Kwh	10,613,288	0.03431	364,142	
Total Oct-May	37,489,454		2,188,765	
Total Revenue	57,100,598			$5,266,426
Primary Customer Owned				
Bills	65	$20.00	$1,300	
June-September All Kwh	5,406	$0.06789	367	
Oct-May				
1st 750 Kwh	7,409	$0.06789	503	
Over 750 Kwh	2,926	0.03431	100	
Total Oct-May	10,335		603	
Total Revenue	15,741			$2,270
Rate 22 - Primary				
Bills		$20.00		
June-September All Kwh	10,534	$0.06789	715	
Oct-May				
1st 750 Kwh	36,564	$0.06789	2,482	
Over 750 Kwh	67,904	0.03431	2,330	
Total Oct-May	104,468		4,812	
Total Revenue	115,002			$5,527

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
General Service - Rate 20
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 22 - Secondary				
Bills		$20.00		
June-September All Kwh	247,037	$0.06789	16,771	
Oct-May				
1st 750 Kwh	1,162,998	$0.06789	78,956	
Over 750 Kwh	2,159,854	0.03431	74,105	
Total Oct-May	3,322,852		153,061	
Total Revenue	3,569,889			$169,832
Rate 50				
Bills		$20.00		
June-September All Kwh	108,436	$0.06789	7,362	
Oct-May				
1st 750 Kwh	35,428	$0.06789	2,405	
Over 750 Kwh	65,795	0.03431	2,257	
Total Oct-May	101,223		4,662	
Total Revenue	209,659			$12,024

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
General Service - Rate 20
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 56				
Bills		$20.00		
June-September All Kwh	1,381,257	$0.06789	93,774	
Oct-May				
1st 750 Kwh	3,362,541	$0.06789	228,283	
Over 750 Kwh	6,244,720	0.03431	214,256	
Total Oct-May	9,607,261		442,539	
Total Revenue	10,988,518			$536,313
Rate 56 - 10% Discount Contract				
Bills		$20.00		
June-September All Kwh	75,074	$0.06789	5,097	
Oct-May				
1st 750 Kwh	102,885	$0.06789	6,985	
Over 750 Kwh	40,629	0.03431	1,394	
Total Oct-May	143,514		8,379	
Total Revenue	218,588		$13,476	
Discount			(1,348)	
				$12,128
Rate 290				
Bills		$20.00		
June-September All Kwh	61,831	$0.06789	4,198	
Oct-May				
1st 750 Kwh	10,364	$0.06789	704	
Over 750 Kwh	9,610	0.03431	330	
Total Oct-May	19,974		1,034	
Total Revenue	81,805			$5,232
Total Rate 20 Revenues Per Design				$6,009,752
Target Revenues				6,010,077
Difference				($325)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
General Service - Rate 20
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate Calculations:				
Pro Forma Revenues			$5,938,325	
Proposed Revenue Increase			71,752	
Total Target Revenues			6,010,077	
Less:				
Base Rate Revenues			$1,747,560	
Over 750 Kwh Oct-May Block			658,914	
Total To Be Collected From Energy Charge			$3,603,603	
Total Kwh Sales (Excl Oct-May > 750)			53,077,278	
Energy Charge:			Summer	Winter
1st 750 Block			$0.06789	$0.06789
Over 750 Block			$0.06789	$0.03431

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Irrigation Service - Rate 25
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
25-20,21			
Bills	201	$10.00	$2,010
Kw Oct-May	5,030.3	$1.00	5,030
Kw June- Sept	3,041.7	1.50	4,563
Kwh	764,170	$0.03431	26,219
Total Revenue			$37,822

Total Rate 25 Revenues Per Design	$37,822
Target Revenues	37,685
Difference	$137

1/ Total demand billed under current rates divided by $2.00 demand charge per horsepower. New rate will reflect a minimum bill of $21.00 per horsepower per annual period Jan-Dec.

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Irrigation Service - Rate 25
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$37,235
Proposed Revenue Increase	450
Total Target Revenues	37,685
Less:	
Base Rate Revenues	$2,010
Energy Charge Revenue	26,219
Total To Be Collected From Energy Charge	$9,456
Total Adjusted KW Demand	9,593
Summer Demand Charge	$1.50
Winter Demand Charge	$1.00
Energy Charge (tied to Rate 20)	$0.03431

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Small General Service Time-of-Day - Rate 26
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
Rates 26 and 27			
Bills	336	$22.00	$7,392
Kwh			
On-Peak Oct-May	228,389	$0.08512	$19,440
On-Peak June-Sept	148,677	0.12512	18,602
Off-Peak	1,030,668	0.03431	35,362
Total Kwh	1,407,734		73,404
Total Revenue			$80,796
Total Rate 26 Revenues Per Design			$80,796
Target Revenues			80,796
Difference			$0

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Small General Service Time-of-Day - Rate 26
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$79,831
Proposed Revenue Increase	965
Total Target Revenues	80,796
Less:	
Base Rate Revenues	$7,392
Off-Peak Revenues	35,362
On-Peak Differential	5,947
Total To Be Collected From Energy Charge	$32,095
Total On-Peak Kwh Sales	377,066
Energy Charge:	
On-Peak Rate (Oct-May)	$0.08512
On-Peak Rate (June-Sept)	$0.12512
Off-Peak Rate	$0.03431
Blocking Differentials:	
On-Peak to Off-Peak	0.04

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 30 & 302				
Secondary, Primary Co Owned				
Bills	8,473	$35.00	$296,555	
Kw Oct-May	777,005.9	$8.224	6,390,097	
Kw June- Sept	378,940.1	$11.224	4,253,224	
	1,155,946.0		10,643,321	
Kwh Oct-May	254,495,142	$0.03336	8,489,958	
Kwh June- Sept	132,142,989	$0.03336	4,408,290	
	386,638,131		12,898,248	
Total				23,838,124
30-Primary				
Bills	220	$90.00	$19,800	
Kw Oct-May	155,444.7	$5.254	816,706	
Kw June- Sept	60,551.3	$8.254	499,790	
	215,996.0		1,316,496	
Kwh Oct-May	64,086,187	$0.03255	2,086,005	
Kwh June- Sept	34,048,977	$0.03255	1,108,294	
	98,135,164		3,194,299	
Total				4,530,595

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Moved from Rate 20 - 205				
Bills	12	$35.00	$420	
Kw Oct-May	388.2	$8.224	3,193	
Kw June- Sept	151.2	$11.224	1,697	
	539.4		4,890	
Kwh Oct-May	138,720	$0.03336	4,628	
Kwh June- Sept	73,702	$0.03336	2,459	
	212,422		7,087	
Contract Discount @ 10%			(1,240)	
Total				11,157
Moved from Rate 20 - Secondary & Primary Co. Owned				
Bills	33,012	$35.00	$1,155,420	
Kw Oct-May	457,916.8	$8.224	3,765,908	
Kw June- Sept	178,386.0	$11.224	2,002,204	
	636,302.8		5,768,112	
Kwh Oct-May	101,784,305	$0.03336	3,395,524	
Kwh June- Sept	54,077,977	$0.03336	1,804,041	
	155,862,282		5,199,565	
Total				12,123,097

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Moved from Rate 20 - Primary Customer Owned				
Bills	35	$90.00	$3,150	
Kw Oct-May	473.1	$5.254	2,486	
Kw June- Sept	184.3	$8.254	1,521	
	657.4		4,007	
Kwh Oct-May	129,110	$0.03255	4,203	
Kwh June- Sept	68,596	$0.03255	2,233	
	197,706		6,436	
Total				13,593
Moved from Rate 40 Secondary				
Bills	0	$35.00	$0	
Kw Oct-May	0.0	$6.100	0	
Kw June- Sept	0.0	$6.100	0	
	0.0		0	
Kwh Oct-May	0	$0.03336	0	
Kwh June- Sept	0	$0.03336	0	
	0		0	
Total				0
MedCenter & Capitol - Secondary & Co. Owned				
Bills	73	$35.00	$2,555	
Kw Oct-May	21,720.2	$8.224	178,627	
Kw June- Sept	10,592.8	$11.224	118,894	
	32,313.0		297,521	
Kwh Oct-May	9,734,237	$0.03336	324,734	
Kwh June- Sept	6,505,516	$0.03336	217,024	
	16,239,753		541,758	
Contract Discount @ 10%			(84,183)	
Total				757,651

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
MedCenter & Capitol - Primary				
Bills	12	$90.00	$1,080	
Kw Oct-May	23,193.0	$5.254	121,856	
Kw June- Sept	11,311.0	$8.254	93,361	
	34,504.0		215,217	
Kwh Oct-May	8,681,779	$0.03255	282,592	
Kwh June- Sept	4,877,801	$0.03255	158,772	
	13,559,580		441,364	
Contract Discount @ 10%			(65,766)	
Total				591,895

Total Rate 30 Revenues Per Design	$41,866,112
Target Revenues	41,865,460
Difference	$652

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue

Rate Calculations:

Pro Forma Revenues (Less Fixed Contract Rates)	$41,348,949
Proposed Revenue Increase	516,511
Total Target Revenues	41,865,460
Less:	
Base Rate Revenues	$1,478,575
Demand Revenues	18,197,801
Primary Service Energy Differential	(90,633)
Total To Be Collected From Energy Charge	$22,279,717
Kwh Sales:	
Secondary	542,500,413
Primary	98,332,870
Discounted Contracts	27,010,580
Total Kwh Sales	667,843,863
Energy Charge:	
Primary	$0.03255
Secondary	$0.03336
Differentials:	
Primary Service - Energy	($0.00081)
Contract Discount	10%

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service Time-of-Day - Rate 31
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
Bills (Secondary)	62	$37.00	$2,294
Kw - Secondary			
Off-Peak	1,212.0	$0.00	0
On-Peak (Oct-May)	7,092.6	$4.500	31,917
On-Peak (June-Sept)	2,923.4	$7.500	21,926
Total Kw	11,228.0		53,843
Kwh - Secondary			
Off-Peak	261,783	$0.03840	$10,052
On-Peak (Oct-May)	33,043	0.03840	1,269
On-Peak (June-Sept.)	21,511	0.05840	1,256
Total Kwh	316,337		12,577
Total Revenue			$68,714

Total Rate 31 Revenues Per Design	$68,714
Target Revenues	68,712
Difference	$2

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service Time-of-Day - Rate 31
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$67,892
Proposed Revenue Increase	820
Total Target Revenues	68,712
Less:	
Base Rate Revenues	$2,294
Demand Charges	53,843
On-Peak Differential	430
Total To Be Collected From Energy Charge	$12,145
Total Kwh Sales	316,337
Energy Charge:	
On-Peak Rate	$0.05840
Off-Peak Rate	$0.03840
Blocking Differentials:	
On-Peak to Off-Peak	$0.020

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 39
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Interruptible Rate 39				
Bills	24	$297.50	$7,140	
Kw Oct-May	13,152.7	$2.250	29,594	
Kw June- Sept	7,953.3	$2.250	17,895	
	21,106.0		47,489	
Kwh Oct-May	2,176,250	$0.02722	59,238	
Kwh June- Sept	4,607,655	$0.02722	125,420	
	6,783,905		184,658	
Total				239,287

Total Rate 39 Revenues Per Design	$239,287
Target Revenues	239,302
Difference	($15)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue

Rate Calculations:

Pro Forma Revenues	$236,445
Proposed Revenue Increase	2,857
Total Target Revenues	239,302
Less:	
Base Rate Revenues	$7,140
Demand Revenues	47,489
Total To Be Collected From Energy Charge	$184,673
Kwh Sales:	6,783,905
Energy Charge:	$0.02722

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Municipal Service - Rate 40
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 40 Non-Demand				
Bills	4,529	$15.50	$70,200	
June-September All Kwh	708,602	$0.04497	31,866	
Oct-May				
1st 750 Kwh	971,107	$0.04497	43,671	
Over 750 Kwh	383,486	$0.03431	13,157	
Total Oct-May	1,354,593		56,828	
Total Revenue	2,063,195			$158,894
Rate 40 Demand				
Bills	464	$25.50	$11,832	
Kw Oct-May 1st 10 kw	2,637.5			
Kw Oct-May Over 10 kw	5,977.6	$4.224	25,249	
Kw June- Sept	3,355.9	$7.224	24,243	
	11,971.0		49,492	
Kwh Oct-May	1,566,778	$0.03431	53,756	
Kwh June- Sept	832,429	$0.03431	28,561	
	2,399,207		82,317	
Total				143,641

Total Rate 40 Revenues Per Design	$302,535
Target Revenues	302,541
Difference	($6)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Municipal Service - Rate 40
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate Calculations:				
Pro Forma Revenues			$298,929	
Proposed Revenue Increase			3,612	
Total Target Revenues			302,541	
Less:				
Base Rate Revenues			$82,032	
Over 750 Kwh Oct-May Block			95,474	
Demand Charges			49,492	
Total To Be Collected From Summer Energy Charge			$75,543	
Total Kwh Sales (Excl Oct-May > 750)			1,679,709	
Energy Charge (Non-Demand)			Summer	Winter
1st 750 Block			$0.04497	$0.04497
Over 750 Block			$0.04497	$0.03431
Energy Charge (Demand)			$0.03431	

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Street Lighting Rates 41 and 42
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
Rates 41, 42			
Bills	10,458	$0.00	$0
Secondary Kwh & Private	282,436	$0.06328	17,873
Primary Kwh	816	$0.05828	48
5% Contract Discount Kwh	273,488	$0.06328	17,306
10% Contract Discount Kwh	20,182,712	$0.06328	1,277,162
Subtota	20,739,452		1,312,389
Contract Discount			(128,582)
Total Revenue			$1,183,807

Total Rate 41 Revenues Per Design	$1,183,807
Target Revenues	1,183,817
Difference	($10)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Street Lighting Rates 41 and 42
12 Months Ended 12/31/00

Pro Forma Revenues	$1,198,802
Proposed Revenue Increase	(14,985)
Total Target Revenues	1,183,817
Less:	
Primary Service Discount	(4)
Total To Be Collected From Energy Charge	$1,183,821
Total Adjusted Kwh Sales	18,707,506
Energy Charge	$0.06328
Primary Service Differential	$0.00500
Contract Discount	10%

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Municipal Pumping Service - Rate 48
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
48-50				
Seconday - No Discount				
Bills	192	$10.00	$1,920	
Kw				
Oct-May	4,306.1	$3.06	$13,177	
June-Sept	2,603.9	6.06	15,780	
			28,957	
Kwh				
Oct-May	486,603	$0.03659	17,805	
June-Sept	486,603	$0.03659	17,805	
			35,610	
Total Revenue	973,206			$66,487
Seconday - 10% Contract Discount				
Bills	3,516	$10.00	$35,160	
Kw				
Oct-May	39,778.6	$3.06	$121,723	
June-Sept	24,053.4	6.06	145,764	
			267,487	
Kwh				
Oct-May	8,417,368	$0.03659	307,991	
June-Sept	8,417,368	$0.03659	307,991	
			615,982	
Total Revenue	16,834,736		$918,629	
10% Contract Discount			(91,863)	$826,766
Primary - 10% Contract Discount				
Bills	48	$12.00	$576	
Kw				
Oct-May	17,129.8	$1.15	$19,699	
June-Sept	10,358.2	4.15	42,987	
			62,686	
Kwh				
Oct-May	4,059,053	$0.03636	147,587	
June-Sept	4,059,053	$0.03636	147,587	
			295,174	
Total Revenue	8,118,106		$358,436	
10% Contract Discount			(35,844)	$322,592
Total Revenues				$1,215,845
Target Revenues				1,215,577
Difference				$268

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Municipal Pumping Service - Rate 48
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$1,201,065
Proposed Revenue Increase	14,512
Total Target Revenues	1,215,577
Less:	
Base Rate Revenues	$34,082
Demand Revenues	326,113
Primary Service Differential	(1,867)
Total To Be Collected From Energy Charge	$857,249
Adjusted Kwh Sales:	
Secondary	16,124,468
Primary	7,306,295
Total Kwh Sales	23,430,763
Energy Charge- Primary	$0.03636

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Private Lighting Rate 52
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
Bills	31,174	$0.00	$0
Secondary Kwh & Private	3,716,906	$0.07409	275,386
10% Contract Discount Kwh	1,722	$0.07409	128
Subtota	3,718,628		275,514
Contract Discount			(13)
Total Revenue			$275,501

Total Rate 41 Revenues Per Design	$275,501
Target Revenues	275,492
Difference	$9

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Private Lighting Rate 52
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$278,979
Proposed Revenue Increase	(3,487)
Total Target Revenues	275,492
Less:	
Total To Be Collected From Energy Charge	$275,492
Total Adjusted Kwh Sales	3,718,456
Energy Charge	$0.07409
Contract Discount	10%

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 1

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Electric Rate Schedule

NDPSC Volume 3
4TH Revised Sheet No. 3.1
Canceling 3RD Revised Sheet No. 3.1

RESIDENTIAL ELECTRIC SERVICE Rate 10

Availability:

In all communities served for single-phase residential electric service for domestic purposes only.

Rate:

Base Rate: ~~$3.50~~$5.50 per month

Energy Charge: October – May:
First ~~450~~ 750 Kwh per month ~~7.022¢~~6.830¢ per Kwh
~~Next 300 Kwh per month 6.622¢ per Kwh~~
Over 750 Kwh per month ~~6.022¢~~3.431¢ per Kwh

Energy Charge June – September: 6.830¢ per Kwh

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

~~1. Underground Service - Where provided, an additional charge of $1.50 per month for ninety-six monthly periods, totaling $144, will be added to the above rate.~~

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

RESIDENTIAL ELECTRIC SERVICE Rate 10

~~2. Water Heating or Space Heating - Shall be provided where the customer has an approved installation for either water heating or space heating or both.~~

~~a. Specifications for an approved water heating installation under this rate:~~

~~1.The water heating installation shall not be used to supplement any other system of providing hot water service.~~

~~2. The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for a nominal voltage of 208, 240 or 277 volt single phase service.~~

~~b. Specifications for an approved space heating installation under this rate:~~

~~1. Electric space heating and air-conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3.~~ The foregoing schedule is subject to Rates 101~~-130~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 7.1
Canceling 3rd Revised Sheet No. 7.1

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Availability:

In all communities served for single-phase residential electric service. The customer's wiring must be so arranged that all service can be measured through one meter.

Rate:

Base Rate: ~~$5.50~~$10.50 per month

On-Peak Energy: ~~13.034¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9 a.m.~~12 p.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~:~~:

October-May	8.320¢ per Kwh
June-September	12.320¢ per Kwh

Off-Peak Energy: ~~2.755¢~~3.431¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at the Off-Peak rate.~~

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day Residential Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Residential Electric Service rate or of returning to the regular Residential Electric Service rate.

~~Special~~ General Terms and Conditions:

~~1.Underground Service - Where provided, an additional charge of $1.50 per month for ninety-six monthly periods, totaling $144, will be added to the above rate.~~

~~2. Water Heating or Space Heating - Shall be provided where the customer has an approved installation for either water heating or space heating or both.~~

~~a. Specifications for an approved water heating installation under this rate:~~

~~1. The water heating installation shall not be used to supplement any other system of providing hot water service.~~

~~2. The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for a nominal voltage of 208, 240 or 277 volt single phase service.~~

~~b. Specifications for an approved space heating installation under this rate:~~

~~1. Electric space heating and air-conditioning equipment shall be designed to operate at 208, 240 or 277 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
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State of North Dakota
Electric Rate Schedule

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3.~~ The foregoing schedule is subject to Rates 101 ~~-~~ 133~~0~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 10.1
Canceling 3rd Revised Sheet No. 5.1

SMALL GENERAL ELECTRIC SERVICE Rate 20

Availability:

In all communities served for all types of general electric service with billing demands ~~of 50 Kilowatts or less~~that do not warrant the installation of a demand meter except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be so arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

Base Rate: ~~$12.00~~$20.00 per month

~~Demand Charge:~~

~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.25 per Kw~~

Energy Charge: October – May:

First ~~2,000~~750 Kwh per month ~~7.646¢~~6.789¢ per Kwh
~~Next 8,000 Kwh per month 5.746¢ per Kwh~~
Over ~~10,000~~750 Kwh per month ~~5.246¢~~3.431¢ per Kwh

Energy Charge June – September: 6.789¢ per Kwh

Minimum Bill:

Base Rate. ~~plus Demand Charge.~~

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
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State of North Dakota
Electric Rate Schedule

SMALL GENERAL ELECTRIC SERVICE Rate 20

~~**Determination of Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~**Special** General~~ **Terms and Conditions:**

1. Customers or their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or

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SMALL GENERAL ELECTRIC SERVICE Rate 20

connected load will not exceed 20 Kw, and

a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3.~~2.~~ The foregoing schedule is subject to Rates ~~130~~ 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
5th Revised Sheet No. 14.1
Canceling 4th Revised Sheet No. 14.1

IRRIGATION POWER SERVICE Rate 25

Availability:

For irrigation power service.~~where facilities therefore are located adjacent to the Company's three-phase lines for power and incidental lighting service provided the Company has sufficient available capacity.~~

Rate:

Base Rate: $10.00 per month

Demand Charge:

October – May	$1.00 per Kw
June – September	$1.50 per Kw

~~$2.00 per month per horsepower of connected load.~~

Energy Charge:

~~3.011¢~~3.431¢ per Kwh.

Minimum ~~Seasonal Charge~~Bill:

~~$19.03 per horsepower of connected load, based on the maximum horsepower connected during the season, but not less than $190.30. If the total seasonal bill through the month of August is less than $19.03 per horsepower of connected load, one-half of the deficiency will be billed in September and the balance in October.~~Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

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IRRIGATION POWER SERVICE Rate 25

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

~~**Determination of Connected Load:**~~

~~The Company shall determine the connected horsepower by nameplate rating of the motors, or at its option by testing under conditions of maximum operating load.~~

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~**Special** **General** **Terms and Conditions:**~~

~~1. Individual motors having a rating in excess of 10 horsepower must be three-phase. All wiring and other facilities beyond the point of metering shall be owned, operated, and maintained by the customer.~~

~~2. Service shall be available during the irrigation season defined as the months of April, May, June, July, and August. The irrigation season, as previously defined, may be extended not more than 60 days, in which case the monthly demand charges shall apply and the Minimum Seasonal Charge shall be increased proportionately.~~

~~3.~~ The foregoing schedule is subject to Rates 101~~-130~~ 133 and any ~~-~~amendments or alterations thereto or additional rules and regulations ~~-~~promulgated by the Company under the laws of the state.

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NDPSC Volume 3
4th Revised Sheet No. 15.3
Canceling 3rd Revised Sheet No. 15.3

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter~~of 50 Kilowatts or less~~ except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

Base Rate: $22.00 per month

~~Single Phase $13.50~~
~~Three Phase $14.00~~

~~Demand Charge for Service at Primary Voltage:~~
~~On-Peak Demand Charge:~~
~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.00 per Kw~~

~~Off-Peak Demand Charge:~~
~~In excess of the greater of 10 Kw or of the on-peak demand $1.90 per Kw~~

~~Demand Charge for Service at Secondary Voltage:~~
~~On-Peak Demand Charge:~~
~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.25 per Kw~~

~~Off-Peak Demand Charge:~~
~~In excess of the greater of 10 Kw or of the on-peak demand $2.00 per Kw~~

Date Filed: **Effective Date:**

Issued By:

Case No.:

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

On-Peak Energy ~~Charge~~: ~~for Service at Primary Voltage:On-Peak Energy Charge:9.391¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 pa.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~.~~:

October – May	8.512¢ per Kwh
June – September	12.512¢ per Kwh

Off-Peak Energy ~~Charge~~: ~~2.530¢~~3.431¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

~~Energy Charge for Service at Secondary Voltage:~~

~~On-Peak Energy Charge:~~

~~9.889¢ per Kwh for all Kwh's used during peak hours designated as 9 a.m. to 9 p.m. local time, Monday through Friday.~~

~~Off-Peak Energy Charge:~~

~~2.666¢ per Kwh for all Kwh's not covered by the On-Peak rating period. All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

Minimum Bill:

Base Rate~~, plus Demand Charge.~~

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~**Determination of On-Peak Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Determination of Off-Peak Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the off-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Primary Service:**~~

~~Primary service shall be defined as those customer's providing their own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Contract Terms:

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Customer agrees to contract for service under the Optional Time-of-Day Small General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Small General Electric Service rate or of returning to the regular Small General Electric Service rate.

~~Special~~ General **Terms and Conditions:**

1. Customers and their Aarchitects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

~~2~~3. The foregoing schedule is subject to Rates 101-133~~-130~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
4th Revised Sheet No. 18.1
Canceling 3rd Revised Sheet No. 18.1

~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

Availability:

In all communities served for all types of demand metered general electric service ~~exceeding 50 Kilowatts of billing demand~~ except outside lighting, stand-by, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

For Primary Service:

Base Rate: ~~$15.00~~$90.00 per month

Demand Charge: ~~$5.25 per Kw of billing demand.~~

October – May	$5.254 per Kw
June – September	$8.254 per Kw

Energy Charge: 3.255¢ per Kwh

~~First 2,000 Kwh per month 6.275¢ per Kwh~~
~~Next 8,000 Kwh per month 4.975¢ per Kwh~~
~~Over 10,000 Kwh per month 4.375¢ per Kwh~~

For Secondary Service:

Base Rate: $35.00 per month

Demand Charge:

October – May	$ 8.224 per Kw
June – September	$11.224 per Kw

Energy Charge: 3.336¢ per Kwh

Minimum Bill:

Base Rate. ~~plus Demand Charge.~~

Date Filed: **Effective Date:**

Issued By:

Case No.:

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~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be ~~the greater of~~ the maximum 15 minute measured demand in the current month ~~or 50 Kw~~. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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4th Revised Sheet No. 18.1
Canceling 3rd Revised Sheet No. 18.1

~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

~~Special~~ General Terms and Conditions:

1. Customers or their Aarchitects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

~~2.~~3. The foregoing schedule is subject to Rates 101--133~~0~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

Availability:

In all communities served for all types of demand metered general electric service ~~exceeding 50 Kilowatts of billing demand~~ except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

For Primary Service:

Base Rate: ~~$17.00~~$92.00 per month

On-Peak Demand: ~~Charge for Service at Primary Voltage~~
October - May ~~On-Peak Demand Charge:~~ ~~$5.00~~$4.500 per Kw ~~of billing demand~~

~~Off-Peak Demand Charge:~~
~~$1.90 per Kw in excess of the on-peak billing demand~~

~~Demand Charge for Service at Secondary Voltage~~June - September:
~~On-Peak Demand Charge~~: ~~$5.25~~$7.500 per Kw ~~of billing demand~~

~~Off-Peak Demand Charge:~~
~~$2.00 per Kw in excess of the on-peak billing demand~~

On-Peak Energy: ~~Charge for Service at Primary Voltage: On-Peak Energy Charge: 8.355¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 pa.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~:~~:

October – May	3.496¢ per Kwh
June – September	5.496¢ per Kwh

Date Filed: **Effective Date:**

Issued By:

Case No.:

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Off-Peak Energy ~~Charge~~: ~~2.836¢~~3.759¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

For Secondary Service:
Base Rate: $37.00 per month

Demand Charge October – May:
On-Peak: $4.500 per Kw

Demand Charge June – September:
On-Peak: $7.500 per Kw

Energy Charge ~~for Service at Secondary Voltage~~:
On-Peak ~~Energy Charge~~:
~~8.798¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 ap.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~.~~:
October – May: 3.840¢ per Kwh
June – September: 5.840¢ per Kwh

Off-Peak ~~Energy Charge~~:
~~2.989¢~~3.840¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

Minimum Bill:
Base Rate. ~~plus Demand Charge.~~

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

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State of North Dakota
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OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

Margin ~~Credit~~Sharing Adjustment:
Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Determination of On-Peak Billing Demand:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

~~**Determination of Off-Peak Billing Demand:**~~
~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the off-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

Power Factor Clause:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Primary Service:**~~
~~Primary service shall be defined as those customer's providing their own transformers, related equipment, and distribution facilities downstream of the~~

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OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

~~meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day ~~Large~~ General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day ~~Large~~ General Electric Service rate or of returning to the regular ~~Large~~ General Electric Service rate.

~~Special~~ General Terms and Conditions:

1. Customers and their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

~~2~~3. The foregoing schedule is subject to Rates 101-~~-~~1330 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
Original Sheet No. 20

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

Availability:

In all communities served for general service customers for space heating service, where the customer also takes service under General Electric Service Rate 30 or General Electric Time-Of-Day Service Rate 31. Only space heating load is allowed on this rate schedule.

Rate:

Base Rate: $10.00 per month

For Primary Service:

Demand Charge:

June-September $8.254 per Kw

Energy Charge: 3.255¢ per Kwh

For Secondary Service:

Demand Charge:

June-September $11.224 per Kw

Energy Charge: 3.336¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Date Filed: **Effective Date:**

Issued By:

Case No.:

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GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
2nd Revised Sheet No. 22.2
Canceling 1st Revised Sheet No. 22.2

FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Availability:

In all communities served for all types of general electric service which meets one of the following qualifications:

a. New Customers - An applicant with total expected demand of 200 Kw per month and usage of 750,000 Kwh per year is eligible for service under this rate if it can meet any one of the following requirements: (i) its activities are largely or entirely different than that of the previous customer; (ii) that non-seasonal business has not been conducted at the premise for at least three billing periods prior to the application; (iii) that seasonal business has not been conducted at the premise for at least thirteen billing periods prior to the application; or (iv) the facility is newly constructed.

b. Existing Customers and Existing In-state Customers of Competing Suppliers - An existing customer, or an existing in-state customer of a competing supplier with increased demand of 200 Kw per month and increased usage of 750,000 Kwh per year is eligible for service under this rate. Only the expanded portion of the facility will be eligible for the negotiated rate. In addition, the new load must be supplied from a separately metered circuit with separate metering equipment to be installed at the customer's expense. Average usage at the original facility must be at least as great as that which occurred in the previous 12 month period.

Rate:

Base Rate: ~~$15.00~~$92.00 per month

Demand Charge: ~~$5.25 per Kw of billing demand~~To Be Negotiated

Energy Charge: ~~Customer shall pay a negotiated rate not more than the ceiling or less than the floor as specified below~~

~~Ceiling~~	~~Floor~~
~~4.519¢ per Kwh~~	~~2.598¢ per Kwh~~

Otherwise applicable energy charge for General Service Rate 30.

Contracts shall be filed with and approved by the North Dakota Public Service Commission.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
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FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Minimum Bill:

Base Rate plus Demand Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Right to Discontinue Service:

The Company reserves the right to refuse applicants who have not previously signed a contract for service under this rate if it determines either system capacity or system energy supply is projected to be insufficient, or if service reliability is expected to be at jeopardy.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

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FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

~~Special~~ General **Terms and Conditions:**

1. The customer and the Company shall execute a contract for service to be effective under this rate for a period of five years from the date of service commencement.

2. The negotiated ~~energy~~ demand charge shall be increased according to the differential between the negotiated rate and the ceiling as portrayed by the following schedule.

Years	Differential Percent Decrease
1-3	0%
4	25%
5	50%

At the end of the fifth year, the negotiated agreement hereunder expires.

3. Upon expiration of the contract, the customer shall be served under the otherwise applicable rate schedule.

4. Customers and their Aarchitects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

5. The foregoing schedule is subject to Rates 101 ~~through~~ 133 and any amendments or alternations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
4th Revised Sheet No. 24
Canceling 3rd Revised Sheet No. 24

INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Availability:

In all communities served for power to customers having a demand of ~~200~~ 500 Kw or more for its interruptible load. Electric energy for the interruptible load shall be supplied through a separately metered circuit at the same voltage and phase utilized to serve the balance of the customer's electrical load so arranged to allow remote operation by the Company.

Type of Service:

Service under this rate shall be taken by the customer at whatever primary voltage is available at the point of delivery but not less than 2,400 volts. In the event that it is necessary to build a substation on the Company's transmission line to serve the customer, the cost of building the substation shall be a matter of negotiation between the Company and the customer.

Rate:

Base Rate:	Specified in the electric service agreement with the Company.
Demand Charge:	~~$1.70~~ $2.250 per Kw of billing demand
Energy Charge:	~~3.111¢~~2.722¢ per Kwh

Minimum Bill:

Base Rate plus the Demand Charge (~~200~~ 500 Kw minimum).

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or ~~200~~ 500 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and monthly Base Rate payments to the Company. The monthly Base Rate payments are determined on a customer by customer basis and shall include, but are not limited to, any additional costs incurred by Company for facilities, such as substations, electric lines, meters, switching devices, and circuit breakers that are necessary to provide service under this rate.

2. All equipment associated with the interruptible load must be of such voltage and electrical characteristics that it can be separately metered and served from the circuit provided for the interruptible portion of the customer's load. If the equipment to be served is such that this is impossible, the customer must either make special arrangements with the Company or furnish the necessary equipment suitable for connection and metering to the circuit for the interruptible portion of the load.

3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of the customer's switch or circuit breaker by Company. Customer must wire the trip

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and close circuits into a connection point designated by the Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system.

4. The duration and frequency of interruptions shall be at the sole discretion of the Company.

5. The Company shall not be liable for any loss or damage caused by or resulting from any interruption of service.

6. The foregoing schedule is subject to Rates 101-1303 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
4th Revised Sheet No. 25.1
Canceling 3rd Revised Sheet No. 25.1

SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

Availability:

For all lighting and power requirements with billing demands of 50 kilowatts or less for public buildings or locations supported by public tax levies, and for which the city is liable for payment, in all municipalities served where the Company is operating under a municipal franchise or permit, and the municipality has a standard contract for operation of a street lighting system and/or a municipal pumping system with the Company.

This rate is restricted to small municipal electric service customers who were served under this rate prior to January 27, 1987. Any new small municipal general electric service customer may take service under another applicable rate.

Rate:

~~Base Rate: $12.00~~

~~Demand Charge:~~

~~First~~	~~10 Kw or less of billing demand~~	~~No charge~~
~~Over~~	~~10 Kw per month of billing demand~~	~~$5.25 per Kw~~

~~Energy Charge:~~

~~First~~	~~2,000 Kwh per month~~	~~5.314¢ per Kwh~~
~~Next~~	~~8,000 Kwh per month~~	~~3.814¢ per Kwh~~
~~Over~~	~~10,000 Kwh per month~~	~~3.314¢ per Kwh~~

Non-Demand
Base Rate: $15.50 per month

Energy Charge October – May:

First 750 Kwh per month	4.497¢ per Kwh
Over 750 Kwh per month	3.431¢ per Kwh

Energy Charge June – September: 4.497¢ per Kwh

Demand
Base Rate: $25.50 per month

Date Filed: **Effective Date:**

Issued By:

Case No.:

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SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

Demand Charge October – May:	
10 Kw or less	No Charge
Over 10 Kw	$4.224 per Kw
Demand Charge June – September:	
All Kw	$7.224 per Kw
Energy Charge:	3.431¢ per Kwh

Minimum Bill:
Base Rate. ~~plus Demand Charge.~~

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~3.35 per Kvar of such excess demand.

Margin Sharing Adjustment:
Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

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SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before Proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under the non-demand rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connhected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3. Customers not qualifying for the non-demand rate shall be served under the demand rate.

4. The foregoing schedule is subject to ~~Rule No. 130~~Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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4th Revised Sheet No. 26.1
Canceling 3rd Revised Sheet No. 26.1

~~STREET~~ MUNICIPAL LIGHTING SERVICE Rate 41

Availability:

For ~~street~~ municipal lighting purposes including streets, alleys and other public grounds ~~to either company-owned or municipally-owned street lighting systems~~. Service will be provided all night, every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

Rate:

For Primary Service: ~~6.862¢~~5.828¢ per Kwh computed according to the total rated capacity of lamps in use.

For Secondary Service: ~~6.862¢~~6.328¢ per Kwh computed according to the total rated capacity of the lamps in use.

Special discount:

~~For contracts of less than three years~~	~~None~~
For contracts of ~~three~~ ten years or more	10% ~~times the total number of years of the contract~~
~~Maximum discount~~	~~10%~~

Minimum Bill:

As provided in contract.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities down-stream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credits~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Date Filed: **Effective Date:**

Issued By:

Case No.:

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~~STREET~~ MUNICIPAL LIGHTING SERVICE Rate 41

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. The Company will maintain the facilities and change the light bulbs when notified by the municipality that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of employees of the municipality. In case of vandalism, malicious mischief, or willful negligence the Company will charge the municipality for the cost of repair and replacement.

~~2. The rate charged to municipally-owned street lighting systems shall be the above tariffed rate less .344¢ per Kwh.~~

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. In municipally-owned street lighting systems, an additional charge will be made to cover lamp replacements, materials and labor whenever such services are supplied by the Company.

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

5. The foregoing schedule is subject to Rates 101-~~130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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4th Revised Sheet No. 32.1
Canceling 3rd Revised Sheet No. 32.1

MUNICIPAL PUMPING SERVICE Rate 48

Availability:

For ~~M~~municipal pumping purposes ~~only and~~ provided the municipality uses electricity exclusively for all its pumping requirements and purchases all such electricity from the Company. The municipality must sign a contract for a minimum period of one year.

Rate:

For Primary Service:

Base Rate: ~~$13.00~~$12.00 per month

Demand Charge:

~~On~~ Cconnected loads of 10 Kw or less will be billed based on~~,~~ a ~~demand charge of $2.25 per Kw of~~ connected load~~;~~. ~~on~~ cConnected loads in excess of 10 Kw~~, demand charge of $2.25 per Kw of demand~~ will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter ~~during~~ in the current month ~~covered by the billing period but in no event less than $22.50~~or 10 Kw.

October – May:	$1.150 per Kw
June – September:	$4.150 per Kw

Energy Charge: ~~4.368¢~~3.636¢ per Kwh

For Secondary Service:

Base Rate: $10.00 per month

Demand Charge:

Connected loads of 10 Kw or less will be billed based on connected load. Connected loads in excess of 10 Kw will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter in the current month or 10 Kw.

October – May:	$3.060 per Kw
June – September:	$6.060 per Kw

Energy Charge: 3.659¢ per Kwh

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MUNICIPAL PUMPING SERVICE Rate 48

Special discount:

~~For contracts of less than three years~~	~~None~~
For contracts of ~~three~~ ten years or more	10% ~~times the total number of years of the contract~~
~~Maximum Discount~~	~~10%~~

Minimum Bill:

Base Rate plus Demand Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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Canceling 3rd Revised Sheet No. 32.1

MUNICIPAL PUMPING SERVICE Rate 48

~~Special~~ General Terms and Conditions:

1. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

2. The foregoing schedule is subject to Rates 101 ~~130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: **Effective Date:**

Issued By:

Case No.:

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4th Revised Sheet No. 36.1
Canceling 3rd Revised Sheet No. 36.1

~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

Availability:

~~Company-owned~~For all outdoor lighting including flood lights, billboard lighting ~~units~~ and metallic vapor yard lights in all communities served. Lighting equipment may be Company-owned or customer-owned.

Rate:

For Primary Service: 7.003¢ per Kwh computed according to the total rated capacity of the units in use.

For Secondary Service: ~~7.752¢~~7.409¢ per Kwh computed according to the total rated capacity of the units in use.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. Applicable to Company-owned Facilities:

~~1.~~ a. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dusk to dawn.

~~2.~~ b. The light may be mounted on existing poles owned or controlled by the Company. The Company will furnish a 35 foot pole(s) for flood lights and

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~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

a 30 foot pole(s) for yard light(s) at the customer's request at a separate rental rate if a special setting is required. If the customer chooses, the light may be installed on a pole owned by the customer or other mounting point suitable for installation of the light. The conductors will be extended 100 feet per unit free of charge, but the customer shall pay for the extra cost of extensions of more than 100 feet per unit.

~~3.~~ c. To the rate stated herein, bulb replacement and ownership costs for the units shall be added. The customer should consult with the Company for such costs.

~~5.~~ d. The Company will maintain the facilities and change the light bulbs when notified by the customer that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of customer. In case of vandalism, malicious mischief, or willful negligence, the Company will charge the customer for the cost of repair and replacement.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

43. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

Metallic vapor ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

~~6. Customer will be served only by contract and for a minimum period of two years.~~

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~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

~~7~~4. The foregoing schedule is subject to Rates 101 ~~130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed:

Effective Date:

Issued By:

Case No.:

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Original Sheet No. 41

MARGIN SHARING ADJUSTMENT Rate 57

1. **Applicability:**
This rate schedule constitutes an electric wholesale margin sharing adjustment (MSA) provision and specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's electric wholesale sales margins as allocated to its North Dakota electric jurisdiction, and (b) amortization of the Margin Sharing Account.

2. **Effective Date of Adjustment:**
The effective date of the MSA shall be bills rendered on and after the first day of April of each year, unless the Commission shall otherwise order. The initial adjustment under this tariff shall become effective April 1, 2005.

3. **Margin Sharing Adjustment:**
The MSA shall reflect changes in Montana-Dakota's electric wholesale margins as compared to the wholesale margins reflected in base rates. The MSA is made up of:

   (a) Current margin adjustment

   (b) Carrying charges on 3(a)

   (c) Surcharge adjustment

   The adjustment per kwh shall be determined by dividing the amount determined above by the estimated kwh sales for the twelve months following the effective date of the adjustment.

4. **Current Margin Adjustment:**
The current margin adjustment shall be:
   (a) $6,500,000 less

   (b) 85 percent of the actual wholesale sales margins for the preceding calendar year, unless

(c) Wholesale sales margins in the preceding calendar year are less than $3,300,000, then the current margin adjustment shall be 15 percent of actual wholesales sales margins for the preceding calendar year plus $3,200,000.

5. Carrying Charges:

(a) Carrying charges will be applied to the accumulated balance of the difference each month between $542,000 and 85 percent of actual wholesale sales margins.

(b) Carrying charges on the amounts shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

(c) If annual wholesale margins are less than $3,300,000 then interest calculated in (a) and (b) will be recalculated to reflect the minimum annual level.

6. Surcharge Adjustment:

The Surcharge Adjustment shall reflect amortization of the estimated balance in the Margin Sharing Account as of April 1 each year.

7. Margin Sharing Account:

The Margin Sharing Account shall consist of:

(a) The balance of the current margin adjustment and the carrying charges as of December 31 each year, less

(b) The amount determined by multiplying the currently effective Surcharge Adjustment included in rates by the kwhs sold during each month. The account shall be increased in the event the Surcharge Adjustment is a negative amount.

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MARGIN SHARING ADJUSTMENT Rate 57

(c) Carrying charges on the net balance shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

8. Time and Manner of Filing:

(a) Montana-Dakota shall file the MSA at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of revised MSA sheets identifying the amounts of the adjustment, the derivation of the adjustment and the resulting MSA rate.

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3rd Revised Sheet No. 42
Canceling 2nd Revised Sheet No. 42

FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .001¢ (one thousandth of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be ~~1.554~~1.303¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent four month period plus unrecovered (or less over-recovered) prior cumulative energy costs:

1. The cost of fossil and other fuels, including but not limited to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fuel consumed in jointly owned generating stations as recorded in Account 151.

2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:

   a. Energy that is purchased on an economic dispatch basis;

   b. Energy purchased from a renewable energy source, including but not limited to hydropower, wood, windpower, and biomass;

3. The actual identifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above, less;

4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent four month period as herein defined.

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3rd Revised Sheet No. 42.1
Canceling 2nd Revised Sheet No. 42.1

FUEL CLAUSE Rate 58

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent four month period for which actual cost data is available. The company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent four month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

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NDPSC Volume 3
18th Revised Sheet No. 44
Canceling 17th Revised Sheet No. 44

OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production 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 (QF) as defined under 18 CFR, Part 292.

Rate:

Metering charge for single phase service:	$ 1.25 per month
With instrument transformers:	$ 5.00 per month
Metering charge for three phase service:	$ 5.10 per month
With instrument transformers:	$10.75 per month

Energy delivered to and accepted by Company by a QF shall be paid for by Company in accordance with one of the following two options, elected by the QF:

1. Simultaneous Purchase and Sale:

   Energy sales to QF - 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 electric service, etc.) that is currently on file with the Commission.

   Capacity and energy purchases by Company:

Energy Payment	= 1.462¢ per Kwh
Capacity Payment	= $0 per Kw

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18th Revised Sheet No. 44.1
Canceling 17th Revised Sheet No. 44.1

OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

2. Net Billing:

   Energy generated will be compensated on a net billing basis. Company will install a meter to measure the energy generated by the QF. The Company will also install a meter to measure the energy consumed by the QF. Metered generation will be subtracted from the metered consumption for the billing period.

   If metered generation is less than metered consumption, the QF will be billed the applicable retail rate. If metered generation is greater than the metered consumption, the QF will be paid for each Kwh an amount equal to:

   1.462¢ per Kwh

~~Special~~ General Terms and Conditions:

1. Change of Rates: This schedule 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 at least one year but less than five years.

5. In order to qualify for the net billing option, the generating equipment and the load of the facility must be located at the same "physical site". "Physical site" shall mean on the same tract of land and the generator output must be physically connected to the load service entrance.

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Canceling 17th Revised Sheet No. 44.2

OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

6. For general terms and conditions covering QF's, see Rate 140.

7. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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NDPSC Volume 3
17th Revised Sheet No. 45
Canceling 16th Revised Sheet No. 45

PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production facilities for the purpose of generating 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 1000 Kw or less, that operate as a peaking facility (defined below), and are Qualifying Facilities (QF) as defined under 18 CFR, Part 292.

I. FACILITIES CAPABLE OF PROVIDING DISPATCHABLE CAPACITY AT THE TIME OF COMPANY'S SUMMER PEAK

Rate:

Metering charge for single phase service:	$4.90 per month
With instrument transformers:	$8.55 per month
Metering charge for three phase service:	$10.65 per month
With instrument transformers:	$16.10 per month

1. Capacity delivered to the Company:

QF has the option of one of two methods of payment for capacity:

a. Actual avoided costs at the time of delivery, or

b. Levelized payment for term of contract based on Table 1 below.

TABLE 1
Contract Length (YR.)

	5	10	15	20	25	30	35
$/Kw-mo	5.120	6.335	7.176	7.589	7.953	8.166	8.297

Total capacity payment per month = The applicable contract length capacity payment from Table 1 times the maximum 1 hour capacity, as demonstrated by an annual capability test.

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17th Revised Sheet No. 45.1
Canceling 16th Revised Sheet No. 45.1

PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.860¢ per Kwh	1.337¢ per Kwh

Peak Periods: The On-Peak Period is defined as those hours between 9 a.m. and 9 p.m. Central time, Monday through Friday in Central time zones, and between 8 a.m. and 8 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 the Company's system operating characteristics.

II. FACILITIES WHICH ARE NOT DISPATCHABLE AND PROVIDE ENERGY AND CAPACITY ON AN "AS AVAILABLE" BASIS

Rate:

Metering charge for single phase service:	$4.90 per month
With instrument transformers:	$8.55 per month
Metering charge for three phase service:	$10.65 per month
With instrument transformers:	$16.10 per month

1. Total capacity payment per billing period = P X Maximum 15 minute capacity for billing period, where P is defined below.

P = QCF/PCF(VTable 1)

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PARALLEL GENERATION PEAKING FACILITY PURCHASE Rate 96 TIME DIFFERENTIATED

where:
- P = capacity payment in $/Kw - month
- QCF = Qualifying Facilities Capacity Factor
- PCF = 65%
- VTable 1 = Applicable value from Table 1
- CF = Capacity Factor which equals average 15 minute on-peak metered capacity divided by the greatest 15 minute on-peak metered capacity during the billing period.

QCF/PCF cannot be greater than 1.

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.750¢ per Kwh	1.304¢ per Kwh

Energy Sales to Qualifying Facilities:

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 electric service, etc.) that is currently on file with the Commission.

~~Special~~ General Terms and Conditions:

1. Change of Rates: This schedule shall be reviewed annually, updated if necessary, and revised upon the Commission's approval.

2. Service under this schedule shall be on a simultaneous purchase and sale basis only.

3. 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.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

4. 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.

5. 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 five years or more.

6. Line loss considerations will be determined on a site specific basis.

7. For dispatchable units, generator outages must be pre-scheduled with Company to provide coordination with Company units.

8. A Peaking Unit is a unit not designed for continuous operation and is capable of supplying capacity and energy during periods of peak electric consumption. Generally, peaking units have a capacity factor of 20% or less.

9. For general terms and conditions covering QF's, see Rate 140.

10. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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Canceling 101-N-2

RULE GOVERNING DISCONTINUANCE OF SERVICE FOR NONPAYMENT OF BILL Rate 101

All bills for service are due when rendered and will be considered delinquent if not paid by the due date shown on the bill. If any customer shall become delinquent in the payment of service bills, such service may be discontinued by the Company under the applicable rules of the Public Service Commission. The Company may collect a fee of ~~$12.00~~$20.00 before restoring electric service which has been discontinued for nonpayment of service bills, or where a Service Extender has been installed in lieu of full disconnection.

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Canceling 102-N-1

~~RATE FOR~~ RESIDENTIAL ELECTRIC SERVICE FOR PERMANENT EMPLOYEES ~~OF MONTANA-DAKOTA UTILITIES CO., A DIVISION OF MDU RESOURCES GROUP, INC. AND WHOLLY-OWNED SUBSIDIARIES~~ Rate 102

Available for:

Residential use only in a single family unit served by Montana-Dakota Utilities Co. to a full time permanent employee who has been continuously employed by the Company at least six months and is the principal support of the household in which he resides, or is the spouse of the principal support.

Rate:

The employee's bill shall be computed at the applicable rate, and the amount reduced by 33 1/3%.

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Canceling 106

CONSUMER DEPOSITS Rate 106

The Company will determine whether or not a deposit shall be required of an applicant for electric service in accordance with Commission rules.

a. The amount of such deposit shall not exceed an estimated 60 day service bill.

b. The Company may accept in lieu of a cash deposit a contract signed by a guarantor, satisfactory to the Company, whereby the payment of a specified sum not to exceed the required cash deposit is guaranteed. The term of such contract shall be indeterminate, but it shall automatically terminate when the customer gives notice of service discontinuance to the Company or a change in location covered by the guarantee agreement or 30 days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance which the customer owes the Company. Upon termination of a guarantee contract, a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six-month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits shall be refunded to customers at termination provided all billings for service have been paid. Deposits will be refunded to all active customers, after the deposit has been held for 12 months, provided a prompt payment record has been established.

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NOTICE TO DISCONTINUE ELECTRIC SERVICE Rate 107

Customers desiring to have their electric service discontinued shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal call or telephone call to the Company's local business office, in communities in which an office is maintained. In other communities such notice shall be given to the Company's representative who services the community or to the nearest business office. Saturdays, Sundays and legal holidays are not considered business days.

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Canceling 108-N

RECONNECTION FEE FOR SEASONAL CUSTOMERS Rate 108

A fee of $20~~12~~.00 will be collected for reconnecting electric service to any customer who has disconnected electric service at the same location during the preceding twelve-month period.

Date Filed:

Effective Date:

Issued By:

Case No.:

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LATE PAYMENT CHARGE/RETURNED CHECK CHARGE Rate 109

Late Payment Charge:

Bills will be considered past due if not paid by the due date shown on the bill. An amount equal to 1% per month will be applied to any unpaid balance existing at the immediate subsequent billing date.

Returned Check Charge:

A charge of $10.00 will be collected by the Company for each check charged back to the Company by a bank.

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MONTANA-DAKOTA UTILITIES CO.

ELECTRIC SERVICE RULES and REGULATIONS

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~~RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111~~

~~The Company will make underground residential distribution facilities available to serve residential customers according to the following rules and regulations and subject to the rates filed with the North Dakota Public Service Commission:~~

1. ~~Where the developer requests it, underground distribution and services will be provided in new subdivisions having 25 or more homes on contiguous lots available to the extension. The developer/owner(s) will furnish such easement rights as the Company may require for the installation, operation, and maintenance of the underground distribution, and will furnish a copy of a recorded plat or map showing the location of the area for which underground service is being requested. The service cable will be owned by the Company terminating at the meter socket located on the house, except the customer will furnish and install the conduit from the line side of the meter to a point a minimum of 12" below the ground. At the Company's option, it may extend its underground residential distribution in new areas to fewer than 25 customers.~~

2. ~~When the property owner(s) requests it, underground residential distribution and services will be provided to replace existing overhead distribution to a group of owner(s) cooperating with one another, providing a minimum of 25 homes on contiguous lots are available to the conversion or extension thereof. The owner group shall, prior to the installation of the underground distribution system, secure such easement rights as the Company may require for the installation, operation, and maintenance of the underground distribution. The owner(s) will provide all necessary changes in the service entrances, including relocation, to convert to underground service at no cost to the Company. This will include the installation of the conduit from the line side of the meter socket to a point a minimum of 12" below the ground. The owner(s) will reimburse the Company for the cost of removal of the existing overhead distribution multiplied by the fractional life remaining, plus the total installed cost (including material), based on present day costs, of the facilities to be removed multiplied by the fractional life remaining, less the salvage value of all materials removed based on present day new values multiplied by the fractional life remaining.~~

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RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111

~~3. At the property owner's request, underground services from an existing overhead distribution system will be made available to residential customers. The customer will furnish and install the conduct from the line side of the meter socket to a point a minimum of 12" below the ground. When the owner(s) desire(s) to covert from overhead to underground service, he must provide all necessary changes in his service entrance, including relocation. If an owner requests underground service from an existing overhead line and desires to own the underground service, he may do so and not be charged the Company's underground service charge.~~

~~4. These rules will apply to multiple occupancy dwellings of less than three units. If in an area served by overhead distribution the Company finds it expedient to serve an apartment building of three units or more, by underground primary service, the occupants of the apartment building will not be charged the underground service rate. Occupants of two-units apartment buildings will be charged the rate for underground service.~~

~~5. Residential underground distribution will be provided in new trailer courts or in existing trailer courts where the Company does not now own the distribution facilities if 25 or more trailer homes will be served therefrom. The Company's facilities will terminate at the line side of the meter pedestal or socket, which will be installed and owned by the customer. At the Company's option it may provide underground residential distribution to fewer than 25 customers in trailer courts.~~

~~6. In general, the underground residential distribution will be served from overhead distribution feeder lines.~~

~~7. Where abnormal conditions causing extraordinary costs on any part of the extension exist, a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.~~

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Canceling 111-N-3

RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111

~~8. The Company has on file with the North Dakota Public Service Commission rates for service provided by underground distribution, which include an additional monthly charge for underground electric residential service for 96 monthly billing periods. If the customer desires, he may make an advance payment of $144, instead of being billed for 96 months under the special terms for underground service.~~

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Canceling Original 112

ELECTRIC EXTENSION POLICY Rate 112

The policy of Montana-Dakota Utilities Co. for electric extensions to provide service to customers located within its service territory is as follows:

1. A permanent extension may be constructed without a contribution if the estimated project construction cost is equal to or less than two times the estimated annual revenue (2 to 1 ratio).

2. If the estimated project construction cost is greater than two times the estimated annual revenue, the extension will be made only with a contribution, which may be refundable.

   a. Contribution -

      1) When a contribution is required of any customer, with the exception of those customers defined in 2) below, the formula for determining the amount of the initial contribution shall be the estimated construction cost less two times the estimated annual revenues.

      2) The initial contribution for developers of subdivisions shall be the estimated construction cost.

      3) Payment of the initial contribution amount shall be made prior to construction.

      4) Upon completion of construction, the contribution amount shall be adjusted to reflect actual construction costs and an additional charge or refund levied accordingly.

      5) Company may waive all contributions if it determines that the initial contribution will be soon refunded because of additional customer connections.

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ELECTRIC EXTENSION POLICY Rate 112

b. Refund -
   1) If within a five-year period from the date initial service is established, one or more additional customers are added to the above referred to extension, Company shall recompute the contribution required by combining the estimated proposed construction cost for the new customer(s) with the construction cost to those customers already taking service. If, by so combining the construction costs, the contribution of those customers already taking service would be less, Company shall make a proportionate refund, without interest, to those customers taking service prior to commencement of service to said additional customer(s).

   2) Refunds for developers of subdivisions shall be made for each lot connected based on the following calculation: Total refundable contribution divided by the number of lots that can be served from the extension equals refund per lot. In addition, the total revenue of the subdivision will be reviewed annually to determine if adequate revenues are being generated so that the contribution formula would indicate a zero contribution. When this revenue level is reached, a refund will be made to the developer equal to the remaining contribution amount still held by the Company.

   3) No refund shall be made by Company to customer(s) or developer after a five-year period from which initial service is established, nor shall refunds be made in excess of the amount contributed.

   4) No interest will be paid by Company to customer(s) on any amount customer(s) has paid to Company as a contribution in aid of construction.

3. Project construction cost shall include all cost of the electric extension and overhead cost less the cost of customers' transformer(s), service line, and meter. The service line is considered to be the low voltage conductors between the Company owned transformer or secondary system and the customer owned service entrance equipment.

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ELECTRIC EXTENSION POLICY Rate 112

4. Electric extension refers to any facilities which must be constructed to connect a new customer to the utility system or the addition of capacity to existing facilities.

5. Company will deliver electricity to customer at the rate approved by the North Dakota Public Service Commission.

6. Where a contribution in aid of construction is required to provide service, such extension is subject to prior execution by customer and Company of Company's standard agreement for extensions.

7. Where abnormal conditions exist, causing extraordinary costs on any part of the extension (e.g., railroad or river crossing, land clearing, special permits, etc.), a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.

8. This rule shall not be construed as prohibiting the Company from making a contract with a customer in a different manner, if the contract provides a more favorable method of extension to the customer. Such determination to be made on the basis of specific extension characteristics.

9. Temporary loads, such as gravel pit operations, carnivals, etc., shall follow the Company rules for temporary services.

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Canceling 113-N-1

METHOD OF COMPUTING INITIAL OR FINAL BILLS FOR ELECTRIC SERVICE FOR LESS THAN A FULL MONTHLY BILLING PERIOD Rate 113

Customers meters are read as nearly as practicable at thirty-day intervals. When service is begun or terminated at any location between regular meter reading dates, bills will be prorated on a daily basis, whenever the billing period is less than 27 calendar days or more than 35 calendar days. The minimum monthly bill, base rate, kilowatt hour blocks and demand charge provisions in all rate schedules will be prorated.

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Canceling 1st Revised Sheet No. 62

RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

1. Residential Electric Service is available to any residential customer for domestic purposes only. All normal sized equipment used for domestic lighting, heating, cooking and power, and used strictly for household purposes, may be supplied through one meter.

   a. Residential service is defined as service for domestic general household purposes in space occupied as living quarters, designed for occupancy by one family. Typical service would include the following: separately metered units, such as single private residences, single apartments, mobile homes and sorority and fraternity houses (this is not an all-inclusive list). In addition, auxiliary buildings on the same premise as the living quarters, used for residential purposes, may be served on the residential rate.

   b. Motors and other equipment which interfere with service to neighboring customers, all motors larger than 5 horsepower and temporary or seasonal loads totaling more than 25 kilo-watts (Kw) will not be permitted on the Residential Electric Service Rate without prior Company approval.

   c. Only single phase service is available under the Residential Electric Service Rate.

2. Three phase service shall be served under the appropriate General Electric Service Rate.

3. General Electric Service is defined as service provided to nonresidential services, such as a business enterprise in space occupied and operated for nonresidential purposes. Typical service would include stores, offices, shops, restaurants, boarding houses, hotels, service garages, wholesale houses, filling stations, barber shops, beauty parlors, apartment houses with master metering exemptions, common areas of shopping malls or apartments (such as halls or basements), churches, elevators, schools and facilities located away from the home site (this is not an all-inclusive list).

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RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

4. If separate metering is not practical for a single unit (one premise) that is using electricity for both domestic purposes and for conducting business (or for nonresidential purposes), the customer will be billed under the predominate use policy. Under this policy, the customer's combined service is billed under the rate (Residential or General Electric Service) applicable to the type of service which constitutes 50% or more of his total connected load.

5. Other classes of service furnished by the Company shall be defined in applicable rate schedules or in rules and regulations pertaining thereto. Service to customers for which no specific rate schedule is applicable shall be billed on the appropriate General Electric Service Rate.

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Canceling 130-N

TAX CLAUSE Rate 130

In addition to the charges provided for in the electric tariffs of the Company there shall be charged pro rata amounts which on an annual basis shall be sufficient to yield to the Company the full amount of any excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality or other political subdivision for the privilege of conducting its utility operations therein.

The charges to be added to the customers' service bills under this clause shall be limited to the customers within the corporate limits of the municipality or other political subdivision imposing the tax.

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Substitute 3rd Revised Sheet No. 68
Canceling 2nd Revised Sheet No. 68

SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

A. NEW METERS

A sampling of 5% will be tested at full load and at light load. If any meter is found to be off more than ±1%, the entire lot will be tested or rejected.

B. RESIDENTIAL WATTHOUR METERS IN SERVICE

1. A random selection of meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979, 1980 to 1989, etc., will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 96% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 96% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of four years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

C. COMMERCIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 98% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 98% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

D. INDUSTRIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 99% of the meters shall be not more than ±2% in error at both light load and full load, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

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Canceling 2nd Revised Sheet No. 68.2

SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

4. Whenever it is found that less than 99% of the tested meters fail to meet these requirements, the entire vintage class will be tested and adjusted or, if more economic, replaced within two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

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Canceling 133-N

RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

1. These rules apply to electric service to:

   a. Any new commercial or residential building for which the physical labor involved in the erection of such building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

   b. Any substantially remodeled commercial or residential building for which the physical labor involved with the remodeling of the said building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

2. This rule does not apply to hotels, motels, dormitories, nursing homes, homes for the elderly, facilities of a similar nature, or to low-income rental housing for which the cost of electricity is included in the rent, and for which the amount of the rental payment is based upon the tenant's ability to pay. Such buildings and facilities may be served by a master-meter.

3. Electric service to each unit or facility in a new or substantially remodeled building which is subject to this rule shall be provided in accordance with the applicable rate schedule for such service in the area in which the building is located.

4. Electric service to buildings which are subject to this rule shall be on an individually-metered basis, unless the owner or builder of such building presents the Company with written evidence that the North Dakota Public Service Commission has approved master-metering of electric service to the building on the basis that the owners or contractors costs of purchasing and installing facilities for separate metering together with the Company costs of purchasing and installing separate meters exceed the long-term benefits resulting therefrom.

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Canceling 133-N

RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

5. All other rules and regulations of the Company which govern electrical service in North Dakota and which do not conflict with the provisions of this rule shall apply to electric service provided to new and existing buildings which are subject to this rule. The customer is responsible for ascertaining and complying with all applicable rules and regulations of any governmental authority having jurisdiction over the subject matter of this rule.

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Canceling 2nd Revised Sheet No. 74

SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

General Rules for Generation:

1. The interconnection between the utility and the qualifying facility will be limited to the service voltage and phases available at the qualifying facility. If different voltages or phases are required, the necessary changes will be provided by the qualifying facility.

2. The power factor and frequency of the qualifying facility shall be such as to not adversely affect the utility system. If corrective devices are required, they will be provided by the qualifying facility.

3. Fault protection equipment shall be provided by the qualifying facility. The utility and qualifying facility shall coordinate protective devices in order to limit damage to each system.

4. The qualifying facility's interconnection shall meet the requirements of local, state and federal codes.

5. The owner of the qualifying facility shall submit equipment specifications as requested by the utility prior to owner's installation of such equipment to assure compatibility and coordination with the utility system.

6. The owner of a qualifying facility will be requested to curtail, interrupt or reduce deliveries of electric energy, in order that the utility may construct, install, maintain, repair, replace, remove or inspect any of its equipment or any part of its system, or if it determines that curtailment, interruption or reduction of delivery is necessary because of safety, emergencies, forced outages or operating conditions on its system. Except in case of emergency, in order to minimize operating problems, the utility and qualifying facility shall give the other reasonable prior notice of any curtailment, interruption or reduction of delivery and its probable duration.

7. The Company reserves the right for periodic inspection of safety devices which are part of the interconnection. This does not affect the responsibility of the qualifying facility to assure the operating safety of the equipment on its side of the interconnection point.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
3rd Revised Sheet No. 74.1
Canceling 2nd Revised Sheet No. 74.1

SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

8. The Company reserves the right to disconnect any facility that has interconnected without utility authorization.

9. The Company has the right to disconnect and lock-out a qualifying facility's generating equipment with due notice whenever it has been determined that harmonics are being produced or other factors are present which would interfere with communications or otherwise cause degradation of service to other customers. If, in the judgment of the utility, an unsafe condition is created on the utility system by the operation of the qualifying facility the utility shall have the right to disconnect the facility until the cause of such condition is eliminated.

10. In the event of a utility system outage or interruption of service, a qualifying facility's generator shall be capable of automatically disconnecting itself to prevent the utility's line from being energized. Also, a qualifying facility's system shall not be capable of energizing the utility's line when that line is de-energized.

11. A manually operated generator disconnect switch, provided by the owner of a qualifying facility, shall be accessible to utility personnel at all times. Such a switch would be used, whether or not the owner is present to remove the qualifying facility's generator from the line in an emergency situation as determined by utility system conditions.

12. All necessary rights-of-way and easements to install, operate, maintain, replace and remove utility facilities, including adequate access rights are to be furnished by the owner of the qualifying facility on owner's property.

13. The metering shall be adequate to measure energy, or energy and capacity, from the qualifying facility to the utility, from the utility to the qualifying facility, and, if necessary, adequate to determine the time at which energy is transferred from one party to another.

14. If the qualifying facility is located at a site outside of Company service territory and energy is delivered to Company through facilities owned by another utility, energy payments will be adjusted reflecting losses occurring between point of metering and point of delivery.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

15. In the event the qualifying facility desires wheeling by the Company of its output, arrangements will be made subject to negotiation.

16. A Metering Charge will be assessed the qualifying facility for installation by the Company of additional metering equipment plus operation and maintenance costs.

17. An Interconnection Charge will be assessed for any additional facilities (exclusive of the items included in Metering Charge) or changes in existing facilities to permit interconnection with the Company. Payment shall be a one-time payment.

18. The owner of a qualifying facility will indemnify and save the utility harmless from all loss on account of injury, death or damage to property caused by the qualifying facility unless the injury, death or damage is the direct result of the negligence of the utility.

19. Qualifying facilities shall be required to execute a contract that specifies a one or five-year minimum term depending upon applicable rate schedule and describes the responsibilities, liabilities, ownership of equipment, and location.

20. The owner of a qualifying facility shall obtain and maintain general liability insurance in an amount established by negotiation between the owner of a qualifying facility and the Company.

21. Qualifying facilities with generating capacity greater than 1000 Kw, or operating as a base loaded unit regardless of size, will require individual negotiation.

NOV 2 5 2003

Affidavit of Publication

Colleen Park, being duly sworn; state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.

2. The newspapers listed on the exhibits published the advertisement of:
PSC - MSU Rescheduled, 1 time(s)
as required by law or ordinance.

3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

Signed: Colleen Park

State of ND

County of Burleigh

Subscribed and sworn to before me this 21st day of November 20 03.

Kelli Richey

KELLI RICHEY
Notary Public
State of North Dakota
My Commission Expires Oct. 13, 2006

122 PU-399-03-296 Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

11/25/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

NDNA NORTH DAKOTA NEWSPAPER ASSOCIATION

North Dakota Newspaper Association
1435 Interstate Loop
Bismarck, ND 58503-0567
Ph (701) 223-6397 • Fax (701) 223-8185

INVOICE

RECEIVED
NOV 25 2003
NORTH DAKOTA PUBLIC SERVICE COMMISSION
SECRETARY

Order **18332-03113PP3** Invoice # **27922**

November 24, 2003

Attn: JONH. MIELKE
PUBLIC SERVICE COMMISSION
600 E. BOULEVARD AVE.
STATE CAPITOL
BISMARCK, ND 58505

Voice: 701-328-4076

Advertiser: **Public Service Commission**

P.O.#:

Amount Due	**$87.22**
Amount Paid	

Please detach and return this portion with your payment

Public Service Commission Invoice # 18332-03113PP3-27922

Ad Size	*Rate Type*	*Rate*	*Total*	*Discount*	*(%)*	*Caption*	*Page*	*Run Date*
Bismarck Tribune (Bismarck ND)								
46.00	SPR2	0.64	29.44	0.00		MDU Rescheduled		11/19/03
Dickinson Press (Dickinson ND)								
50.00	SPR2	0.57	28.50	0.00		MDU Rescheduled		11/19/03
Williston Herald (Williston ND)								
48.00	SPR2	0.61	29.28	0.00		MDU Rescheduled		11/19/03

Gross Advertising	87.22	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
Other Discount	0.00	Total Billed	87.22	Payment Date	
Service Charge	0.00	Unbilled	0.00	Balance Due	87.22

122 **PU-399-03-296** Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

11/25/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

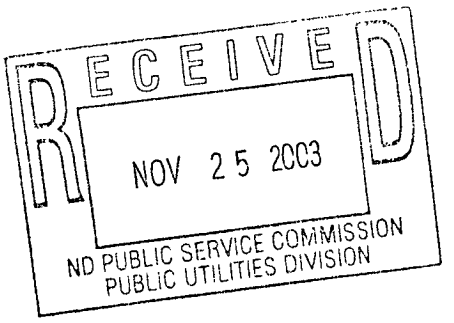
State Of North Dakota
Public Service Commission
Case No. PU-399-03-296
Notice Of Rescheduled
Hearing
November 13, 2003

Bismarck	11-19
Dickinson	11-19
Williston	11-19

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

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

November 24, 2003



Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505

Re: Electric Rate Application
Case No. PU-399-03-296
Withdrawal of Electric Service Rules & Regulations– Rate 110

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith advises the Commission that it is withdrawing the proposed Electric Service Rules and Regulations Rate 110 rate schedule from the Company's Notice in the above-referenced case originally submitted on May 30, 2003. The remainder of the proposed tariffs, filed as part of the Notice, and subject to change pursuant to the Settlement Agreement remain part of this case.

The Company will resubmit its proposal to change the Electric Service Rules & Regulations – Rate 110 under a separate docket.

Please acknowledge receipt by stamping or initiating the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

Donald R. Ball

Donald R. Ball
Assistant Vice President –
Regulatory Affairs

cc: D.W. Schulz
D.S. Kuntz
Bill Binek
Thomas D. Kelsch
Jim Roache

121 PU-399-03-296 Pages: 1

Withdrawal of proposed Electric Service Rules & Regulations Rate 110 by Montana-Dakota Utilities Co., a Division of MDU Re

11/25/2003 CC: Comm Legal Illona, Pat, Jerry Mike

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

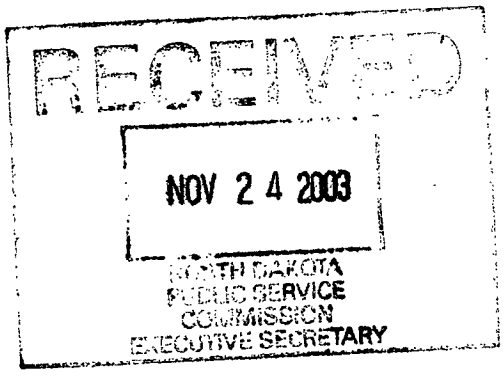
Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson
Aaron K. Webb

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

November 24, 2003



Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase – Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing is a copy of the Settlement Agreement in this proceeding containing the original signature of the intervener Mr. Roache. Please substitute this original copy for the fax copy of the document containing Mr. Roache's signature that was previously filed.

Sincerely,

Daniel S. Kuntz

Enclosure

c: Don Ball
Bill Binek
Thomas D. Kelsch
Jim Roache

120 PU-399-03-296 Pages: 12

Original signature of intervener Mr. Roache for Settlement Agreement by Montana-Dakota Utilities Co., a Division of MDU Re

11/24/2003 C: Comm Legal PUD (3) Mike ALJ

RECEIVED
NOV 24 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
ATTN: SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.) Case No. PU-399-03-296
Electric Rate)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company"), the Staff of the North Dakota Public Service Commission ("Staff"), and the interveners AARP and Jim Roache (collectively the "Parties"). This Settlement Agreement resolves all outstanding issues in this case in a manner consistent with the public interest and will result in just and reasonable rates for the Company's retail electric operations in North Dakota.

PROCEDURAL HISTORY

1. On May 30, 2003, Montana-Dakota filed a notice of a proposed increase to its North Dakota retail electric rates to become effective July 1, 2003, based on a 2003 test year. The Notice proposed an increase in electric rates to provide additional annual revenue of $7,788,565, or a 9.1 percent increase, over current rates. The proposed tariff changes also included implementation of a sharing mechanism between the Company and its North Dakota retail customers of wholesale electric sales margins realized by Montana-Dakota. Filed with the Notice were revised tariffs, direct testimony, and exhibits including a class cost of service study. The revised tariffs reflected changes to the design of Montana-Dakota's current rates to more accurately reflect the cost of providing electric service to its customers based on the class cost of

service study.

The North Dakota Public Service Commission ("Commission") suspended Montana-Dakota's rate filing and set the matter for investigation and hearing. On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session which set forth the following issues to be considered in this case:

1. What is the value of MDU's property, used and useful, for the service and convenience of the public in North Dakota?

2. What is MDU's rate of return on its property, used and useful, for the service and convenience of the public in North Dakota?

3. What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

4. What rates and charges are necessary to provide a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

5. Are MDU's proposed rate schedules designed in such a manner that they result in a basis of charge to its customers that is just and reasonable without discrimination?

6. Other relevant information or proposals concerning the proceeding.

On August 20, 2003, the Commission conducted a Public Input Session via interactive video conference with hearing sites in Bismarck, Dickinson, and Williston.

3. On July 23, 2003, Montana-Dakota and the Staff filed a Settlement Agreement on the issue of a just and reasonable return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota. Montana-Dakota and the Staff agreed to and recommended approval of an overall rate of return of 10.016 percent. On August 28, 2003, the Commission issued a Notice of Settlement and Notice of Intervention Deadline providing that written comments on the

Settlement Agreement would be received until September 29, 2003. No comments were received. On October 22, 2003, the Commission issued an order approving the Settlement Agreement. The effect of the Settlement Agreement was a reduction of the test year revenue requirement by approximately $380,000.

4. In its Notice of Settlement and Notice of Intervention Deadline issued on August 28, 2003, the Commission requested Montana-Dakota, the Staff, and other parties to the proceeding to present testimony on the following sub-issues:

1. How is the Commission assured that MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?

2. How is the Commission assured that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base?

5. Jim Roache filed a Petition to Intervene in the proceeding on September 9, 2003. On September 23, 2003, AARP filed a Petition to Intervene. The Commission granted both petitions by orders dated September 24, 2003.

6. Discovery requests were served on Montana-Dakota by the Staff, AARP, and Jim Roache and responded to by the Company.

7. On September 29, 2003, the Staff filed direct testimony of Charles W. King, President of Snavely King Majoros O'Connor & Lee. In his direct testimony, Mr. King recommended an adjustment to the 2003 test year for removal of 10 percent of the cost of the Company's new Glendive 2 generating station and a reduction in the test year O&M expenses by $4,992,800. Mr. King also recommended the test year revenue requirement be reduced by $5,579,400 to reflect wholesale sales margins to be realized by the Company. Mr. King further commented on Montana-Dakota's class cost of

service study and proposed rate design changes. In particular, Mr. King recommended that Montana-Dakota's proposed residential base rate of $17.00 per month be set at $5.25 per month.

8. On September 29, 2003, the Staff filed Supplemental Testimony of Charles W. King recommending an increase in the test year revenue requirement for additional depreciation expense for common plant and an adjustment in the interest deduction for calculation of income taxes.

9. On October 15, 2003, AARP filed direct testimony of Ronald J. Binz, who is President of Public Policy Consulting. Mr. Binz recommended a reduction in the 2003 test year O&M expenses by $5,734,000 and a further reduction in the test year revenue requirement of $3,965,000 for wholesale sales margins to be realized by the Company. Mr. Binz also commented on Montana-Dakota's class cost of service study and proposed rate design changes. In particular, Mr. Binz recommended that a residential base rate of $6.00 per month would be reasonable.

10. On November 3, 2003, Montana-Dakota filed testimony on the sub-issues stated in the Commission's Notice issued on August 28, 2003. On the same date, Montana-Dakota filed rebuttal testimony to the testimony of the Staff and AARP. In its rebuttal testimony, Montana-Dakota agreed with the adjustments recommended by Mr. King in his supplemental testimony and also identified an error in the preparation of its test year O&M expenses which reduced the test year revenue requirement by $1,224,200.

11. On October 22, 2003, Montana-Dakota issued a Notice of Settlement Discussions pursuant to the Settlement Guidelines of the North Dakota Public Service

Commission (Policy 4-01-95(0) – January 4, 1995) stating that Montana-Dakota contemplated engaging in settlement discussions with the Staff. Settlement discussions were held on October 29, 2003. All Parties were represented at the discussions. As a result of those and subsequent discussions, the Parties reached this Settlement Agreement. The Parties agree that this Settlement Agreement resolves all outstanding issues in the case in a manner consistent with applicable law and the Settlement Guidelines.

12. The Settlement Agreement is supported by the administrative record. Accordingly, the parties jointly recommend the Commission issue an Order approving this Settlement Agreement in its entirety, without conditions or modifications.

TERMS OF SETTLEMENT AGREEMENT

1. Revenue Increase. The Parties agree to, and recommend the Commission approve, a net increase in Montana-Dakota's electric rates for retail customers in North Dakota to yield a revenue increase of $1,000,000 per year effective January 1, 2004. Retail electric rates shall be revised in a manner to result in a net rate decrease of 1.25 percent to the Street Lighting Service class and an equal percentage net rate increase to all other customer classes.

2. Wholesale Sales Margins. The Parties agree to, and recommend the Commission approve, the tariff attached hereto as Attachment A to provide for the treatment of margins realized by Montana-Dakota on the wholesale sale of electricity. The tariff shall become effective coincident with the increased rates stated in paragraph 1. The tariff provides a mechanism to adjust Montana-Dakota's retail rates for wholesale sale margins to be credited to its North Dakota retail electric customers,

which shall be 85% of actual annual margins, as compared to an annual wholesale margin credit of $6,500,000 included in Montana-Dakota's base rates pursuant to this Settlement Agreement. Effective for bills after April 1, 2005, an adjustment (positive or negative) will be applied per Kwh to all Montana-Dakota service rates to recover any difference between the actual and base rate credits, plus carrying charges, for the prior year; provided, however, the adjustment shall not include a difference greater than defined in Attachment A. Montana-Dakota agrees to continue its best efforts to maximize wholesale sales margins consistent with its current practice to provide Montana-Dakota and its retail customers with the financial benefit of such wholesale sales in accordance with the letter and spirit of this Settlement Agreement and Attachment A.

3. Residential and Small General Service Base Rate. The Parties agree to, and recommend the Commission approve, that the changes in Montana-Dakota's retail rates to yield the revenue increase in paragraph 1 include an increase in Montana-Dakota's residential base rate from $3.50 per month to $5.50 per month and an increase in its small general service base rate from $12.00 per month to $20.00 per month.

4. Rate Design. The parties agree to, and recommend the Commission approve, that within the revenue increase and base rate limits stated in paragraphs 1 and 3 above, Montana-Dakota may file revised tariffs effective January 1, 2004 for retail electric service in North Dakota consistent with the rate design changes proposed by Montana-Dakota in this proceeding and except that the flexible provision of the Firm Service Economic Development Rate shall be filed and approved by the Commission on

a case by case basis and that the demand charge for the Interruptible Large Power Service Class shall not exceed $2.25 per Kw.

5. The Parties agree to, and recommend the Commission approve, that if Montana-Dakota files revised rates to become effective prior to January 1, 2006 which result in a net increase in North Dakota retail electric revenues to Montana-Dakota, such revenue increase shall be recovered through an equal percentage increase in the rates for all retail customer classes except for the municipal lighting class for which the then current rates may remain in effect.

OTHER TERMS AND CONDITIONS

1. Basis of Settlement.

It is agreed this Settlement Agreement is a negotiated settlement agreement subject to approval by the Commission. The Settlement Agreement does not establish any principle or precedent, nor adopt or recommend any specific type or amount of expense or rate base, for this or any future proceeding.

2. Effect of the Settlement Negotiations.

It is understood and agreed that all offers of settlement and discussions related to this Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Public Service Commission does not approve this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any party for any purpose in this case or otherwise.

3. Applicability and Scope.

This Settlement Agreement shall be binding on the Parties, and their successors, assigns, agents, and representatives. Consistent with the Commission's settlement guidelines, this Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement shall not in any respect constitute an agreement, admission or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in this proceeding.

4. Effective Date.

This Settlement Agreement shall be effective on the date of the Commission Order approving the Settlement Agreement. The revised rates and tariff agreed to by this settlement agreement shall be effective on the dates specified herein.

5. Modification.

If the Commission Order modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if any party files a letter with the Commission within three (3) business days of notice of such Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party.

Dated this _____ day of _____, 2003.

MONTANA-DAKOTA UTILITIES CO.

By:_____
Its:_____

Dated this _____ day of _____, 2003.

AARP

By:_____
Its:_____

Dated this _____ day of _____, 2003.

NORTH DAKOTA PUBLIC SERVICE COMMISSION STAFF

By:_____
Its:_____

Dated this 18 day of November, 2003.

Jim Roache

Jim Roache

P:\DKUNTZ\11056 MDU 2003 electric case\Settlement Agreement.11.13.doc

Attachment A

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. __

MARGIN SHARING ADJUSTMENT Rate 57

1. **Applicability:**
This rate schedule constitutes an electric wholesale margin sharing adjustment (MSA) provision and specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's electric wholesale sales margins as allocated to its North Dakota electric jurisdiction, and (b) amortization of the Margin Sharing Account.

2. **Effective Date of Adjustment:**
The effective date of the MSA shall be bills rendered on and after the first day of April of each year, unless the Commission shall otherwise order. The initial adjustment under this tariff shall become effective April 1, 2005.

3. **Margin Sharing Adjustment:**
The MSA shall reflect changes in Montana-Dakota's electric wholesale margins as compared to the wholesale margins reflected in base rates. The MSA is made up of:

   (a) Current margin adjustment

   (b) Carrying charges on 3(a)

   (c) Surcharge adjustment

   The adjustment per kwh shall be determined by dividing the amount determined above by the estimated kwh sales for the twelve months following the effective date of the adjustment.

4. **Current Margin Adjustment:**
The current margin adjustment shall be:
   (a) $6,500,000 less

   (b) 85 percent of the actual wholesale sales margins for the preceding calendar year, unless

   (c) Wholesale sales margins in the preceding calendar year are less than $3,300,000, then the current margin adjustment shall be 15 percent of actual wholesales sales margins for the preceding calendar year plus $3,200,000.

Attachment A

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. __

MARGIN SHARING ADJUSTMENT Rate 57

5. **Carrying Charges:**
   (a) Carrying charges will be applied to the accumulated balance of the difference each month between $542,000 and 85 percent of actual wholesale sales margins.

   (b) Carrying charges on the amounts shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

   (c) If annual wholesale margins are less than $3,300,000 then interest calculated in (a) and (b) will be recalculated to reflect the minimum annual level.

6. **Surcharge Adjustment:**
   The Surcharge Adjustment shall reflect amortization of the estimated balance in the Margin Sharing Account as of April 1 each year.

7. **Margin Sharing Account:**
   The Margin Sharing Account shall consist of:
   (a) The balance of the current margin adjustment and the carrying charges as of December 31 each year, less

   (b) The amount determined by multiplying the currently effective Surcharge Adjustment included in rates by the kwhs sold during each month. The account shall be increased in the event the Surcharge Adjustment is a negative amount.

   (c) Carrying charges on the net balance shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

8. **Time and Manner of Filing:**
   (a) Montana-Dakota shall file the MSA at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of revised MSA sheets identifying the amounts of the adjustment, the derivation of the adjustment and the resulting MSA rate.

REGULAR AGENDA

Number	Case Number	Title or Subject Matter
KC4	AM-2940-03-551	Belfield Phase I 2004-2007 AML Design Project

Shall the Commission close-out Contract No. AM-472-03 with the Billings County Abstract Company in Medora, ND for a title memorandum of the Belfield Phase I abandoned mine land site in Billings County?

INFORMAL AGENDA

Number	Case Number	Title or Subject Matter
I-SW1	PU-399-03-296	Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc Electric Rate Increase Application Reserved for discussion of settlement, if filed by November 19

CONSENT AGENDA

Number	Case Number	Title or Subject Matter
		Approval of Minutes of the November 20 Commission Meeting
		Approval of Bills

REGULAR AGENDA

Number	Case Number	Title or Subject Matter
None	AM-2940-03-551	Belfield Phase I 2004-2007 AML Design Project

Shall the Commission close-out Contract No. AM-471-03 with Queen City Abstract, Title & Escrow, Inc., Dickinson, ND for a title memorandum of the Belfield Phase I abandoned mine land site in Stark County?

119 PU-399-03-296 Pages. 0

Informal Hearing held

by Public Service Commission

11/20/2003 C: Comm Legal PUD (3) Mike ALJ .

APPROVED
DATE: 11-20-03
KMF

MOTION

November 20, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission acknowledge the Notice of Rescheduled Hearing in Montana-Dakota Utilities Co.'s electric rate increase application, Case No. PU-399-03-296.

sdh

118 **PU-399-03-296** Pages: 1

Motion

by Public Service Commission

11/20/2003 C: Comm Legal PUD (3) Mike ALJ .

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
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Paul R. Sanderson
Aaron K. Webb

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

RECEIVED
NOV 19 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

November 19, 2003

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase – Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of a Settlement Agreement entered into by Montana-Dakota Utilities Co., the Staff of the North Dakota Public Service Commission, and the interveners AARP and Jim Roache. The filing includes a faxed copy of the Agreement containing Mr. Roache's signature. A copy of the Agreement containing Mr. Roache's original signature will be filed upon receipt. Acceptance of this Settlement Agreement by the Public Service Commission will resolve all outstanding issues in this proceeding. The parties to the Settlement Agreement request that the Agreement be brought to the attention of the Public Service Commission for consideration at the informal hearing scheduled for November 20, 2003.

Sincerely,

Daniel S. Kuntz

Enclosures
c: Don Ball
Bill Binek
Thomas D. Kelsch
Jim Roache

117 PU-399-03-296 Pages 1
Cover letter re Settlement Agreement
by Montana-Dakota Utilities Co. a Division of MDU Re
11/19/2003 C: Comm Legal PUD (3) Mike ALJ

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NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate	))	Case No. PU-399-03-296

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company"), the Staff of the North Dakota Public Service Commission ("Staff"), and the interveners AARP and Jim Roache (collectively the "Parties"). This Settlement Agreement resolves all outstanding issues in this case in a manner consistent with the public interest and will result in just and reasonable rates for the Company's retail electric operations in North Dakota.

PROCEDURAL HISTORY

1. On May 30, 2003, Montana-Dakota filed a notice of a proposed increase to its North Dakota retail electric rates to become effective July 1, 2003, based on a 2003 test year. The Notice proposed an increase in electric rates to provide additional annual revenue of $7,788,565, or a 9.1 percent increase, over current rates. The proposed tariff changes also included implementation of a sharing mechanism between the Company and its North Dakota retail customers of wholesale electric sales margins realized by Montana-Dakota. Filed with the Notice were revised tariffs, direct testimony, and exhibits including a class cost of service study. The revised tariffs reflected changes to the design of Montana-Dakota's current rates to more accurately reflect the cost of providing electric service to its customers based on the class cost of

service study.

The North Dakota Public Service Commission ("Commission") suspended Montana-Dakota's rate filing and set the matter for investigation and hearing. On July 16, 2003, the Commission issued a Notice of Hearing and Notice of Public Input Session which set forth the following issues to be considered in this case:

1. What is the value of MDU's property, used and useful, for the service and convenience of the public in North Dakota?

2. What is MDU's rate of return on its property, used and useful, for the service and convenience of the public in North Dakota?

3. What is a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

4. What rates and charges are necessary to provide a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public in North Dakota?

5. Are MDU's proposed rate schedules designed in such a manner that they result in a basis of charge to its customers that is just and reasonable without discrimination?

6. Other relevant information or proposals concerning the proceeding.

On August 20, 2003, the Commission conducted a Public Input Session via interactive video conference with hearing sites in Bismarck, Dickinson, and Williston.

3. On July 23, 2003, Montana-Dakota and the Staff filed a Settlement Agreement on the issue of a just and reasonable return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota. Montana-Dakota and the Staff agreed to and recommended approval of an overall rate of return of 10.016 percent. On August 28, 2003, the Commission issued a Notice of Settlement and Notice of Intervention Deadline providing that written comments on the

Settlement Agreement would be received until September 29, 2003. No comments were received. On October 22, 2003, the Commission issued an order approving the Settlement Agreement. The effect of the Settlement Agreement was a reduction of the test year revenue requirement by approximately $380,000.

4. In its Notice of Settlement and Notice of Intervention Deadline issued on August 28, 2003, the Commission requested Montana-Dakota, the Staff, and other parties to the proceeding to present testimony on the following sub-issues:

1. How is the Commission assured that MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?

2. How is the Commission assured that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base?

5. Jim Roache filed a Petition to Intervene in the proceeding on September 9, 2003. On September 23, 2003, AARP filed a Petition to Intervene. The Commission granted both petitions by orders dated September 24, 2003.

6. Discovery requests were served on Montana-Dakota by the Staff, AARP, and Jim Roache and responded to by the Company.

7. On September 29, 2003, the Staff filed direct testimony of Charles W. King, President of Snavely King Majoros O'Connor & Lee. In his direct testimony, Mr. King recommended an adjustment to the 2003 test year for removal of 10 percent of the cost of the Company's new Glendive 2 generating station and a reduction in the test year O&M expenses by $4,992,800. Mr. King also recommended the test year revenue requirement be reduced by $5,579,400 to reflect wholesale sales margins to be realized by the Company. Mr. King further commented on Montana-Dakota's class cost of

service study and proposed rate design changes. In particular, Mr. King recommended that Montana-Dakota's proposed residential base rate of $17.00 per month be set at $5.25 per month.

8. On September 29, 2003, the Staff filed Supplemental Testimony of Charles W. King recommending an increase in the test year revenue requirement for additional depreciation expense for common plant and an adjustment in the interest deduction for calculation of income taxes.

9. On October 15, 2003, AARP filed direct testimony of Ronald J. Binz, who is President of Public Policy Consulting. Mr. Binz recommended a reduction in the 2003 test year O&M expenses by $5,734,000 and a further reduction in the test year revenue requirement of $3,965,000 for wholesale sales margins to be realized by the Company. Mr. Binz also commented on Montana-Dakota's class cost of service study and proposed rate design changes. In particular, Mr. Binz recommended that a residential base rate of $6.00 per month would be reasonable.

10. On November 3, 2003, Montana-Dakota filed testimony on the sub-issues stated in the Commission's Notice issued on August 28, 2003. On the same date, Montana-Dakota filed rebuttal testimony to the testimony of the Staff and AARP. In its rebuttal testimony, Montana-Dakota agreed with the adjustments recommended by Mr. King in his supplemental testimony and also identified an error in the preparation of its test year O&M expenses which reduced the test year revenue requirement by $1,224,200.

11. On October 22, 2003, Montana-Dakota issued a Notice of Settlement Discussions pursuant to the Settlement Guidelines of the North Dakota Public Service

Commission (Policy 4-01-95(0) – January 4, 1995) stating that Montana-Dakota contemplated engaging in settlement discussions with the Staff. Settlement discussions were held on October 29, 2003. All Parties were represented at the discussions. As a result of those and subsequent discussions, the Parties reached this Settlement Agreement. The Parties agree that this Settlement Agreement resolves all outstanding issues in the case in a manner consistent with applicable law and the Settlement Guidelines.

12. The Settlement Agreement is supported by the administrative record. Accordingly, the parties jointly recommend the Commission issue an Order approving this Settlement Agreement in its entirety, without conditions or modifications.

TERMS OF SETTLEMENT AGREEMENT

1. Revenue Increase. The Parties agree to, and recommend the Commission approve, a net increase in Montana-Dakota's electric rates for retail customers in North Dakota to yield a revenue increase of $1,000,000 per year effective January 1, 2004. Retail electric rates shall be revised in a manner to result in a net rate decrease of 1.25 percent to the Street Lighting Service class and an equal percentage net rate increase to all other customer classes.

2. Wholesale Sales Margins. The Parties agree to, and recommend the Commission approve, the tariff attached hereto as Attachment A to provide for the treatment of margins realized by Montana-Dakota on the wholesale sale of electricity. The tariff shall become effective coincident with the increased rates stated in paragraph 1. The tariff provides a mechanism to adjust Montana-Dakota's retail rates for wholesale sale margins to be credited to its North Dakota retail electric customers,

which shall be 85% of actual annual margins, as compared to an annual wholesale margin credit of $6,500,000 included in Montana-Dakota's base rates pursuant to this Settlement Agreement. Effective for bills after April 1, 2005, an adjustment (positive or negative) will be applied per Kwh to all Montana-Dakota service rates to recover any difference between the actual and base rate credits, plus carrying charges, for the prior year; provided, however, the adjustment shall not include a difference greater than defined in Attachment A. Montana-Dakota agrees to continue its best efforts to maximize wholesale sales margins consistent with its current practice to provide Montana-Dakota and its retail customers with the financial benefit of such wholesale sales in accordance with the letter and spirit of this Settlement Agreement and Attachment A.

3. Residential and Small General Service Base Rate. The Parties agree to, and recommend the Commission approve, that the changes in Montana-Dakota's retail rates to yield the revenue increase in paragraph 1 include an increase in Montana-Dakota's residential base rate from $3.50 per month to $5.50 per month and an increase in its small general service base rate from $12.00 per month to $20.00 per month.

4. Rate Design. The parties agree to, and recommend the Commission approve, that within the revenue increase and base rate limits stated in paragraphs 1 and 3 above, Montana-Dakota may file revised tariffs effective January 1, 2004 for retail electric service in North Dakota consistent with the rate design changes proposed by Montana-Dakota in this proceeding and except that the flexible provision of the Firm Service Economic Development Rate shall be filed and approved by the Commission on

a case by case basis and that the demand charge for the Interruptible Large Power Service Class shall not exceed $2.25 per Kw.

5. The Parties agree to, and recommend the Commission approve, that if Montana-Dakota files revised rates to become effective prior to January 1, 2006 which result in a net increase in North Dakota retail electric revenues to Montana-Dakota, such revenue increase shall be recovered through an equal percentage increase in the rates for all retail customer classes except for the municipal lighting class for which the then current rates may remain in effect.

OTHER TERMS AND CONDITIONS

1. Basis of Settlement.

It is agreed this Settlement Agreement is a negotiated settlement agreement subject to approval by the Commission. The Settlement Agreement does not establish any principle or precedent, nor adopt or recommend any specific type or amount of expense or rate base, for this or any future proceeding.

2. Effect of the Settlement Negotiations.

It is understood and agreed that all offers of settlement and discussions related to this Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Public Service Commission does not approve this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any party for any purpose in this case or otherwise.

3. Applicability and Scope.

This Settlement Agreement shall be binding on the Parties, and their successors, assigns, agents, and representatives. Consistent with the Commission's settlement guidelines, this Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement shall not in any respect constitute an agreement, admission or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in this proceeding.

4. Effective Date.

This Settlement Agreement shall be effective on the date of the Commission Order approving the Settlement Agreement. The revised rates and tariff agreed to by this settlement agreement shall be effective on the dates specified herein.

5. Modification.

If the Commission Order modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if any party files a letter with the Commission within three (3) business days of notice of such Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party.

Dated this 19th day of November, 2003.

MONTANA-DAKOTA UTILITIES CO.

By: Bruce Imsdahl

Its: President

Dated this 19th day of November, 2003.

AARP

By: _____

Its: Local Counsel

Dated this 19th day of November, 2003.

NORTH DAKOTA PUBLIC SERVICE COMMISSION STAFF

By: _____

Its: CHIEF COUNSEL

Dated this _____ day of _____, 2003.

_____

Jim Roache

P:\DKUNTZ\11056 MDU 2003 electric case\Settlement Agreement.11.13.doc

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. __

MARGIN SHARING ADJUSTMENT Rate 57

1. **Applicability:**
This rate schedule constitutes an electric wholesale margin sharing adjustment (MSA) provision and specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's electric wholesale sales margins as allocated to its North Dakota electric jurisdiction, and (b) amortization of the Margin Sharing Account.

2. **Effective Date of Adjustment:**
The effective date of the MSA shall be bills rendered on and after the first day of April of each year, unless the Commission shall otherwise order. The initial adjustment under this tariff shall become effective April 1, 2005.

3. **Margin Sharing Adjustment:**
The MSA shall reflect changes in Montana-Dakota's electric wholesale margins as compared to the wholesale margins reflected in base rates. The MSA is made up of:

   (a) Current margin adjustment

   (b) Carrying charges on 3(a)

   (c) Surcharge adjustment

   The adjustment per kwh shall be determined by dividing the amount determined above by the estimated kwh sales for the twelve months following the effective date of the adjustment.

4. **Current Margin Adjustment:**
The current margin adjustment shall be:
   (a) $6,500,000 less

   (b) 85 percent of the actual wholesale sales margins for the preceding calendar year, unless

   (c) Wholesale sales margins in the preceding calendar year are less than $3,300,000, then the current margin adjustment shall be 15 percent of actual wholesales sales margins for the preceding calendar year plus $3,200,000.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. __

MARGIN SHARING ADJUSTMENT Rate 57

5. **Carrying Charges:**
   (a) Carrying charges will be applied to the accumulated balance of the difference each month between $542,000 and 85 percent of actual wholesale sales margins.

   (b) Carrying charges on the amounts shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

   (c) If annual wholesale margins are less than $3,300,000 then interest calculated in (a) and (b) will be recalculated to reflect the minimum annual level.

6. **Surcharge Adjustment:**
   The Surcharge Adjustment shall reflect amortization of the estimated balance in the Margin Sharing Account as of April 1 each year.

7. **Margin Sharing Account:**
   The Margin Sharing Account shall consist of:
   (a) The balance of the current margin adjustment and the carrying charges as of December 31 each year, less

   (b) The amount determined by multiplying the currently effective Surcharge Adjustment included in rates by the kwhs sold during each month. The account shall be increased in the event the Surcharge Adjustment is a negative amount.

   (c) Carrying charges on the net balance shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

8. **Time and Manner of Filing:**
   (a) Montana-Dakota shall file the MSA at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of revised MSA sheets identifying the amounts of the adjustment, the derivation of the adjustment and the resulting MSA rate.

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate	))	Case No. PU-399-03-296

SETTLEMENT AGREEMENT

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Commission (Policy 4-01-95(0) – January 4, 1995) stating that Montana-Dakota contemplated engaging in settlement discussions with the Staff. Settlement discussions were held on October 29, 2003. All Parties were represented at the discussions. As a result of those and subsequent discussions, the Parties reached this Settlement Agreement. The Parties agree that this Settlement Agreement resolves all outstanding issues in the case in a manner consistent with applicable law and the Settlement Guidelines.

12. The Settlement Agreement is supported by the administrative record. Accordingly, the parties jointly recommend the Commission issue an Order approving this Settlement Agreement in its entirety, without conditions or modifications.

TERMS OF SETTLEMENT AGREEMENT

1. Revenue Increase. The Parties agree to, and recommend the Commission approve, a net increase in Montana-Dakota's electric rates for retail customers in North Dakota to yield a revenue increase of $1,000,000 per year effective January 1, 2004. Retail electric rates shall be revised in a manner to result in a net rate decrease of 1.25 percent to the Street Lighting Service class and an equal percentage net rate increase to all other customer classes.

2. Wholesale Sales Margins. The Parties agree to, and recommend the Commission approve, the tariff attached hereto as Attachment A to provide for the treatment of margins realized by Montana-Dakota on the wholesale sale of electricity. The tariff shall become effective coincident with the increased rates stated in paragraph 1. The tariff provides a mechanism to adjust Montana-Dakota's retail rates for wholesale sale margins to be credited to its North Dakota retail electric customers,

which shall be 85% of actual annual margins, as compared to an annual wholesale margin credit of $6,500,000 included in Montana-Dakota's base rates pursuant to this Settlement Agreement. Effective for bills after April 1, 2005, an adjustment (positive or negative) will be applied per Kwh to all Montana-Dakota service rates to recover any difference between the actual and base rate credits, plus carrying charges, for the prior year; provided, however, the adjustment shall not include a difference greater than defined in Attachment A. Montana-Dakota agrees to continue its best efforts to maximize wholesale sales margins consistent with its current practice to provide Montana-Dakota and its retail customers with the financial benefit of such wholesale sales in accordance with the letter and spirit of this Settlement Agreement and Attachment A.

3. Residential and Small General Service Base Rate. The Parties agree to, and recommend the Commission approve, that the changes in Montana-Dakota's retail rates to yield the revenue increase in paragraph 1 include an increase in Montana-Dakota's residential base rate from $3.50 per month to $5.50 per month and an increase in its small general service base rate from $12.00 per month to $20.00 per month.

4. Rate Design. The parties agree to, and recommend the Commission approve, that within the revenue increase and base rate limits stated in paragraphs 1 and 3 above, Montana-Dakota may file revised tariffs effective January 1, 2004 for retail electric service in North Dakota consistent with the rate design changes proposed by Montana-Dakota in this proceeding and except that the flexible provision of the Firm Service Economic Development Rate shall be filed and approved by the Commission on

a case by case basis and that the demand charge for the Interruptible Large Power Service Class shall not exceed $2.25 per Kw.

5. The Parties agree to, and recommend the Commission approve, that if Montana-Dakota files revised rates to become effective prior to January 1, 2006 which result in a net increase in North Dakota retail electric revenues to Montana-Dakota, such revenue increase shall be recovered through an equal percentage increase in the rates for all retail customer classes except for the municipal lighting class for which the then current rates may remain in effect.

OTHER TERMS AND CONDITIONS

1. Basis of Settlement.

It is agreed this Settlement Agreement is a negotiated settlement agreement subject to approval by the Commission. The Settlement Agreement does not establish any principle or precedent, nor adopt or recommend any specific type or amount of expense or rate base, for this or any future proceeding.

2. Effect of the Settlement Negotiations.

It is understood and agreed that all offers of settlement and discussions related to this Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Public Service Commission does not approve this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any party for any purpose in this case or otherwise.

3. Applicability and Scope.

This Settlement Agreement shall be binding on the Parties, and their successors, assigns, agents, and representatives. Consistent with the Commission's settlement guidelines, this Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement shall not in any respect constitute an agreement, admission or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in this proceeding.

4. Effective Date.

This Settlement Agreement shall be effective on the date of the Commission Order approving the Settlement Agreement. The revised rates and tariff agreed to by this settlement agreement shall be effective on the dates specified herein.

5. Modification.

If the Commission Order modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if any party files a letter with the Commission within three (3) business days of notice of such Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party.

Dated this _____ day of _____, 2003.

MONTANA-DAKOTA UTILITIES CO.

By:_____
Its:_____

Dated this _____ day of _____, 2003.

AARP

By:_____
Its:_____

Dated this _____ day of _____, 2003.

NORTH DAKOTA PUBLIC SERVICE COMMISSION STAFF

By:_____
Its:_____

Dated this 18 day of November, 2003.

Jim Roache

Jim Roache

P:\DKUNTZ\11056 MDU 2003 electric case\Settlement Agreement 11.13.doc

Attachment A

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. __

MARGIN SHARING ADJUSTMENT Rate 57

1. **Applicability:**
This rate schedule constitutes an electric wholesale margin sharing adjustment (MSA) provision and specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's electric wholesale sales margins as allocated to its North Dakota electric jurisdiction, and (b) amortization of the Margin Sharing Account.

2. **Effective Date of Adjustment:**
The effective date of the MSA shall be bills rendered on and after the first day of April of each year, unless the Commission shall otherwise order. The initial adjustment under this tariff shall become effective April 1, 2005.

3. **Margin Sharing Adjustment:**
The MSA shall reflect changes in Montana-Dakota's electric wholesale margins as compared to the wholesale margins reflected in base rates. The MSA is made up of:

   (a) Current margin adjustment

   (b) Carrying charges on 3(a)

   (c) Surcharge adjustment

   The adjustment per kwh shall be determined by dividing the amount determined above by the estimated kwh sales for the twelve months following the effective date of the adjustment.

4. **Current Margin Adjustment:**
The current margin adjustment shall be:
   (a) $6,500,000 less

   (b) 85 percent of the actual wholesale sales margins for the preceding calendar year, unless

   (c) Wholesale sales margins in the preceding calendar year are less than $3,300,000, then the current margin adjustment shall be 15 percent of actual wholesales sales margins for the preceding calendar year plus $3,200,000.

Attachment A

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. __

MARGIN SHARING ADJUSTMENT Rate 57

5. **Carrying Charges:**
   (a) Carrying charges will be applied to the accumulated balance of the difference each month between $542,000 and 85 percent of actual wholesale sales margins.

   (b) Carrying charges on the amounts shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

   (c) If annual wholesale margins are less than $3,300,000 then interest calculated in (a) and (b) will be recalculated to reflect the minimum annual level.

6. **Surcharge Adjustment:**
   The Surcharge Adjustment shall reflect amortization of the estimated balance in the Margin Sharing Account as of April 1 each year.

7. **Margin Sharing Account:**
   The Margin Sharing Account shall consist of:
   (a) The balance of the current margin adjustment and the carrying charges as of December 31 each year, less

   (b) The amount determined by multiplying the currently effective Surcharge Adjustment included in rates by the kwhs sold during each month. The account shall be increased in the event the Surcharge Adjustment is a negative amount.

   (c) Carrying charges on the net balance shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

8. **Time and Manner of Filing:**
   (a) Montana-Dakota shall file the MSA at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of revised MSA sheets identifying the amounts of the adjustment, the derivation of the adjustment and the resulting MSA rate.

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate Increase Application	)))	Case No. PU-399-03-296

AFFIDAVIT OF MAILING

STATE OF NORTH DAKOTA)
: ss.
COUNTY OF BURLEIGH)

The undersigned, being duly sworn, deposes and says that: I am a United States citizen, over 18 years of age, and on November 19, 2003, I served a copy of the attached:

SETTLEMENT AGREEMENT

by placing a true copy in a postage paid envelope or envelopes addressed to each person named below, at the address stated below, which is the last known address of the addressee, and by depositing said envelope in the United States mail at Bismarck, North Dakota.

Thomas D. Kelsch
Attorney at Law
P.O. Box 1266
Mandan, ND 58554-7266

Jim Roache
P.O. Box 564
Crosby, ND 58730

Karol A. Cossette

Subscribed and sworn to before me, today, November 19, 2003.

NOTARY PUBLIC
State of North Dakota
My commission expires: 1/24/08

Kathi Osteen

KATHI OSTEEN
Notary Public
State of North Dakota
My Commission Expires Jan. 24, 2008

1100
001
2640
23295

SNAVELY KING MAJOROS O'CONNOR & LEE, INC.
ECONOMIC AND MANAGEMENT CONSULTANTS

RECEIVED
NOV 17 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

October 31, 2003

Billed through 10/25/03

2-112-00000-007 CWK

Mike Diller
Public Service Commission
State Capitol - 12th Floor
Bismarck, ND 58505-0480

For services rendered in connection with Case No. PU-399-296, Application of Montana-Dakota Utilities for an increase in electric rates.

Balance forward as of invoice no. 004 dated 09/30/03		$ 8,769.77
Payments received on account (last payment 10/27/03)		$ 8,769.77
Net balance forward		$ .00

FEES

King, C.	25.50 hrs	127 /hr	3,238.50
TOTAL FEES	25.50 hrs		$ 3,238.50

EXPENSES

Reproduction, In-house	1.44
TOTAL EXPENSES	$ 1.44

OK to pay
Mike Dahl

TOTAL FEES	$ 3,238.50
TOTAL EXPENSES	$ 1.44
TOTAL FEES AND EXPENSES	$ 3,239.94
TOTAL BALANCE DUE	$ 3,239.94

1220 L STREET, NW • SUITE 410 • WASI
TEL (202) 371-1111 • FAX (202) 842-4966 •

Statement for services billed through 10-25-03
by Snavely King Majoros O'Connor & Lee, Inc.

11/17/2003 C: Comm Legal PUD (3) Mike ALJ .

SK&A

Page____ of ____

SNAVELY, KING & ASSOCIATES, INC.
PROJECT ACTIVITY REPORT

Charles W. King
BWV12

For Period Beginning 9/26/05
Ending 10/7/05

Client North Dakota PSC

Billing Code 2-112

Date	Hours	Activity
9/26	4	Finalize Testimony
9/29	5.5	" " + exhibits
9/30	2.5	Review MDU's IRP; Organize Witness book
10/1	1.0	Read data responses; deficiency analysis e-mail
10/3	.5	Telcon w. Bimz, ANRP Send Data Request
10/6	.5	Write D.R 7 + send
10/7	4.0	Prepare Supplemental Testimony
10/8	1.0	Read MDU Depreciation Study
10/15	2.0	Reply to Commissioner Wefald; request
10/16	.5	Telcon w. clients re settlement
10/17	.5	" " ; download Bimz Test
10/21	3.0	Read MDU IRP Testimony & Data Requests
10/23	.5	Calculate new off-system sales
Page Total	25.5	
Month Total		

SKA Form MTR-3

SK&A

ECONOMIC CONSULTANTS
Snavely King Majoros O'Connor & Lee, Inc.
Reproduction Machine Usage Report

Month of Oct '03

SKA Accounting Code	Client/ Employee Code	Number of Copies	Client/ Employee Code	Number of Copies
	2070	147		
	2104	160		
*	2112	12		
	2991	365		
	2992	511		
	2998	1084		
	3239	354		
	3250	697		
	3251	1132		
	3254	446		
	3257	161		
	3258	57		
	3260	62		
	4464	88		
	4482	12		
	4510	793		
	8155	388		
	8156	463		
	8157	151		

Posted to Invoice Computation File

By: Angel L. Finch

Date: October 30, 2003

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **13th day of November, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Notice of Rescheduled Hearing

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501
Cert. No. 7003 1680 0004 9646 2927

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501
Cert. No. 7003 1680 0004 9646 2934

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695
Cert. No. 7003 1680 0004 9646 2941

Jim Roache
P O Box 564
Crosby ND 58730
Cert. No. 7003 1680 0004 9646 2958

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266
Cert. No. 7003 1680 0004 9646 2965

114 PU-399-03-296 Pages: 7
Affidavits of Publication
by Public Service Commission
11/13/2003 C. Comm Legal PUD (3) Mike ALJ .

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **13th day of November, 2003**.

Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **13th day of November, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Notice of Rescheduled Hearing

The envelopes were addressed as follows:

See Attached List

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sharon Helbling

Subscribed and sworn to before me
this **13th day of November, 2003**.

Sandra L. Scott
Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

akemp@tminc.com
Ann-Marie Kemp

shandy@kwh.com
Scott Handy
Cass County Elec Coop Inc
P O Box 8
Kindred ND 58051

bschmidt@kwh.com
Brad Schmidt
Cass County Electric Coop
4100 32nd Ave SW
Fargo ND 58104

Mark.Hanson@grandforks.af.mil
Mark Hanson
Grand Forks Air Force Base
319 ARW/JA
460 Steen Blvd Ste 201
Grand Forks ND 58205

tgrove@grenergy.com
Terry Grove
Great River Energy
P O Box 800
Elk River MN 55330-0800

jason_gustafson@bobcat.com
Jason Gustafson
Melroe Company
P O Box 128
Gwinner ND 58040-0128

craig_scott@bobcat.com
Craig Scott
Melroe Company
P O Box 128
Gwinner ND 58040-0128

mbring@minnkota.com
Mark Bring
Minnkota Power Cooperative
Box 13200
Grand Forks ND 58208-3200

balld@mdu.mdures.com
Don Ball
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

collinsk@mdu.mdures.com
Karen Collins
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

hfuglest@ndarec.com
Harlan Fugelsten
ND Assn Rural Electric Coops
PO Box 727
Mandan ND 58554-0727

kcristianson@state.nd.us
Kim Christianson
ND Department of Commerce
Bismarck ND

dellefson@otpco.com
Dennis Ellefson
Otter Tail Corporation

tgreene@otpco.com
Tim Greene
Otter Tail Power Company

rmontonye@otpco.com
Ron Montoyne
Otter Tail Power Company

dross@otpco.com
David Ross
Otter Tail Power Company

sschultz@otpco.com
Steve Schultz
Otter Tail Power Company

dweiby@otpco.com
Dan Weiby
Otter Tail Power Company

rdenault@otpco.com
Russ Denault
Otter Tail Power Company
P O Box 400
Devils Lake ND 58301

pbeithon@otpco.com
Pete Beithon
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

bbrutlag@otpco.com
Bernadeen Brutlag
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

llaugtug@otpco.com
Loren Laugtug
Otter Tail Power Company
215 S Cascade Street
Fergus Falls MN 56538-0496

wpp@pearce-durick.com
William Pearce
Pearce & Durick Attorneys
PO Box 400
Bismarck ND 58502-0400

mdickerson@state.nd.us
Marcy Dickerson
State Tax Department
State Capitol
Bismarck ND 58505

dave.sederquist@xcelenergy.com
Dave Sederquist
Xcel Energy
P O Box 2747
Fargo ND 58108-2747

F James Moriarty
2333 Plum Grove Dr
O'Fallon MO 63366

Steven Tomac
2498 59th St
St Anthony ND 58566-9640

Will Kaul
Cooperative Power Association
P O Box 800
Elk River MN 55330-0800

William Jackson
Dakota Justice
38 8th Ave W
Dickinson ND 58601

Laurie Baranko
Dakota Resource Council
PO Box 1095
Dickinson ND 58602-1095

Mark Frederiksen
Economic Insights
416 Center St #365
Washington Grove MD 20880

Jay Casler
INDEPTH DATA INC
44 S Bdwy 18th Fl
White Plains NY 10601-4425

Karyn Grass
IPAMS
6620 Denver Club Bldg 518 17th St
Denver CO 80202-4167

KBMR AM-KQDY FM
3500 E Rosser Ave
Bismarck ND 58501

KBMW-AM
PO Box 1115
Wahpeton ND 58074-1115

KCJB AM-FM & KXMC TV
PO Box 1686
Minot ND 58702-1686

KDDR
Box 411
Oakes ND 58474-0411

Rod Kleinjan
KDIX AM Radio
119 2nd Ave W
Dickinson ND 58601-5115

KEYZ-AM
PO Box 2048
Williston ND 58802-2048

Jeff Alexander
KFYR-AM Radio
PO Box 1738
Bismarck ND 58502-1738

KHRT AM
PO Box 1210
Minot ND 58702-1210

KLXX AM
4303 Memorial Hwy
Mandan ND 58554

KMAV AM/FM RADIO
PO Box 216
Mayville ND 58257-0216

KMOT TV
Box 1120
Minot ND 58702-1120

KNDK-AM
HCR 5 Box 9
Langdon ND 58249

Terry Hildestad
Knife River Coal Mining Company
1915 N Kaveney Dr
Bismarck ND 58501

KTGO-AM
Box 457
Tioga ND 58852-0457

KUMV-TV
PO Box 1287
Williston ND 58802-1287

News Director
KXMA-TV
Drawer B
Dickinson ND 58602

KXMB TV
Box 1617
Bismarck ND 58502-1617

KXMD-TV
PO Box 790
Williston ND 58802-0790

Michel Murray
MCI WorldCom Inc
707 17th St Ste 3600
Denver CO 80202

Bruce Imsdahl
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Ron Tipton
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Mike Foley
NARUC
1101 Vermont Avenue NW Ste 200
Washington DC 20005

Dennis Lavallee
Nat'l Assoc Plumbing-Htng-Cooling
PO Box 6808
Falls Church VA 22046-6808

Scott Speaker
Natural Gas Week
1401 New York Ave NW Ste 500
Washington DC 20005-2150

Harlan Fuglesten
ND Association of RECs
PO Box 727
Mandan ND 58554-0727

Everett Morris
NJ Public Service Electric & Gas
80 Park Pl
Newark NJ 07101

John Kapsner
The Vogel Law Firm
P O Box 2097
Bismarck ND 58502-2097

Public Utilities Reports Inc
Law Dept
8229 Boone Blvd Ste 401
Vienna VA 22182

LeRoy Neubauer
Valley City Public Works
254 2nd Ave NE
Valley City ND 58072

Facsimile Cover Sheet

To: Colleen Park
Company: NDNA
Phone: 223-6397
Fax: 223-8185

From: **Sharon Helbling**
Company ND Public Service Commission
Phone: 701-328-4076
FAX: 701-328-2410

Date: 11-13-03
Pages including this cover page: 2

Colleen:

Please have the attached Notice of Rescheduled Hearing published as a legal publication in the next issue of the following North Dakota newspapers:

Bismarck Tribune
Williston Herald
Dickinson Press

Please run it as a "News Item Only" article as well, and send the bill to the Public Service Commission, along with a tear sheet for billing purposes.

If you have any questions, please call me.

Thank you.

Sharon

113 PU-399-03-296 Pages: 1

Request to NDNA requesting publication of Notice of Rescheduled Hearing by Public Service Commission

11/13/2003 C. Comm Legal PUD (3) Mike ALJ

RECEIVED
NOV 13 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

NOTICE OF RESCHEDULED HEARING

November 13, 2003

On November 12, 2003, the public hearing on this matter was held as scheduled. However, at the hearing, Montana-Dakota Utilities requested a continuance to further pursue settlement discussions with the other parties. Both Interveners and the Commission Staff concurred in the request.

Accordingly, the Public Service Commission **continued** the hearing and **rescheduled** it.

The **public hearing** on this matter will now be held beginning **December 1, 2003, at 8:30 a.m. CST (7:30 a.m. MST)** in the Commission hearing room, State Capitol, 12th Floor, Bismarck, North Dakota 58505. The hearing will continue on December 2 and 3, 2003, if necessary. The issues to be considered are the same as noticed on July 16, 2003.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400 or Relay North Dakota, 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify Jon H. Mielke, Executive Secretary, at least 24 hours prior to the hearing.

PUBLIC SERVICE COMMISSION

Susan E. Wefald	**Tony Clark**	**Kevin Cramer**
Commissioner	**President**	**Commissioner**

By _____

Allen C. Hoberg
Administrative Law Judge
Hearing Officer
Office of Administrative Hearings
1707 North Ninth Street
Bismarck, North Dakota 58501-1882

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case. No. PU-399-03-296

CERTIFICATE OF SERVICE

The undersigned certifies that the original **NOTICE OF RESCHEDULED HEARING** was hand delivered at the State Capitol, on the 13th day of November, 2003, to:

Mr. Jon H. Mielke
Public Service Commission
State Capitol
600 East Boulevard Avenue
Bismarck, ND 58505

OFFICE OF ADMINISTRATIVE HEARINGS
Allen C. Hoberg, Administrative Law Judge

Margaret A. Stanton

Margaret A. Stanton

Public Service Commission
Receipt of Payment

Receipt# 5630

Received: 11/12/2003 Check# 996493 for $6,673.47

Subject: Utility Valuation

Docket # PU-399-03-296

Montana-Dakota Utilities Co., a Division of MDU Resources
400 N 4th Street
Bismarck ND 58501

111 **PU-399-03-296** Pages: 1

Receipt# 5,630 $6,673.47

by Montana-Dakota Utilities Co., a Division of MDU Re

11/12/2003

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

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

November 10, 2003

RECEIVED
NOV 10 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505

Re: Electric Rate Application
Case No. PU-399-03-296

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith submits the original and seven (7) copies of the Supplemental Rebuttal testimony of Dr. J. Stephen Gaske.

Two (2) copies of the Supplemental Rebuttal testimony have been mailed to Snavely King Majoros O'Conner & Lee, Inc., 1220 L St NW, Suite 410, Washington, DC 20005. Copies have also been provided to Mr. Thomas D. Kelsch and Mr. Ronald J. Binz on behalf of the AARP and to Mr. Jim Roache.

Please acknowledge receipt by stamping or initiating the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

Donald R. Ball

Donald R. Ball
Assistant Vice President –
Regulatory Affairs

Attachment
cc: B.T. Imsdahl
D.W. Schulz
D.S. Kuntz

110 PU-399-03-296 Pages: 1

Cover letter re Supplemental Rebuttal
Testimony of Stephen Gaske
by Montana-Dakota Utilities Co., a Division of MDU Re

11/10/2003 C: Comm Legal PUD (3) Mike ALJ

Exhibit No.___(JSG-7)

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

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

CASE NO. PU-399-03-296

Prepared Supplemental Rebuttal Testimony
of J. Stephen Gaske
On Behalf of Montana Dakota Utilities Co.

Q1. Are you the same J. Stephen Gaske who filed Prepared Direct Testimony and Prepared Rebuttal Testimony in this proceeding?

A. Yes.

Q2. What is the purpose of this Prepared Supplemental Rebuttal Testimony?

A. I have been asked by Montana-Dakota Utilities Co. ("Montana-Dakota") to respond to various aspects of the testimony of Mr. Ronald J. Binz on behalf of the American Association of Retired Persons ("AARP"). In particular, I am responding to Mr. Binz's recommendations regarding cost allocation and rate design, and also to certain general economic assertions that he makes in his testimony. Mr. Binz's cost allocation and rate design proposals would cause many AARP members to pay higher monthly bills than they would be required to pay if the Commission were to adopt Montana-Dakota's cost allocation and rate design proposals.

Cost Allocation

Q3. What are Mr. Binz's objections to the methods by which Montana-Dakota has allocated costs to the various classes of service?

A. He objects to the use of non-coincident peak demand for allocating the base demand components of generation and transmission plant costs. Instead, he proposes to use the number of kilowatt-hours of energy used by each class as a method of apportioning the base costs of generation and transmission plant. I have already addressed this issue in my Prepared Rebuttal Testimony, wherein I responded to the same proposal made by Mr. King. Mr. Binz's testimony does not add anything to Mr. King's argument and, therefore, I have already addressed this issue in my Prepared Rebuttal Testimony.

Mr. Binz also objects to the use of the number of customers to allocate distribution line costs. Again, his testimony does not add anything to the arguments or recommendations presented by Mr. King. Consequently, there is no need to add anything to my Prepared Rebuttal Testimony in order to respond to Mr. Binz on this issue.

Q4. If Mr. Binz's cost allocation recommendations were to be adopted, would the AARP recommendations reduce the overall costs to be recovered from the Residential class of customers?

A. No. Montana-Dakota's proposed rates include substantial rate mitigation for the Residential class of customers. Unlike Mr. King, Mr. Binz makes no mention of the substantial rate mitigation that Montana-Dakota has proposed. Consequently, adoption of Mr. Binz's cost allocation proposals would cause the Residential rates to be *higher* than the mitigated cost allocation that Montana-Dakota has proposed.

Rate Design

Q5. What is Mr. Binz's recommendation concerning rate design for Residential customers?

A. He proposes that the Residential Base Charge be set at $6.00 per month and that the Energy Charge be increased. Again, this proposal is similar to Mr. King's rate design proposal which was addressed in my Prepared Rebuttal Testimony. Mr. Binz's only substantive new argument for this proposal is his speculation that a higher Energy Charge might improve the "price signal" delivered through the per-kwh portion of the rate structure. However, upon close examination, Mr. Binz's argument regarding price signals does not lead to the policy conclusion that he recommends.

Q6. Would price signals be improved by recovering non-demand related fixed costs in the Energy Charge?

A. No. Mr. Binz's proposal would actually distort the price signals available to Residential customers by setting an Energy Charge that discourages efficient consumption during most hours of the year. In general, the rate design contained in the Montana-Dakota rate filing assigns all of the customer and base demand-related costs to the Base Charge component of the residential rates. For customers with demand meters, the peak demand-related costs are assigned to the demand charge. Unfortunately, because the Residential customers do not have demand meters, the peak demand-related costs that are allocated to the Residential class are recovered through a margin added to the Energy Charge. This margin recovers the residential demand-related costs on an average cost per kWh basis,

with one exception. The seasonal rate feature that is being proposed in this proceeding provides a discount in the tail block of the Energy Charge during the off-peak months in recognition of the fact that usage during off-peak seasons requires little or no marginal, demand-related costs.

The problem with recovering fixed, demand-related costs by adding the same average margin to most of the kWh consumed during the year is that customers during the off-peak periods end up paying a greater share of fixed demand-related costs than they truly cause. For example, Montana-Dakota has enough capacity to serve any level of likely demand during all hours of the off-peak months. Similarly, customers who consume electricity in the middle of the night during the peak months also have a very low probability of causing a need for Montana-Dakota to incur additional capacity-related costs. Consequently, Montana-Dakota's proposed design of the Residential rates, with an Energy Charge somewhat in excess of six cents (6.0¢) per kWh, charges off-peak consumers as much as four cents (4.0¢) per kWh more than the long-run marginal cost of providing service during off-peak hours. The rate design proposed by Montana-Dakota already discourages efficient consumption during many off-peak hours and Mr. Binz's recommendation would greatly increase this inefficiency by loading additional non-demand-related costs into the off-peak Energy Charges without significantly adding to the peak period pricing signals. I agree with Mr. Binz that the peak period residential Energy Charge would provide better price signals if it were set at a higher level, but the damage that his proposal would do to off-peak price signals outweighs the improvements in peak period price signals.

Q7. If the Commission wanted to adopt Mr. Binz's goal of placing greater emphasis on the price signals provided by the Residential Energy Charge, what rate design changes would be appropriate?

A. The appropriate solution to this problem is to shift a much greater share of the fixed demand-related cost recovery out of the Energy Charges during off-peak hours and onto the Energy Charges during peak hours. Among the best ways to do this would be to adopt mandatory time-of-day demand charges or energy charges for Residential service. However, the cost of installing demand meters and/or time-of-day meters for the Residential class of customers would be a lengthy and very expensive process that may entail greater costs than the benefits such meters are likely to provide.

Alternatively, efficient price signals would be best achieved by shifting from the off-peak season to the on-peak season more of the recovery of demand-related costs that are already in the Residential Energy Charge. It is very important to note that neither of these far more efficient rate designs – time-of-day rates or greater seasonal rate differentials – requires a reduction in the Base Charge.

In contrast, Mr. Binz's rate design proposal is likely to worsen the price signals provided to residential customers. Thus, if the Commission wishes to pursue Mr. Binz's suggested objective of improving the price signals available in the rate design, it should nevertheless reject his proposal to shift recovery of fixed customer or base demand-related costs out of the residential Base Charge and onto the Energy Charge.

Economic Claims

Q8. At pages 4-5 Mr. Binz indicates that the percentage increases proposed in the residential rates are higher than the rate at which other commodities rose during the past year. Is this a valid point?

A. No. As described in my Prepared Direct Testimony, Exhibit No. ___(JSG-1), pages 5-6, and in the Prepared Direct Testimony of Mr. C. Wayne Fox, Exhibit No. ___(CWF-1), pages 5-6 and Exhibit No.___(JSG-2), the Consumer Price Index ("CPI") has increased by approximately 60 percent since 1987 when the Commission last considered the relative level of rates paid by Montana-Dakota's various classes of customers. A full picture would consider not just the past year, but also all of the 17 years during which Montana-Dakota's rates were held constant or reduced while overall prices for other goods and services were continually increasing.

For example, Social Security payments to retired persons are indexed for inflation. The index used to increase Social Security payments each year is the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W"). Attached as Schedule 1 of Exhibit No. ___(JSG-8) is a copy of the page from the Social Security Administration website that describes the annual Social Security cost-of-living adjustments and also shows the history of these annual increases from 1975-2003. Since the time of Montana-Dakota's last general rate increase, Social Security benefits have increased 65 percent. The proposed Montana-Dakota rate increases are significantly less than the cumulative cost of living

increases in Social Security payments since the last Montana-Dakota general rate case.

Q9. Is it nevertheless possible that some low-income people may be forced to make difficult trade offs in response to a change in electric utility rates?

A. Yes. Unfortunately, for a small portion of the North Dakota population, low income levels may require difficult trade offs between consumption of non-food items and electricity. However, for a variety of reasons public utility ratemaking is not equipped to deal with this social problem efficiently. These reasons include: the inefficient distortions in consumption decisions by both low-income and non-low-income customers that can occur when rates do not properly reflect costs; the lack of knowledge concerning the resources and options that are available to each individual; and, the inability of ratemaking to accurately target low-income individuals.

Q10. What evidence is available in this proceeding concerning the resources and options available to low-income customers that might be affected by this proceeding?

A. There is no evidence in this proceeding that addresses that question. For example, Mr. Binz cites Federal poverty guidelines in his testimony but does not explain what these guidelines mean or how they are calculated.

Since the Federal poverty measures are based on a nationwide average level of costs that does not take into consideration the relative cost of living in different parts of the country, this measure can greatly overstate the number of

people truly living in poverty in areas that have a low cost of living. Attached as Schedule 2 of Exhibit No. ___(JSG-8) is information on the cost of living that is compiled by ACCRA, a research organization that grew out of the American Chamber of Commerce Researchers Association. According to this organization, the cost of living in the Bismarck-Mandan area is 93 percent of the national average. Although the cost of living in Queens, New York is 42 percent higher than the cost of living in Bismarck-Mandan, the same income level is used to determine how many people in each area are living in poverty. Clearly, the Federal guidelines overstate true poverty levels in an area with a low cost of living and greatly understate true poverty levels in a high-cost area such as Queens.

Since the Federal poverty guidelines consider only current cash income, the wealth of an individual is ignored, capital gains are ignored, and non-cash benefits such as food stamps, medicaid and housing subsidies are ignored. Consequently, the fact that someone has cash income that is below the Federal poverty level does not mean that they must sacrifice basic food, housing or medical care in order to pay their electric bill.

Many people who are counted as being below the Federal poverty level have significant assets, such as homes or savings. For this reason, many economists have criticized the Federal poverty guidelines for overstating the true poverty levels and have recommended that the full resources and needs of the individuals (i.e., "material well-being") also be considered in determining poverty levels. The overstatement problem tends to be much greater for elderly

Americans since 80 percent of householders over age 65 own their own homes, and 80 percent of these homeowners own their homes free and clear.

Q11. At page 7 of his testimony, Mr. Binz discusses data on the percentage of North Dakotans with incomes less than 150 percent of the Federal poverty guidelines. How is this information useful in establishing rates for electric service?

A. As an economic matter, I was unable to determine how, whether or why this information would be useful in setting electric rates. The circumstances of individual customers are so varied, and the data cited by Mr. Binz are so ambiguous, that it is nearly impossible to draw any useful policy conclusions from this portion of his testimony. Montana-Dakota's overall rates in this proceeding should be based on its cost of service. Mr. Binz's data does nothing to change this conclusion.

In addition, it is difficult to determine what his data means for cost allocation and rate design. Montana-Dakota has proposed substantial rate mitigation for the Residential customers that leaves residential customers better off than they would be if the Commission were to accept the AARP cost allocation proposals.

Consequently, even if there were no ambiguity in the poverty data in Mr. Binz's testimony, those data do not clearly support or suggest any ratemaking policies other than those proposed by Montana-Dakota.

Q12. Does this conclude your Prepared Supplemental Rebuttal Testimony?

A. Yes.

Exhibit No.___(JSG-8)
Schedule 1

Social Security Online

Automatic Increases

www.socialsecurity.gov

Cost-of-Living Adjustments, 1975-2003

Updated October 16, 2003

History

Social Security benefit increases, also known as cost-of-living adjustments or COLAs, have been in effect since 1975. The 1975-82 COLAs were effective with Social Security benefits payable for June in each of those years; thereafter COLAs have been effective with benefits payable for December.

Social Security Cost-Of-Living Adjustments

Year	COLA	Year	COLA	Year	COLA
1975	8.0%	1985	3.1%	1995	2.6%
1976	6.4%	1986	1.3%	1996	2.9%
1977	5.9%	1987	4.2%	1997	2.1%
1978	6.5%	1988	4.0%	1998	1.3%
1979	9.9%	1989	4.7%	1999	[a] 2.5%
1980	14.3%	1990	5.4%	2000	3.5%
1981	11.2%	1991	3.7%	2001	2.6%
1982	7.4%	1992	3.0%	2002	1.4%
1983	3.5%	1993	2.6%	2003	2.1%
1984	3.5%	1994	2.8%		

[a] The COLA for December 1999 was originally determined as 2.4 percent based on CPIs published by the Bureau of Labor Statistics. Pursuant to Public Law 106-554, however, this COLA is effectively now 2.5 percent.

Basis for COLAs

Detailed information on how the latest COLA was calculated is available.

The first automatic COLA, for June 1975, was based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the second quarter of 1974 to the first quarter of 1975. The 1976-82 COLAs were based on increases in the CPI-W from the first quarter of the prior year to the corresponding quarter of the current year in which the COLA became effective. After 1982, COLAs have been based on increases in the CPI-W from the third quarter of the prior year to the corresponding quarter of the current year in which the COLA became effective.

SSI COLAs

COLAs for the Supplemental Security Income (SSI) program are generally the same as those for the Social Security program. However, COLAs for SSI have generally been effective for the month following the effective month of Social Security benefit increases. See SSI historical payment standards for more detail.

Results of Previous Comparisons

Location	Total (100%)	Grocery (14%)	Housing (29%)	Utilities (10%)	Trans. (10%)	Health (4%)	Misc. (33%)	Avg Rent	Avg Home Price
From (Origin)									
Bismarck-Mandan	93.1	98.1	85.3	83.7	110.8	80.2	96.8	$ 528	$220,000
To (Destination)									
New York (Queens)	132.9	118.0	160.1	147.1	115.4	138.3	115.6	$ 1,670	$356,800
Percent Difference	+ 42.7%	+ 20.3%	+ 87.7%	+ 75.7%	+ 4.2%	+ 72.4%	+ 19.4%	+216.3%	+ 62.2%

Source: ACCRA Cost of Living Index, 2003. Data represent the Index calculated for...
2003 Second Quarter. ©ACCRA 2002.

Thanks for Choosing the ACCRA Cost of Living Index!

*The national average cost for each index area is set at "100", and the indices for each place are then calculated based upon their relation to that average. In addition, the total cost of living index does not include taxes. For more information please refer to the Methodology & Data Interpretation area.

Exhibit No.___(JSG-8)
Schedule 2

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson
Aaron K. Webb

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

RECEIVED
NOV - 5 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

November 5, 2003

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
State Capitol -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co.– Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of the Brief of Montana-Dakota Utilities Co. in Response to the Motion to Dismiss filed by the Intervener Jim Roache. Because Mr. Roache's motion to dismiss would dispose of this proceeding, it is my understanding the motion must be addressed by the Public Service Commission rather than the Hearing Officer in this proceeding.

Sincerely,

Daniel S. Kuntz

Enclosures
c: Don Ball
Bill Binek
Jim Roache
Thomas D. Kelsch
Allen Hoberg
P:\Vleapaldt\dsk\l-mielke.doc

108 PU-399-03-296 Pages: 1
Cover letter re Brief
by Montana-Dakota Utilities Co., a Division of MDU Re
11/05/2003 C: Comm Legal PUD (3) Mike ALJ

NOV - 5 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate Increase Application	)))	Case No. PU-399-03-296

BRIEF OF MONTANA-DAKOTA UTILITIES CO.
IN RESPONSE TO JIM ROACHE'S MOTION TO DISMISS

Montana-Dakota Utilities Co. ("Montana-Dakota") submits the following brief in response to the motion to dismiss filed by the Intervener Jim Roache on November 4, 2003. Mr. Roache lists four reasons for his motion to dismiss. Each of the reasons are without merit.

1. Montana-Dakota filed its revised tariffs for an increase in its North Dakota electric rates on May 30, 2003—not May 30, 2002 as stated by Mr. Roache. Contrary to Mr. Roache's unsupported contention, Montana-Dakota has not made extensive changes to the cost accounting for this proceeding. Nor has Montana-Dakota informed Mr. Roache of any changes to Montana-Dakota's cost accounting. Other than responses to Mr. Roache's discovery requests, the only communications between Montana-Dakota and Mr. Roache were discussions during a settlement conference held on October 29, 2003. Statements made at the settlement conference are not admissible evidence in this proceeding either at the hearing or in support of Mr. Roache's motion. Nonetheless, Mr. Roache clearly misunderstood the content of any such statements because Montana-Dakota has never represented that it changed its cost accounting.

2. The prepared rebuttal testimony of Larry A. Crowley filed on behalf of Montana-Dakota explains that Mr. Crowley recently discovered that payroll taxes were inadvertently counted twice in the preparation of the 2003 teat year presented in this proceeding. Mr. Crowley's rebuttal exhibits reflect the adjusted test year O&M expense for removal of the payroll taxes. This results in a total company reduction of O&M expense by $1,896,700 and a corresponding reduction of $1,224,200 to the North Dakota jurisdiction. This adjustment lowers the company's revenue requirement and, therefore, does not, in any manner, prejudice Mr. Roache.

Mr. Roache also states that Montana-Dakota "undercounted deposits and interest in the amount of $100,000." He provides no documentation for this statement and it is unclear what Mr. Roache is asserting. The Staff's witness, Mr. King, recommended an adjustment to synchronize interest expense to the revised cost of debt contained in the settlement agreement adopted by the Commission regarding the Company's cost of capital. This adjustment lowers the expense interest deduction for calculating taxable income and, therefore, increases taxable income for federal and state income tax purposes. Montana-Dakota agrees with this adjustment. Mr. King determined the effect of this adjustment was approximately $20,000.

3. Mr. Roache states the expert analysis and testimony of Mr. King for the PSC staff and Mr. Binz for AARP are based upon MDU's initially submitted data and, therefore, their testimony is no longer valid. Mr. King and Mr. Binz are not representatives of Mr. Roache and, therefore, he cannot speak to the continued validity of their testimony. More importantly, the adjustment to the test year made by Montana-Dakota to correct the payroll tax expense does not affect the validity of the testimony of

Mr. King and Mr. Binz. In essence, it explains and accepts a portion of the O&M expense adjustments proposed by Mr. King and Mr. Binz.

4. As stated previously, Montana-Dakota's notice of its proposed rate increase was filed on May 30, 2003. Mr. Roache did not intervene until September 9, 2003, and did not serve his discovery requests until October 1, 2003. Montana-Dakota served responses and objections to Mr. Roache's requests on October 10, 2003, well before the end of the 33 days allowed for responding to such requests. Mr. Roache filed a Motion to Compel Discovery on October 20, 2003, and Montana-Dakota filed its Brief in Response to the Motion to Compel on October 24, 2003 –well within the 10 days allowed for responding to the motion. A prehearing conference on the motion was held on October 28, 2003, and Hearing Officer Hoberg issued his order the same date. In his order, the Hearing Officer determined "[t]o a large extent, it appears that Mr. Roache is on a fishing expedition...." Nonetheless, the Hearing Officer directed Montana-Dakota to provide Mr. Roache with statements from the Montana-Dakota top officers stating they have complied with MDU's Code of Conduct and Code of Ethics and to also provide Mr. Roache with a list of its top officers that are involved in direct or indirect dealings with Montana-Dakota through any unaffiliated firm, person, or business doing or seeking to do business with Montana-Dakota who have disclosed such involvement to Montana-Dakota's management. Montana-Dakota expects to have these statements to Mr. Roache within the next few days. In the meantime, Montana-Dakota has concentrated its efforts on preparing its rebuttal testimony that was due November 3, 2003. The statements required by the Hearing Officer will confirm compliance by Montana-Dakota's top officers with MDU's Code of Conduct and Code of

Ethics. The availability of the statements later this week will not prevent Mr. Roache from preparation of his case.

Mr. Roache cannot use his own delay in pursuing discovery as grounds for dismissal of this proceeding.

CONCLUSION

Montana-Dakota filed its notice of an increase in rates on May 30, 2003. The Commission suspended the increased rates and initiated this proceeding to investigate Montana-Dakota's increased rates. Dismissal of this proceeding would dismiss the investigation and suspension of the proposed rates; it would not find the proposed rates unjust and unreasonable or otherwise prevent the filed tariffs from becoming effective.

Dated this 5th day of November, 2003.

By: _____

Daniel S. Kuntz (ID #03490)
Zuger Kirmis & Smith
Attorneys for Montana-Dakota Utilities Co.
P.O. Box 1695
Bismarck, ND 58502-1695
(701)223-2711

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STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. Electric Rate Increase Application	)))	Case No. PU-399-03-296

AFFIDAVIT OF MAILING

STATE OF NORTH DAKOTA)
: ss.
COUNTY OF BURLEIGH)

The undersigned, being duly sworn, deposes and says that: I am a United States citizen, over 18 years of age, and on November 5, 2003, I served a copy of the attached:

BRIEF OF MONTANA-DAKOTA UTILITIES CO.
IN RESPONSE TO JIM ROACHE'S MOTION TO DISMISS

by placing a true copy in a postage paid envelope or envelopes addressed to each person named below, at the address stated below, which is the last known address of the addressee, and by depositing said envelope in the United States mail at Bismarck, North Dakota.

Thomas D. Kelsch
Attorney at Law
P.O. Box 1266
Mandan, ND 58554-7266

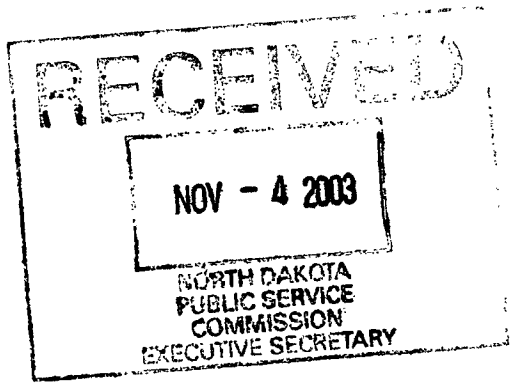
Jim Roache
P.O. Box 564
Crosby, ND 58730

William Binek
ND Public Service Commission
State Capitol –12th Floor
Bismarck, ND 58505-0480

Subscribed and sworn to before me, today, November 5, 2003.

NOTARY PUBLIC
State of North Dakota
My commission expires: 9-5-04

November 4, 2003



Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
State Capitol—12th Floor
Bismarck, ND 58505-0480

Re: Montana-Utilities Co. Electric Rate Increase-Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of a Request For Dismissal of Case.

Sincerely,

Jim Roache

Jim Roache
P.O.Box 564
Crosby, ND 58703
(701) 965-5564

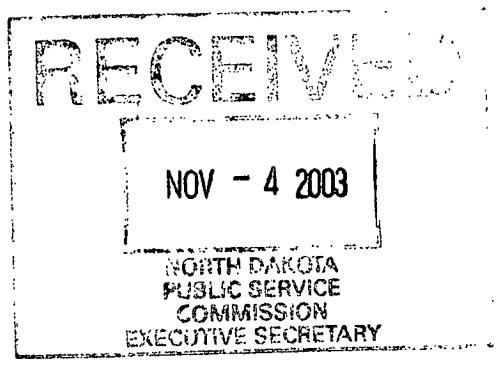
106 PU-399-03-296 Pages: 1

Cover letter re Motion to Dismiss

by Jim Roache

11/04/2003 C: Comm Legal PUD (3) Mike ALJ

State of North Dakota
Public Service Commission



Montana-Dakota Utilities Co. Electric Rate
Increase Application
Case No. PU-399-03-296

November 4, 2003

Motion to Dismiss

I request this case be dismissed for the following reasons:

1. On May 30, 2002 MDU submitted a Rate Increase Application. I have been informed by MDU that the company was making extensive changes in its cost accounting in its application. On November 4, 2003, over eighteen months later and with ONLY FIVE WORKING DAYS UNTIL THE SCHEDULED HEARING, I have yet to receive this data from MDU on these extensive changes in its Application. Since MDU's new filing changes most of its operation and maintenance expenses, this amounts to, basically, a totally new Application.

2. I have been told by MDU that in its original Application MDU counted federal payroll taxes twice in the amount of $1,200,000.00.
   Along with this MDU undercounted deposits and interest in the amount of $100,000.00. This alters all the expenses in both of these areas as well as the rate increase requested by MDU.

3. The expert analysis and testimonies of Dr. King for the PSC staff and that of Mr. Binz for AARP were based on MDU data initially submitted. A large portion of this analysis and testimony is no longer valid due to the extensive alterations being made by MDU in its Application at this extremely late date.

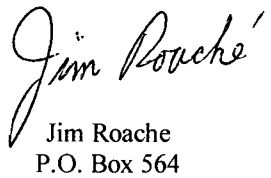
4. On October 1, 2003 I requested information through disclosure from MDU and the Company objected to several of my requests. On October 28, 2003 the Hearing Officer issued an Order On Motion To Compel instructing MDU to respond to a portion of my requests for disclosure. As of today I have yet to receive this information from MDU.

   Due to the extensive alterations in MDU's Application and the loss of valid expert testimonies of Dr. King and Mr. Binz, it's impossible for me, or I believe the Commission or AARP, to hold a hearing which will be thorough and can come to meaningful conclusions with the situation such as it is.

For these reasons I request that Montana-Dakota Electric Rate Increase Application, Case No. PU-399-03-296 be dismissed.

105 PU-399-03-296 Pages: 2
Motion to Dismiss
by Jim Roache
11/04/2003 C. Comm Legal PUD (3) Mike ALJ

Sincerely,



Jim Roache
P.O. Box 564
Crosby, ND 58730
(701) 965-5564

cc: Donald Ball
Montana-Dakota Utilities Co.
400 N. 4th St.
Bismarck, ND 58501

Douglas W. Schulz
Montana-Dakota Utilities Co.
400 N. 4th St.
Bismarck, ND 58501

Dan Kuntz
P.O. Box 1695
Bismarck, ND 58502

Thomas D. Kelsch
Kelsch Kelsch Ruff & Kranda
P.O. Box 1266
Mandan, ND 58554

Allen C. Hoberg, Director
Office of Administrative Hearings
1707 N. 9th St.
Bismarck, ND 58501

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

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

November 3, 2003

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NOV - 4 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505

Re: Electric Rate Application
Case No. PU-399-03-296

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith submits the original and seven (7) copies of the testimony on sub-issues of Mr. Craig A. Keller and Mr. Gary L. Paulsen and the rebuttal testimony of Mr. Bruce T. Imsdahl, Mr. Larry A. Crowley, Mr. Hoa V. Nguyen, Mr. Paul W. Conley, and Dr. J. Stephen Gaske.

Two (2) copies of the rebuttal testimony have been mailed to Snavely King Majoros O'Conner & Lee, Inc., 1220 L St NW, Suite 410, Washington, DC 20005. Copies have also been provided to Mr. Thomas D. Kelsch and Mr. Ronald J. Binz on behalf of the AARP and to Mr. Jim Roache.

Please acknowledge receipt by stamping or initiating the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

Donald R. Ball

Donald R. Ball
Assistant Vice President –
Regulatory Affairs

Attachment
cc: B.T. Imsdahl
D.W. Schulz
D.S. Kuntz

104 PU-399-03-296 Pages: 1
Cover letter re sub-issue & rebuttal testimony
by Montana-Dakota Utilities Co., a Division of MDU Re
11/04/2003 C. Comm Legal PUD (3) Mike ALJ

Exhibit No.___(CAK-7)

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

Before the Public Service Commission of North Dakota

Case No. PU-399-03-296

Sub-Issue Testimony
of
Craig A. Keller

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PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

Q. Please state your name and business address.

A. My name is Craig A. Keller and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

Q. By whom are you employed and what is your position?

A. I am the Vice President, Controller and Chief Accounting Officer (CAO) for Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. (MDU Resources).

Q. Did you submit prefiled direct testimony in this proceeding?

A. Yes, I submitted prefiled direct testimony presenting certain of Montana-Dakota's Cost of Service Statements or Exhibits.

Q. What is the purpose of this sub-issue testimony?

A. The purpose of this sub-issue testimony is to respond to one of the Commission's requests for testimony in its "Notice of Settlement and Notice of Intervention Deadline" issued on August 28, 2003. This testimony addresses the first sub-issue which is: "How is the Commission assured that the MDU electric ratepayers are insulated from unregulated businesses within the MDU Resources Group, Inc. corporate structure?"

Q. Are mechanisms in place to insulate Montana-Dakota's utility operations, and thereby its electric customers, from unregulated businesses within the MDU Resources Group, Inc. corporate structure?

A. Yes. The insulation of Montana-Dakota's regulated utility business from the business practices and credit risks of unregulated affiliates is commonly called "ring fencing." Insulation mechanisms include regulatory requirements, financial restrictions, structural separations and operational controls.

Q. How do regulatory requirements insulate Montana-Dakota's utility business from the businesses of unregulated affiliates?

A. Each of the jurisdictions in which Montana-Dakota operates has enacted various regulatory requirements that are designed to insulate and protect the utility business. These statutes typically either require or prohibit certain financial or business practices by a utility or alternatively require regulatory commission approval or supervision of certain financial or business action by the utility.

Q. Do such regulatory requirements exist in North Dakota?

A. In North Dakota, there are several such requirements in Title 49 of the North Dakota Century Code. For example, N.D.C.C. § 49-02-14 gives the Commission and its authorized representatives the right to examine the Company's accounts, books and records and to also examine the Company's officers and employees under oath. N.D.C.C. § 49-04-03 allows the Commission to prescribe the system of accounts and records

that must be followed by the Company. The power of Montana-Dakota to issue indebtedness or create liens on its property is subject to the supervision of the Commission under N.D.C.C. § 49-04-04. N.D.C.C. § 49-04-05 prohibits the Company from selling or encumbering its utility property in excess of $500,000 without Commission approval.

Q. Describe some of the non-regulatory financial, structural and operational safeguards that insulate Montana-Dakota's regulated utility business from the risks of the nonregulated businesses within the corporate structure of MDU Resources.

A. Operating activities at the MDU Resources corporate level are limited to those of an electric and gas utility company and related services such as the service and repair function. Its utility operations are conducted through its Montana-Dakota and Great Plains utility divisions. All other operating businesses within the MDU Resources consolidated group of companies are conducted through Centennial Energy Holdings, Inc. (Centennial) which owns four principal operating entities: WBI Holdings, Inc., Knife River Corporation, Utility Services, Inc., and Centennial Energy Resources, LLC. Through this segregated corporate structure, MDU Resources and Centennial have carefully preserved the separateness of their respective operations and financial undertakings and have taken the necessary steps to protect customers and creditors of MDU Resources, and correspondingly its division Montana-Dakota, from creditors of Centennial.

Q. Can you provide more detail of the steps taken by MDU Resources and Centennial to protect the customers and creditors of Montana-Dakota?

A. Yes. The following is a summary of some of the key actions taken:

- Montana-Dakota as a regulated electric and gas utility company keeps accurate accounts, books and records, separate and apart from those of Centennial and its subsidiaries.
- MDU Resources and Centennial have a history of adherence to proper corporate governance and business practices, with each company having separate boards of directors and management teams and maintaining separate corporate books, records and documentation. MDU Resources conducts its business as a utility company in a manner that is clearly distinguishable from the operations of Centennial as required by pervasive federal and state utility regulation.
- MDU Resources preserves its corporate assets and liabilities separate from those of Centennial. MDU Resources does not participate in any money pool or comparable intercompany funding arrangement, and does not commingle its corporate funds or other assets with those of Centennial. Nor does MDU Resources lend funds or otherwise extend credit to Centennial.
- MDU Resources and Centennial are adequately capitalized and have sufficient earnings and cash flow to meet their respective obligations.
- MDU Resources has not guaranteed any obligations of Centennial nor has Centennial guaranteed any obligations of MDU Resources. MDU

Resources would be required to seek and obtain regulatory approvals to guaranty securities or indebtedness of Centennial. It has not sought that authority.

- MDU Resources maintains credit facilities separate and distinct from that of Centennial. The major portion of MDU Resources' indebtedness (first mortgage bonds) is adequately secured by a first mortgage lien on MDU's electric and gas utility assets. There are no cross-default provisions in either MDU Resources or Centennial's credit facilities where a default by Centennial would trigger an MDU Resources default, or vice versa. There are no requirements for MDU Resources to commit capital or advance funds to Centennial or their respective creditors.

MDU Resources firmly believes that it has structured its operations and has taken the necessary actions to prevent the creditors of Centennial from seeking recourse against MDU Resources.

Q. Does that complete your testimony?

A. Yes it does.

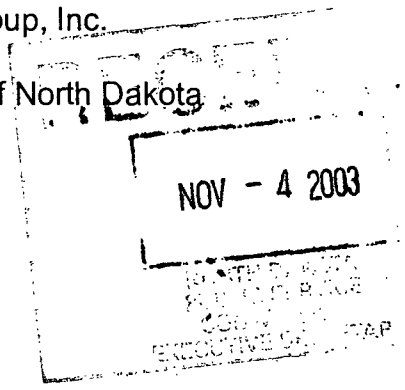
Exhibit No.___ (GLP-1)

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

Before the Public Service Commission of North Dakota

Case No. PU-399-03-296

Sub-Issue Testimony
of
Gary L. Paulsen



Q. Please state your name and business address.

A. My name is Gary L. Paulsen and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

Q. By whom are you employed and in what capacity?

A. I am the Director of System Operations and Planning of Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

Q. What are your duties and responsibilities with Montana-Dakota?

A. As Director of System Operations and Planning I have overall responsibility for the operation and planning functions of Montana-Dakota's transmission system and assuring that the electric demand of our customers are met. Those responsibilities include, but are not limited to, determination of forecasted customer demand, scheduling generation to meet that demand, assuring transmission capacity to deliver the energy from the generators to the distribution system, and assuring that the generation and transmission system is operated in a reliable manner.

Q. Would you please describe your educational and professional background?

A. I graduated from North Dakota State University in 1971 with a Bachelor of Science Degree in Electrical Engineering. I am a member of ETA KAPPA NU, a national scholastic engineering fraternity. I'm also a member of the Institute of Electrical and Electronics Engineers. I'm a registered professional engineer in the State of North Dakota.

I joined Montana-Dakota Utilities Co. in March 1971 as an Electrical Engineer in the Transmission Department. In August of 1971 I transferred into the System Operations Department. In August 1979 I was promoted to Assistant System Operations Manager, in April 1980 I became System Operations Manager, and subsequently Director of System Operations and Planning, the position I now hold.

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to address one of the sub-issues in the "Notice of Settlement and Notice of Intervention Deadline" issued on August 28, 2003. This testimony addresses the second sub-issue which is; "How is the Commission assured that MDU electric ratepayers are guaranteed the benefits of energy from generation included in rate base?"

Q. Are Montana-Dakota retail customers guaranteed the benefits of energy from generation included in rate base?

A. Yes, they are.

Q. Would you please describe how retail customers are guaranteed the benefits of energy from generation included in rate base?

A. Yes. Retail customers are guaranteed the benefits of energy from generation included in rate base because Montana-Dakota uses economic dispatch principles to meet the requirements of its retail customers. On a daily basis, Montana-Dakota calculates its retail customer load requirements by hour for the next five days, using a forecast tool that takes into account historical load and weather. We then dispatch our generation, with the lowest cost generation being dispatched first, to meet the retail load requirements. As the retail load increases, the next lowest cost generator is dispatched to meet the load. Economic dispatch includes the purchasing of energy when it is a lower cost alternative than running one of our generating units. If power is available to purchase at a cost less than the next increment of generation, we will purchase in lieu of generating at a non-economic cost. After the retail load requirements are met, any generation not being used to meet retail load is available for wholesale sales. Since economic dispatch principles were used, the unused generation is the highest cost generation on the system. It is that generation that is sold into the wholesale market.

Q. How long has Montana-Dakota used economic dispatch principles to meet the retail load requirements?

A. Montana-Dakota has used economic dispatch principles to meet the retail load requirements for well over thirty-five years, as it was the

standard principle of utility operation when I began my employment in 1971.

Q. Does Montana-Dakota have any plans to deviate from economic dispatch principles in meeting retail load?

A. No. Montana-Dakota's primary obligation is to meet the load requirements of retail customers on the most economic basis possible. Economic dispatch is the best way to do this and Montana-Dakota has no plans to deviate from economic dispatch.

Q. If economic dispatch principles are followed, can the Commission be assured that Montana-Dakota retail electric ratepayers are guaranteed the benefits of energy from generation included in rate base?

A. Yes.

Q. Does that conclude your testimony?

A. Yes, it does.

Exhibit No. __ (BTI-4)

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

Before the Public Service Commission of North Dakota

Case No. PU-399-03-296

Rebuttal Testimony
of
Bruce T. Imsdahl

NOV - 4 2003

Q. Please state your name and business address.

A. My name is Bruce T. Imsdahl and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

Q. By whom are you employed and in what capacity?

A. I am the President of Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

Q. Are you the same Bruce T. Imsdahl who presented direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of this rebuttal testimony?

A. The purpose of this rebuttal testimony is to address the position of the interveners Charles King on behalf of the Advocacy Staff of the North Dakota Public Service Commission and Ronald Binz on behalf of the AARP regarding the proposed sharing mechanism for off-system sales margins.

101 PU-399-03-296 Pages. 11
Rebuttal Testimony of Bruce T. Imsdahl
by Montana-Dakota Utilities Co., a Division of MDU R
11/04/2003 C. Comm Legal PUD (3) Mike ALJ.

Q. Have you reviewed Charles King's and Ronald Binz's testimony regarding Montana-Dakota's proposed sharing arrangement for off-system opportunity sales margins?

A. Yes, I have.

Q. Do you agree with Mr. King's comments and recommendation?

A. I agree with Mr. King's recognition that a sharing mechanism deserves consideration by the Commission. I disagree strongly, however, with his suggestion that Montana-Dakota's proposed sharing mechanism is "tantamount to prescribing a supra-competitive rate of return".

Q. Explain your disagreement with Mr. King's comments that Montana-Dakota's sharing mechanism is tantamount to prescribing a supra-competitive rate of return.

A. It is not the Company's proposal or intent to unfairly benefit the Company at our customers' expense. Our proposed sharing mechanism has been developed in an effort to respond to the Commission's concerns regarding the level and treatment of the margins earned by the Company from its transactions in the wholesale market. I believe the Company's proposed sharing mechanism is a reasonable and good faith response to those concerns.

It should also be noted that off-system opportunity sales are not part of Montana-Dakota's regulated utility business. Although the resources used by Montana-Dakota to make opportunity sales are also used to provide retail electric service, the prices and, correspondingly any

profits, from opportunity sales are not subject to regulation. The Company's participation in the unregulated wholesale market is similar to other unregulated businesses conducted by Montana-Dakota that utilize resources that are also used to serve Montana-Dakota's regulated business.

Q. Why hasn't Montana-Dakota proposed a cost allocation method for opportunity sales similar to that used for its other unregulated businesses?

A. The levels of both opportunity sales and margins are very volatile and not controllable by the Company. While we can estimate wholesale markets with some degree of accuracy in the very short-term, estimating long-term sales and margins, particularly for establishing revenue stability and appropriate retail rate levels for the Company, is difficult. Attempting to estimate wholesale sales and margins based on historic periods is even more problematic because of the frequent changes in the numerous market factors that affect both the sales and margins. The volatility is associated with ongoing market influences such as the weather and the cost of gas but also market rule changes contemplated by the Midwest Independent Transmission System Operator and the Federal Energy Regulatory Commission.

If we attempted to allocate a prescribed amount of costs to opportunity sales based upon an optimistic or even a neutral outlook for such sales, it would create a disincentive to Montana-Dakota to make such sales because the Company would be undertaking a significant risk

that it could not meet the estimate and therefore be penalized financially from being in the business of making opportunity sales. The Company's utility customers would receive all the benefit from the unregulated business while the Company would absorb all the risk. Under those circumstances, the Company, similar to other companies, would be better off not pursuing the unregulated sales. This would have been the effect of the Commission's order in Case No. PU-399-01-186 which would have imputed a level of opportunity margins to Montana-Dakota's regulated utility business based on a three year average of unprecedented high sales and margins.

On the other hand, if indirect costs were allocated based on a pessimistic outlook of opportunity sales or margins, utility customers would not receive the same level of benefit from opportunity sales as they would receive under Montana-Dakota's proposed sharing mechanism during years of high margins.

Q. Are there other problems with attempting to allocate indirect costs to opportunity sales?

A. Yes. If a portion of Montana-Dakota's generation facilities was dedicated or consistently available for opportunity sales, one of the traditional cost allocation methods could be used to allocate the cost of the facilities and associated expense to opportunity sales. Montana-Dakota's generation facilities, however, are dedicated to the generation of electricity for regulated sales. Montana-Dakota can only make opportunity sales

when the electricity is not needed for regulated retail sales regardless of what the margin for opportunity sales might be during other times.

Opportunity sales do not increase demand for generation capacity and do not add to production costs beyond the incremental costs of producing the power. Any contribution to indirect costs made by opportunity sales is a benefit to retail customers and therefore opportunity sales should be encouraged.

Q. How does Montana-Dakota's margin sharing mechanism address these cost allocation problems?

A. Instead of attempting to allocate a predetermined level of costs to unregulated opportunity sales, Montana-Dakota's sharing mechanism will effectively flow sixty percent of the actual opportunity sales margins to retail customers as a credit to regulated electric rates. This means the amount of margin credits will track the actual amount of opportunity sales margins. The company's regulated utility business will not be penalized if unregulated opportunity sales fail to reach any predicted level while retail customers will realize a majority of the benefits in direct proportion to the joint utilization of facilities for opportunity sales. For example, in a year in which opportunity sales margins match those of 2002, the effect of Montana-Dakota's sharing mechanism would be the same as an indirect cost allocation to opportunity sales of $2,379,000. If opportunity sales are achieved at the level used by Mr. King in his testimony, the effect of the sharing mechanism would be the same as an indirect cost allocation of

$3,347,640 during that year. Montana-Dakota believes this sharing mechanism is fair to both the Company and retail customers and will avoid the controversy and uncertainty that surrounded this issue in Case No. PU-399-01-186.

Q. Does Montana-Dakota have any sharing mechanism in place today in North Dakota?

A. Yes. There is a sharing mechanism in place related to our natural gas operations which has been in place for several years.

Q. Would you briefly describe that mechanism?

A. Yes. Montana-Dakota has flexible rates for small and large interruptible gas customers and, as specified in Purchased Gas Cost Adjustment Rate 88, 50% of all distribution delivery charge revenues received from small and large interruptible sales customers in excess of the authorized minimum distribution delivery charge rate approved in the most recent rate case is credited to residential and firm general service rate customers.

Q. Mr. King characterized Montana-Dakota's sharing mechanism as reflecting the same retrospective quantification procedure that it successfully appealed from in Case No. PU-399-01-186. Is he correct?

A. No. Montana-Dakota's sharing mechanism will flow through sixty percent of actual opportunity sales margins. A historical level of sales margins is used in the sharing mechanism only as a benchmark for calculating retail rate credits in the following year. These credits will be

trued-up on at least an annual basis to reflect actual margins during the year. This allows the Company to provide a margin sharing credit immediately upon implementation of the rates in this case.

Q. What are Montana-Dakota's concerns with Mr. King's and Mr. Binz's proposals to impute opportunity sales margins in the determination of retail rates in this proceeding?

A. Neither suggests that they have attempted to make an economic allocation of indirect costs attributable to opportunity sales. Instead, they are imputing a credit to regulated utility rates that is equal to the entire margin Montana-Dakota might receive in unregulated opportunity sales.

There is no assurance, given the very nature of the wholesale market that I discussed above, that Montana-Dakota can achieve the levels of opportunity sales margins used by either Mr. King or Mr. Binz on a continuing basis in the future. In any year that the Company fails to reach the imputed level of opportunity sales margins, it will be denied the opportunity to earn a reasonable rate of return on the investment used and useful to serve retail customers. In other words, the Company would be financially penalized for failing to achieve an imputed level of unregulated business activity even though it has no control over such markets while at the same time is obligated to continue to meet its responsibilities in providing regulated utility service at rates which do not allow the Company to earn is required rate of return.

Mr. King observes that his suggested imputed level of North Dakota opportunity sales margins is consistent with the average level of such margins realized by the Company over the last four years. If that is correct, and even if the Company could realize average annual margins at that level in the future, it would only realize a required rate of return on both its regulated and unregulated electricity sales while undertaking a significant financial risk that it might not realize its required rate of return if its opportunity sales margins do not reach the predicted average. Even if Montana-Dakota had the possibility of achieving long-term wholesale margins above the predicted average, it would again be faced with the likelihood of a Commission investigation similar to that in Case No. PU-399-01-186 in which the Commission would seek to impute additional opportunity sales margins to retail rates.

Q. Would Mr. King's suggestion for a symmetrical sharing mechanism resolve these concerns?

A. Because of the base level of opportunity sales margins credited to retail customers in Mr. King's proposal, his suggested symmetrical sharing mechanism would not eliminate the concerns but rather simply reduce their magnitude. Under no circumstances should the Company be denied the reasonable and realistic opportunity to realize its required rate of return on property that is used and useful to provide utility service simply because it is unable to achieve a predicted level of margins from an unregulated business activity.

Q. Is there a symmetrical sharing mechanism that would be fair to both retail customers and Montana-Dakota?

A. Yes. If the level of opportunity sales margins that is credited to retail rates is a level that the Company is reasonably assured it can realize on a consistent basis in the reasonably foreseeable future, a symmetrical sharing mechanism could be fair to all stakeholders. This would provide the Company the opportunity to realize the required return on its investment used to serve retail customers even in years when the level of opportunity sales margins are low.

Q. What is a level of opportunity sales margins that Montana-Dakota believes it can realize on a consistent basis in the reasonably foreseeable future?

A. The most dominant factor that has influenced opportunity sales margins in recent years has been natural gas prices. These prices have frequently been at relatively high levels during the last five years in comparison to the prior ten to fifteen year period. If natural gas producers react to these stronger prices and increase production and correspondingly supplies of natural gas, prices could return to more moderate levels in the range of $3.00 to $3.75 per Mmbtu. Although Montana-Dakota would not, based on current information, anticipate natural gas prices to fall below $3.00 per Mmbtu on a consistent basis, prices at that level would not be unexpected. With all other factors stable, Montana-Dakota's opportunity sales margins would be approximately $5 million systemwide based on natural gas prices of $3.00 per Mmbtu. I

believe this would reflect a level of opportunity sales that Montana-Dakota could expect to realize on a consistent basis in the reasonably foreseeable future and therefore could serve as a reasonable base credit to retail rates. Margins above or below that level could then be shared on a symmetrical basis in the manner suggested by Mr. King.

Q. Are there other aspects of Mr. King's sharing mechanism with which you disagree?

A In response to a letter from Commissioner Wefald, Mr. King prepared a proposed tariff page for his symmetrical sharing mechanism that would require a revision of the base credit to retail rates whenever the difference between that amount and the amount of actual opportunity sales margins during the most recent 12-month period exceeds 25 percent. With the level of volatility in the opportunity sales market, this would almost assure the need to continuously reset the base credit which I think should be avoided. I don't believe the base credit should be reviewed based on short term changes in the level of opportunity sales market. With the appropriate sharing mechanism, there should be no need to change the base credit unless there have been significant long term changes in the fundamental factors affecting the level of such margins.

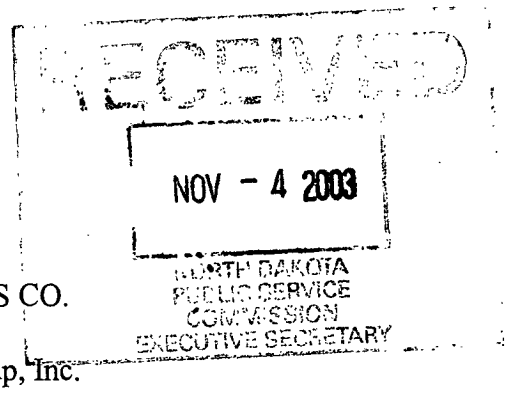
Q. In addition to the margins from wholesale sales are there other benefits that accrue to the retail customers from making wholesale sales?

A. Yes there are. There are two that immediately come to mind. First, by operating generation units at more nearly constant output at higher load factors, average production costs and operating and maintenance costs can be lowered. All power from a generating unit, whether it is supplying retail or wholesale load, is at a lower unit cost than it would be if the wholesale sale were not made. Second, higher energy outputs result in greater coal usage and ultimately lower coal costs. Both of these factors serve to minimize the rates of retail customers and provide benefits in excess of the proposed sharing mechanism.

Q. Does that conclude your rebuttal testimony?

A. Yes, it does.

Exhibit No.__ (LAC-15)



MONTANA-DAKOTA UTILITIES CO.

A Division of MDU Resources Group, Inc.

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

CASE NO. PU-399-03-296

PREPARED REBUTTAL TESTIMONY OF

LARRY A. CROWLEY

Q. Please state your name and your business affiliation.

A. My name is Larry A. Crowley and I am a Senior Regulatory Consultant with H. Zinder and Associates.

Q. Are you the same Larry A. Crowley who filed Prepared Direct Testimony in this proceeding?

A. Yes.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Montana-Dakota Utilities Co.

Q What is the purpose of your rebuttal testimony in this proceeding?

I have been asked by Montana-Dakota Utilities Co. ("Montana-Dakota" or "the Company') to respond to various aspects of the direct testimony and supplemental testimony of Mr. Charles W. King who is appearing on behalf of the Staff of the North Dakota Public Service Commission and Mr. Ronald J. Binz who is appearing on behalf of the AARP. Specifically, I will be responding to that portion of Mr. King's testimony concerning the determination of the Company's revenue requirement in this proceeding, and Mr. King's and Mr. Binz's testimony regarding the determination of the Company's Operating and Maintenance Expenses other than fuel and purchased power expenses ("Other O&M Expenses").

Q. Have you prepared or supervised the preparation of various exhibits for your rebuttal testimony in this proceeding?

A. Yes, I have prepared or supervised the preparation of the following exhibits:

Exhibit No	Description
(LAC-16)	Determination of North Dakota Revenue Deficiency – Restated.
(LAC-17)	Development of Total Company and North Dakota Jurisdictional Actual Wholesale Sales Margins and Revenue Credits for the 12 months ending December 31, 2002 – Restated.
(LAC-18)	Comparison of North Dakota Electric O&M

Q. Please summarize Mr. King's proposed adjustments to the Company's revenue requirement.

A. In his direct testimony, Mr. King proposes a number of adjustments to reduce the Company's revenue requirement. He recommends that the following adjustments be made:

1) That 10 percent of the Company's rate base associated with the new Glendive Unit No. 2 generation station be disallowed which amounts to a reduction of $647,900 of the Company's rate base (page 14 of Mr. King's Direct Testimony). In addition, Mr. King is proposing a 10 percent reduction in the depreciation expense accrual that corresponds to his reduction of the Company's investment in the Glendive Unit No. 2. Mr. Hoa V. Nguyen, Power Supply Coordinator of the Company will respond to this proposed adjustment.

2) The second adjustment proposed by Mr. King is the rejection of the Company's proposed wholesale sales margin sharing mechanism and the addition of his estimate of jurisdictional wholesale sales margins of $5,579,400 for 2003. Mr.

Bruce Imsdahl, President of the Company will respond to Mr. King's comments regarding the Company's proposed sharing mechanism and I will respond to Mr. King's proposed adjustment to the Company's revenue requirement.

3) Mr. King proposes three adjustments to the Company's test year operating and maintenance expenses including a general reduction of $4,325,100 to all Other O&M expenses (other than fuel and purchased power); eliminating the Company's expenses associated with its Supplemental Income Security Plan ("SISP") in the amount of $667,700; and increasing fuel expenses in the amount of $8,747,900 to reflect the inclusion of wholesale sales margins as referenced in adjustment No. 2 above.

4) Finally, in his direct testimony Mr. King shows the change associated with the adoption of the overall rate of return stipulated by settlement between the Company and the Commission Staff. This settlement reduces the Company's overall rate of return from 10.177 percent to 10.016 percent and reduces the Company's annual revenue requirement by approximately $380,000.

Q. Do you have any specific comments regarding Mr. King's recommendation to include wholesale sales margins in the Company's cost of service?

A. Yes I do. While Mr. Imsdahl will cover the policy aspects of this issue in detail I would like to point out a specific discrepancy in Mr. King's testimony regarding his reference to the Company's jurisdictional cost of service study. On page 9 of his Direct Testimony, lines 8 and 9, Mr. King states "The Company's jurisdictional cost of service study projects (emphasis added) 2003 off-system sales to be $21,719,600, of which $14,327,200 are allocated to North Dakota." Mr. King then

continues with his recommendation to use his estimate of wholesale sales revenue margins based on what he refers to as the Company's forecast of 2003 wholesale sales for purposes of reducing the Company's revenue requirement in this proceeding.

Q. Has the Company made any forecast of 2003 wholesale sales levels or margins in this proceeding?

A. No, the Company has made no forecast of wholesale sales for 2003. In making his recommendation, Mr. King used the actual historical wholesale sales for the 12-month period ending June 30, 2002 in the amount of $21,719,600. Mr. King then estimated margins in the amount of $8,458,100 and is now trying to represent these historical amounts and his estimates as the Company's forecast.

In addition, it should be noted that Mr. King suggests in his testimony that "The 2003 projections are 65 percent more than the 2002 total." In actuality, the Company's level of wholesale sales for the last 6 months of 2002 dropped significantly. Specifically, the Company's actual wholesale sales revenues for the 12 months ending June 30, 2002 amounted to $21,719,600 while actual wholesale sales revenues for the 12 months ending December 31, 2002 amounted to $15,363,000. This amounts to 29.3 percent reduction from the 12-month period ending June 2002. This also points out the problem of dealing with wholesale sales in an equitable way for the Company and its customers.

Q. Does Mr. King recommend any additional adjustments in his supplemental testimony regarding the calculation of the Company's revenue requirements in this proceeding?

A. Yes he does. First, Mr. King recommends that the depreciation rate for Common Plant be revised to reflect the settlement in the Company's most recent gas case, Case No. PU-399-02-183. In response to Mr. King's request the Company recalculated depreciation expense and depreciation accruals for Common Plant for the test period using the depreciation rates prescribed in Case No. PU-399-02-183 and submitted those results to Mr. King and the other parties in this proceeding. The result of the application of the revised depreciation rates to Common Plant increases North Dakota jurisdictional depreciation expense by $168,600 and increases the accumulated provision for depreciation accrual by $80,100 for the test period.

In his supplemental testimony Mr. King also recommended an adjustment to synchronize interest expense to the revised cost of debt contained in the settlement agreement regarding the Company's overall rate of return and capital structure which was previously mentioned in this testimony. The effect of this adjustment is to lower the interest deduction for calculating taxable income which results in an increase to taxable income and federal and state income taxes. Finally, I would like to point out that contrary to Mr. King's reference on page 6 of his testimony (lines 7 through 9); the Company did annualize the accumulated depreciation for the Glendive project for the test period, not the one-half annual amount suggested by Mr. King.

Q. Is the Company willing to accept any of the adjustments recommended by Mr. King?

A. Yes. The Company agrees with Mr. King's adjustments offered in his supplemental testimony and his use of the settlement rate of return for the Company in this proceeding. I agree that it is appropriate to use the depreciation rates most

recently approved by the Commission for Common Plant and to synchronize interest expense to reflect the Company's cost of debt contained in the settlement agreement and the revised Net Electric Rate Base as adjusted pursuant to the adjustment proposed in Mr. King's supplemental testimony.

Q. Are there any adjustments or corrections to the Company's forecasted O&M expenses?

A. Yes. As I prepared various responses to the Staff's data requests, I found that payroll taxes were inadvertently counted twice in the Company's cost of service. Payroll taxes were included in O&M and Taxes Other Than Income Taxes. I have adjusted the Company's test period O&M expenses to reflect the removal of payroll taxes. This results in a total company reduction in O&M expenses in the amount of $1,896,700 and a reduction of $1,224,200 in the Company's North Dakota jurisdiction. This results in a 15.73 percent increase in O&M over the June 30, 2002 historic period.

Q. Have you calculated the restated net revenue deficiency for the Company's North Dakota electric jurisdiction based on your rebuttal testimony?

A. Yes I have. The restated net revenue deficiency for the Company's North Dakota electric jurisdiction is $6,477,700 based on the correction I have made and as adjusted for corrections and adjustments proposed by Mr. King and accepted by the Company. This restated revenue deficiency includes the reductions associated with the Company's proposed mechanism for sharing wholesale sales margins with its customers. This restated net revenue deficiency represents an approximate 7.553 percent increase over current rates.

Q. Have you prepared an exhibit that summarizes the calculation of the Company's restated North Dakota jurisdictional revenue deficiency and additional revenue requirements before application of the Company's proposed sharing of wholesale sales margins?

A. Yes. I prepared Exhibit No. __ (LAC-16) consisting of three pages. This exhibit is similar to Exhibit No. ___(LAC-12) but it reflects the results of the adjustments and corrections described in this testimony. Page 1 of this exhibit sets forth the determination of the Restated North Dakota revenue deficiency using an average rate base, test period revenues at current rates, adjusted and corrected expenses, the jurisdictional income deficiency and additional revenue necessary to earn the required overall rate of return of 10.016 percent as set forth in the settlement between the Company and the Commission Staff. Page 2 of Exhibit No. __ (LAC-16) summarizes the development of the Restated Average Electric Rate Base incorporating the adjustment proposed by Mr. King regarding the change in depreciation rates for the Company's Common plant. Page 3 of this exhibit sets forth the jurisdictional revenue requirement to be recovered by the Company's retail rates before any adjustment associated with the Company's wholesale sales sharing mechanism. The restated jurisdictional revenue requirement for the Company's North Dakota retail electric jurisdiction is $94,624,200.

Finally, it should be noted that this exhibit does not contain or reflect the credit or reduction in revenue deficiency or requirement associated with the Company's proposed sharing mechanism for wholesale sales margins.

Q. Please describe how you calculated the Restated North Dakota jurisdictional net revenue deficiency in this proceeding.

A. The restated net revenue deficiency is $6,477,700 as shown on page 1 of Exhibit No. __ (LAC-17). Note that this exhibit is the same as Exhibit No. ___(LAC-13) but restates the net revenue requirement for the corrections and adjustments described in this rebuttal testimony. The restated net revenue deficiency is $1,306,300 less than the originally filed amount. In this case, the Company's proposed sharing mechanism reduces the North Dakota revenue deficiency by 26.9 percent. This restated net revenue deficiency amounts to an approximate 7.553 percent increase over current rates.

Q. Do you agree with any of the other adjustments made by Mr. King and/or Mr. Binz in their direct testimony in this proceeding?

A. No, I do not.

Q. Please describe the adjustments to the Company's 2003 Operation and Maintenance expenses proposed by Mr. King and Mr. Binz.

A. Mr. King and Mr. Binz both propose to decrease the Company's 2003 test year Operation and Maintenance expenses ("O&M") by approximately $5.0 million. Both arrive at their adjustments by comparing historical levels of O&M expense increases to the amount included in the Company's filing. Both imply that the 2003 O&M test period expenses are simply an extension of previous or historical O&M expense levels which are normally incurred by the Company, multiplied by a uniform percentage increase to calculate the 2003 Other O&M expense levels.

Q. Is this an accurate representation of how the Company prepared its Other O&M expenses for the test period 2003?

A. In developing the 2003 test year Other O&M expenses I used the Company's 2003 budget of Other O&M expenses. I then compared the budgeted expenses to the June 30, 2002 actual levels for such expenses which resulted in an approximate 20% increase which I then applied to the various FERC accounts from the historical period. While this process may not appear concise or optimal, it does maintain the historical jurisdictional allocations and does so by FERC account number.

The Company's budget is developed by reviewing specific areas of expenses, such as labor-related expenses, materials, etc. which is summarized by "Resource Code". It should be noted that the Company's budget for O&M expenses is developed by individual responsibility center on the basis of known changes and current cost levels within each of the individual responsibility centers. Labor expenses, for example, were developed by annualizing the known increases for union and non-union employees in the Company together with the associated employee benefit costs and payroll taxes. As another example, pension expenses and post-retirement benefit expenses are developed based on detailed actuarial studies performed by an independent actuary. It should be noted that most expense items are listed by Resource Code and not identified by FERC account number in the budget process. The use of the 2003 budget amounts for Other O&M expenses is the best measure of the test period expenses given that the process focuses on current levels for all expense items. The use of historical

trends, as in this case, is not necessarily indicative of the reasonableness of current expense levels, as I will explain in more detail below.

Q. Do you have any other comments regarding the overall level of increase in the Company's O&M expenses?

A. Yes. It should be noted that the Company's actual Other O&M expense level for 2002 was lower than normal due to stringent Company controls on O&M expenses in 2002. As a result, any comparisons made of the forecasted 2003 O&M expenses to the actual 2002 expenses will show what may appear to be a higher than expected increase in percentage terms. This comparison, however, will be misleading due to the actions taken by the Company in 2002. Mr. King's and Mr. Binz's comparison of the 2003 forecasted O&M expenses with prior years expenses without an understanding of the Company's budget control activities in prior years and specific activity forecasting for the test period, results in comparisons which may appear excessive when compared to actual expense levels which were lower than normal and were not annualized or normalized for this case.

Q. **Both Mr. King and Mr. Binz used the calendar year 2002 O&M expense levels as a base. Have you compared the 2003 budget to 2002 actual expenses as a check on the reasonableness of the 2003 budget?**

A. Yes. I reviewed the 2002 actual expenses and compared the actual expense by major category to the 2003 budget used in this case and was able to verify that the changes from 2002 to projected 2003, while still above the general inflation rate, were reasonable.

Q. Please describe some of the specific changes in categories and the reasons for those changes.

A. As I discussed earlier in this testimony and in my direct testimony, the Company prepares its O&M budget by responsibility cost center and Resource Code, with each resource representing an expenditure category. Examples of some of the major Resource Codes are labor, benefits, and prepaid insurance amortization. The budgeted amount for each Resource Code is done separately using guidelines established by senior management and the known individual cost factors that affect that category or Resource Code.

Q. Please explain the increases in some of the major resource categories.

A. I will address some of the major resources that constitute approximately 70 percent of Other O&M. I will discuss the increase in the context of the change from 2002 actual to 2003.

For example, labor expenses for 2003 are forecasted to increase over 2002 expense levels. The increase in labor expenses is caused by a 7 percent increase in union wages which became effective on May 1, 2003, pursuant to the terms and conditions of the Company's contract with the union. For purposes of this case, this labor increase has been annualized for the test period. In addition, the overall increase in non-union labor expense is also 7 percent which became effective on January 1, 2003. There are also a number of employment positions being filled which were not filled in 2002 which results in abnormally lower labor expense levels for 2002. As I discussed previously, the 2002 labor expense levels were not representative of normal levels due to controls on costs which resulted in

delaying the filling of vacated positions and eliminating mid-year salary adjustments. Overall, labor expenses are increasing by approximately 16.7 percent. On the other hand, contract services reflect a decrease of approximately 12.1 percent due to certain expenses associated with the Heskett Station incurred in 2002 that are not projected to occur in 2003.

Another major expense category consists of benefits, made up of pension costs, medical and dental insurance, postretirement, life insurance, 401K, workers compensation, SISP and other employee-related benefit expenses. Specifically, the 2003 pension and postretirement expense levels are based on an actuarial report received each year from Towers Perrin that determines the amounts that Montana-Dakota must record for the next calendar year. Pension expense has increased significantly due to lower investment returns. Montana-Dakota has used the Towers Perrin study for many years as the basis for the amounts recorded for pension and postretirement costs and it is the basis for the expenses currently being recorded. Medical, dental and life insurance are based on current information from the administrator of the medical/dental plan as well as claims experience. 401K and workers compensation are also based on current information and historical experience. Overall, benefit costs in 2003 are increasing significantly over 2002 levels.

The cost of materials are expected to increase in 2003 reflecting increased costs from suppliers as well as the abnormally low level of expenditures in 2002. Postage is increasing by approximately 7.1 percent as the result of the postage rate increase that took effect July 1, 2002 and the overall increase in mailings. Office

expense, which consists of telephone, photo copiers, office supplies, utilities and office rental equipment, is expected to increase by approximately 8.6 percent over 2002 levels. The increase is primarily in the areas of telephone expenses, reflecting telecommunication requirements, higher utility expenses due to higher gas costs and office equipment. The 2002 costs in this area were also affected by the Company's cost cutting activities in 2002.

Q. Have you compared the 2003 budgeted Other O&M expenses with the most current actual results of operation?

A. Yes I have. I have compared the Company's actual results of operations for the 12-month period ending September 30, 2003 with the 2003 budget amounts for the Company's North Dakota jurisdiction, which is shown on Exhibit No.___(LAC-18). As originally filed, the amount of Other O&M allocated to the North Dakota jurisdiction was $35,903,400. As a result of the correction made for the double-counting of payroll taxes, the North Dakota allocated Other O&M drops to $34,679,000. The amount of actual Other O&M for the North Dakota jurisdiction for the 12-month period ending September 30, 2003 is $33,124,300. The difference between the corrected 2003 budgeted amounts versus the actual amount as of September 30, 2003, is $1,554,700. It should be noted that the actual amount of Other O&M does not include any annualization adjustments for higher labor costs and other increased expenses and does not include the allocated SISP expenses in the amount of $667,700.

Q. What conclusions can be made from your analysis of Other O&M expenses ?

A. Based on my review and analysis of the Company's Other O&M expenses, it is clear that the 2003 budget used by the Company in its cost of service study is a very reasonable and realistic representation of the actual expenses being incurred by the Company and provides an accurate basis for determining the Company's revenue requirement. The recommendations made by Mr. King and Mr. Binz would result in the Company collecting less than the actual costs being incurred to provide reliable service to its customers and should not be accepted. For example Mr. King's recommended level of annual Other O&M expenses would be approximately $851,000 less than the actual expense level incurred by the Company as of September 30, 2003 while Mr. Binz's recommendation would be almost $2.6 million less than what the Company actually incurred as of September 30, 2003.

Q. Does this conclude your rebuttal testimony in this proceeding?

A. Yes it does.

Montana-Dakota Utilities Company
Before The
North Dakota Public Service Commission
Docket No. PU-399-03-296
Determination of Revenue Deficiency - Restated

Restated Average Electric Rate Base - North Dakota

Description	As Filed	C. W. King Adjustments	Adjusted Totals
Average Electric Plant in Service	413,897.5	-	413,897.5
Accumulated Provision for Depreciation (1)	233,653.3	80.1	233,733.4
Net Electric Plant in Service	180,244.2	(80.1)	180,164.1
Other Rate Base Items - Additions:			
Fuel Stocks	1,263.2	-	1,263.2
Prepayments-Insurance	426.6	-	426.6
Materials & Supplies	3,486.4	-	3,486.4
Total Additions	5,176.2	-	5,176.2
Total Rate Base Before Deductions	185,420.4	(80.1)	185,340.3
Other Rate Base Items - Deductions:			
Customer Advances	9.9	-	9.9
Accumulated Deferred ITCs	1,691.7	-	1,691.7
Accumulated Deferred Income Taxes	40,122.0	-	40,122.0
Total Deductions	41,823.6	-	41,823.6
Total Average Electric Rate Base	143,596.8	(80.1)	143,516.7

Notes:
(1)Adjustment proposed by C W King in Supplemental Direct Testimony and accepted by Montana-Dakota.

Montana-Dakota Utilities Company
Before The
North Dakota Public Service Commission
Docket No. PU-399-03-296
Determination of Revenue Deficiency - Restated

Income Statement and North Dakota Revenue Deficiency - Restated

Description	As Filed	Total Adjustments	Adjusted Totals
Total Average Electric Rate Base	143,596.8	(80.1)	143,516.7
Total Operating Revenues			
Total Sales Revenues	85,767.5	-	85,767.5
Opportunity Sales Revenues	-	-	-
Other Operating Revenues	2,776.3	-	2,776.3
Total Revenues	88,543.8	-	88,543.8
Total Operating Expenses			
Operation & Maintenance Expenses	60,869.5	(1,224.2)	59,645.3
Depreciation Expense	13,302.7	168.6	13,471.3
Taxes Other Than Income Taxes	4,580.2	-	4,580.2
Total Operating Expenses	78,752.3	(1,055.6)	77,696.7
Utility Operating Income Before Taxes	9,791.5	1,055.6	10,847.1
Income Taxes:			
Federal	1,941.9	415.2	2,357.1
State	423.4	90.5	513.9
Deferred Income Taxes	(1,050.0)	-	(1,050.0)
Total Operating Expenses	80,067.7	(549.8)	79,517.8
Total Operating Income	8,476.1	549.8	9,026.0
Return Before Adjustments			
Earned Rate of Return - %	5.903%	0.386%	6.289%
Required Rate of Return - %	10.177%	-0.161%	10.016%
Return at Required Rate of Return	14,613.7	(239.1)	14,374.6
Income Deficiency	6,137.6	(788.9)	5,348.7
Revenue Deficiency - Multiplier	1.6559		1.6559
Revenue Deficiency-$	10,163.0	(1,306.3)	8,856.7
Percent Increase Required	11.849%		10.326%

ota.

Montana-Dakota Utilities Company
Before The
North Dakota Public Service Commission
Docket No. PU-399-03-296
Determination of Revenue Deficiency - Restated

Determination of North Dakota Revenue Requirement - Restated

Description	ROR Before Additional Revenues	Proposed Additional Revenues	ROR With Additional Revenues
Total Average Electric Rate Base	143,516.7		143,516.7
Total Operating Revenues			
Total Sales Revenues	85,767.5	8,856.7	94,624.2
Opportunity Sales Revenues	-	-	-
Other Operating Revenues	2,776.3	-	2,776.3
Total Revenues	88,543.8	8,856.7	97,400.5
Total Operating Expenses			
Operation & Maintenance Expenses	59,645.3	-	59,645.3
Depreciation Expense	13,471.3	-	13,471.3
Taxes Other Than Income Taxes	4,580.2	-	4,580.2
Total Operating Expenses	77,696.7	-	77,696.7
Utility Operating Income Before Taxes	10,847.1	8,856.7	19,703.7
Income Taxes:			
Federal @ 35 %	2,357.1	2,880.1	5,237.2
State @ 7.09 %	513.9	627.9	1,141.9
Deferred Income Taxes	(1,050.0)	-	(1,050.0)
Total Operating Expenses	79,517.8	3,508.0	83,025.8
Total Operating Income	9,026.0	5,348.7	14,374.7
Earned Rate of Return	6.289%		10.016%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Docket No. PU-399-03-296
Summary of Actual Wholesale Sales Margins
For the 12 Months Ending December 31, 2002 - Restated

	Wholesale MWhs	Total Company Total Revenues	Total Company Total Expenses	Total Company Margins
January, 2002	92,964.0	$ 1,644.1	$ 1,022.3	$ 621.8
February	58,020.0	996.5	620.9	375.6
March	75,613.0	1,446.1	826.1	620.0
April	70,366.0	1,470.5	742.2	728.3
May	68,254.0	1,294.0	752.7	541.3
June	61,172.2	1,052.2	729.3	322.9
July	46,204.7	1,110.1	612.9	497.2
August	69,905.0	1,338.3	805.0	533.3
September	37,476.5	698.8	535.7	163.1
October	32,582.1	660.8	476.5	184.3
November	92,868.0	1,899.7	1,207.0	692.7
December	79,104.0	1,751.9	1,049.7	702.2
Totals	784,529.5	$ 15,363.0	$ 9,380.3	$ 5,982.7

Proposed Sharing Mechanism Percentages:

Customer Percentage:	60.00%	$ 3,589.6
Company Percentage:	40.00%	2,393.1
Totals	100.00%	$ 5,982.7

Allocation to North Dakota Jurisdiction:

North Dakota Allocation of Customer Portion:	66.27%
North Dakota Allocation of Wholesale Sales Margins:	$ 2,379.0

North Dakota Net Revenue Deficiency:

North Dakota Revenue Deficiency - On Rebuttal:	$ 8,856.7
Less: North Dakota Allocation of Wholesale Sales Margins	(2,379.0)
Total Net Revenue Deficiency for North Dakota	$ 6,477.7

Total Test Period Sales Revenues Under Current Rates -	$ 85,767.5
Total Net Revenue Deficiency for North Dakota - %	7.553%

MONTANA-DAKOTA UTILITIES CO.
OTHER O&M EXPENSES - ELECTRIC UTILITY
ELECTRIC UTILITY - NORTH DAKOTA
PROJECTED 2003

	2003 As Filed	2003 Revised	12 mos end 9/30/03	King	Binz
Production	$10,631.8	$10,251.4	$10,685.3	$10,656.6	$9,932.9
Transmission	5,035.2	4,855.1	4,475.1	4,492.3	4,594.2
Distribution	5,632.8	5,431.3	5,028.3	4,699.1	4,545.5
Customer Acct. & Service	2,693.8	2,597.4	2,189.5	2,127.1	2,058.7
Sales	286.9	276.6	338.4	368.8	389.4
A&G	11,622.9	11,267.2	10,407.7	9,929.0	9,024.1
	$35,903.4	$34,679.0	$33,124.3	$32,272.9	$30,544.8

Exhibit No. __(HVN-4)

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

Before the Public Service Commission of North Dakota

Case No. PU-399-03-296

Rebuttal Testimony
of
Hoa V. Nguyen

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EXECUTIVE SECRETARY

Q. Please state your name and your business address.

A. My name is Hoa V. Nguyen, and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

Q. By whom are you employed and in what capacity?

A. I am employed by Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., as a Power Supply Coordinator.

Q. Are you the same Hoa V. Nguyen who filed prepared direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of Mr. Charles W. King who is appearing on behalf of the Staff of the North Dakota Public Service Commission. Specifically, I will respond to Mr. King's comments rejecting the Company's position that constructing this unit is the lowest cost means to supplement its generating capacity and to Mr. King's proposal to disallow 10 percent of the Company's investment in the new Glendive Unit No. 2 generating unit.

99 PU-399-03-296 Pages: 3
Rebuttal Testimony of Hoa V Nguyen
by Montana-Dakota Utilities Co , a Division of MDU R
11/04/2003 C: Comm Legal PUD (3) Mike ALJ

Q. Would you please respond to Mr. King's assertion that Montana-Dakota has not made a persuasive argument that "constructing this unit [Glendive Unit No.2] is the lowest cost means to supplement its generating capacity."

A. In making that assertion, Mr. King stated that:

> "The reference to the MAPP capacity charge is *irrelevant*. That charge is based on the cost incurred by MAPP members to cover the deficits of other MAPP members and therefore reflects *very high-cost, short-term generating capacity."* (Lines 18-21 on page 5, emphasis added.)

As a result of having ample knowledge of MAPP requirements on its members' generating capacity, I can state that the MAPP Schedule B Allocations rate is, in fact, calculated based on *actual costs* of those existing generating units that the MAPP members designate to provide their surplus capacity, if available, to cover the capacity deficit incurred by some MAPP members during a particular season. Therefore, the MAPP Schedule B Allocations rate is relevant and does not reflect high-cost, short-term generating capacity. That rate is also relevant in that it will dictate the price of the seasonal capacity market, serving as a benchmark for negotiations between buyers and sellers. For the summer of 2003, the MAPP Schedule B Allocations rate, which was estimated at $14,500/MW-Month in my direct testimony, is actually $15,083/MW-Month, as compared to $5,658/MW-Month for the Glendive Unit No. 2. It should also be noted that the vagaries and uncertainties of the wholesale market in terms of supply and price, support the Company's decision to build and

lock in the generation resources it needs to assure its customers with reliable service at reasonable costs and stable rates.

Q. What are your concerns regarding Mr. King's proposal to disallow 10 percent of Montana-Dakota's investment in the Glendive Unit No. 2?

A. Mr. King offers no evidence or reason for such a disallowance. In his direct testimony, Mr. King does not have any information to support his recommendation. It is also important to note that he does not dispute the need for the capacity but simply declares, without any analysis or evidence, that the plant cost is unreasonably high. Thus, his arbitrary recommendation, if adopted, would result in confiscation of property and would deny the Company the ability to recover its legitimate costs for an important asset that meets the used and useful criteria associated with the provision of reliable electric service to its customers.

Finally, it should be noted that Montana-Dakota had only 1.7 MW of capacity above its peak load obligation for the summer of 2003 with the Glendive Unit No. 2 in-service. The capacity provided by the Glendive Unit No. 2 was definitely required for 2003.

Q. Does this conclude your rebuttal testimony in this proceeding?

A. Yes it does.

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BEFORE THE
PUBLIC SERVICE COMMISSION OF NORTH DAKOTA

IN THE Matter of the Notice of
Montana-Dakota Utilities Co.
for an Electric Rate Change

Case No. PU-399-03-296

DIRECT TESTIMONY OF

PAUL W. CONLEY

ON BEHALF OF Montana-Dakota Utilities Co.

November 3, 2003

Towers Perrin

DIRECT TESTIMONY OF
PAUL W. CONLEY

INTRODUCTION

Q. Please state your name and business address.

A. My name is Paul W. Conley. I am employed by Towers Perrin at 8000 Norman Center Drive, Suite 1200, Minneapolis, Minnesota 55437-1097.

Q. Please describe your education and professional background?

A. I am a Principal at Towers Perrin and am the leader of the Executive Compensation practice in Towers Perrin's Minneapolis office. I have been with Towers Perrin for eight years. I received an undergraduate degree from the St. John's University in Collegeville, Minnesota, and a Masters in Industrial Relations (MAIR) from the University of Minnesota. I am certified as a Certified Compensation Professional (CCP) by World at Work, and a Senior Practitioner in Human Resources (SPHR) by the Society for Human Resource Management. Before joining Towers Perrin, I was the Director of Executive Compensation for International Multifoods.

Q. Please provide a brief overview of Towers Perrin?

A. Towers Perrin is one of the world's largest management and human resources consulting firms, helping organizations manage their investment in people to achieve measurable performance improvements. The firm has approximately 9,000 employees in 78 offices worldwide. Towers Perrin's compensation practice is one of the largest in the world with over 500 consultants. Towers Perrin has dedicated energy and utility industry practitioners specializing in compensation, human resources, benefits, and organization design.

Q. Please summarize what Towers Perrin was retained to do:

Towers Perrin

A. Towers Perrin was retained to analyze the competitiveness and appropriateness of MDU Resources' Supplemental Employee Retirement Program (SERP) called the Supplemental Income Security Plan (SISP), as part of its total rewards program.

Q. Who worked on this assessment from Towers Perrin?

A. I directed this assessment, and was assisted by others including Jonathan D. Weinstein, a Principal in Towers Perrin's Executive Compensation practice in the firm's Philadelphia office. Jon is a leader of the firm's energy services and utility industry compensation practice. Jon received an undergraduate degree from the University of Pennsylvania, with honors, and an M.B.A from the Wharton School of the University of Pennsylvania.

Q. On what sources of data did you rely?

A. Towers Perrin relied upon multiple sources of data in its assessment. Competitive information was collected from the following sources:

1) Towers Perrin's 2002 Energy Services Executive Compensation Database, which is conducted in partnership with the Edison Electric Institute (EEI). This source is the most comprehensive survey of executive compensation for the U.S. electric and gas industry, comprising data for 89 investor-owned utilities and public power authorities.

2) Towers Perrin's 2002 Compensation Data Bank General Industry Survey, which is one of the most reputable sources of data on executive compensation in the U.S. It includes data on approximately 800 companies ranging in size from less than $100 million in annual sales to greater than $10 billion.

3) Watson Wyatt's 2002 Industry Report on Top Management Compensation, covering more than 2,000 organizations across the U.S., ranging in size from less than $10 million in annual sales to greater than $1 billion.

4) Effective Compensation Association, Inc.'s American Gas Association 2002 Executive Compensation Survey, comprising approximately 70 organizations with

annual revenues ranging from less than $10 million in annual sales to greater than $1 billion.

5) Hay Group's 2002 Natural Gas Transmission Survey, comprising 20 organizations with annual revenues ranging from approximately $100 million to greater than $5 billion.

6) Mercer HR Consulting's 2002 Energy Compensation Survey, comprising approximately 120 organizations ranging in size from less than $100 million to greater than $1 billion in annual revenues.

7) Towers Perrin's Employee Benefit Information Center (EBIC) database, from which a custom cut of data on 16 organizations of similar size and industry to MDU Resources were gathered. These data were utilized to compare MDU Resources' benefits program to these other comparable organizations.

8) A study by Towers Perrin of the 2003 proxy filings from approximately 15 public companies similar to MDU Resources in size and industry used to assess prevalence and competitive levels of retirement benefits including qualified and nonqualified retirement plans.

Q. How did you conduct your analysis?

A. Towers Perrin evaluated the prevalence and level of the compensation and benefit programs offered by MDU Resources to its management employees. Compensation data were adjusted on the basis of revenue to reflect appropriate size (for MDU Resources as well as for Montana-Dakota), and benefits data were evaluated based on comparisons to comparable organizations.

Q. How prevalent are programs like the SISP in the utility industry and more generally in the labor market for managerial talent?

A. Among MDU Resources' peer companies (referenced above as survey item 8), we observed nearly 100% prevalence of the provision of retirement benefits beyond those provided in the qualified plan. This is also true for the broader labor market.

Nonqualified retirement programs represent a normal cost of doing business.

Q. Why is this the case?

A. The retirement benefits normally provided in the qualified plan are limited by IRS regulations (for those whose income exceeds the IRS limits), and as such are not provided in the full amount called for in the plan design. SERP programs like the SISP help to restore the retirement benefits to their intended level, as well as ensure a competitive and appropriate overall retirement program. The removal of this program, like the removal of any other component of the organization's overall reward program, would unduly hamper the company from meeting its overall reward objectives.

Q. What did you find regarding the value of the overall rewards program?

A. Based on Towers Perrin's assessment of all applicable reward programs, we find the total rewards program to be competitive and appropriate, approximating the market median on an aggregated basis.

Q. How do you define competitive and appropriate?

A. Towers Perrin defines competitive as generally falling between plus or minus 10% of the market median (50th percentile). Competitive data can vary from one year to the next; our goal is to help the organization position its reward programs to approximate the middle of the market in a stable fashion over time. Median is used as a statistic rather than average as a better representation of the middle-range of competitive practice. Average tends to be somewhat higher than median, and is a more volatile number (experiences greater year-over-year variation).

Q. What are the typical components included in a company's total rewards program for management-level employees?

A. Companies normally provide the following elements as a normal cost of doing

business and as part of their overall program to attract, retain and motivate management employees: base salaries, annual incentives, long-term incentives, retirement benefits (including both qualified and nonqualified plans), and health and welfare benefits. In addition, other important reward elements normally provided are learning and development opportunities and investments in the overall work environment. However, while these other elements are important and often included in a definition of total rewards, in this case we are focused primarily on traditional elements of compensation and benefits since these elements represent the overwhelming majority of total company cost for reward programs.

Q. Which elements are considered in Towers Perrin's evaluation of MDU Resources' total rewards program as competitive and appropriate?

A. The elements included are base salary, annual incentives, long-term incentives, retirement benefits (including qualified and nonqualified plans), and health and welfare benefits.

Q. How are the survey data used in developing an estimate of market?

A. The compensation surveys referenced above (items 1 through 6) were blended to arrive at a market estimate for pay that reflects the organization's labor market. Competitive data were adjusted on the basis of revenue to predict pay for both MDU Resources and Montana-Dakota. The benefits comparisons were developed using the specific peer data referenced in items 7 and 8 above to best represent the practices of companies most like MDU Resources and Montana-Dakota.

Q. What is MDU Resources' competitive position for each of the elements that Towers Perrin has assessed?

A. The relative position of each of the elements studied is as follows:

For MDU Resources corporate and Montana-Dakota utility company executives, the overall base salary competitive position is approximately 91% of the market 50th

Towers Perrin

percentile.
For total annual cash compensation (base salary plus annual incentives), the overall competitive position is approximately 99% of the market 50th percentile.
For total direct compensation (total cash plus long-term incentives), the overall competitive position is approximately 107% of the market 50th percentile.
For the total benefits program (excluding the value of SERP benefits from both MDU Resources and the competitive market data), MDU Resources is at approximately 101% of the market average, while Montana-Dakota is at approximately 96% of the market average.
For the combined qualified and nonqualified retirement benefit program (which includes the SISP and SERPs provided by the market, and assuming a manager with $200,000 in final average pay and 30 years of service), MDU Resources' retirement program is 105% of the market 50th percentile.

Q. How does Towers Perrin therefore view the overall competitiveness?

A. Towers Perrin considers an organization that is within plus or minus 10% of the market 50th percentile to be within the competitive range. Given the fact that most of the program elements considered fall within plus or minus 5% of the market 50th percentile, we find the overall program to therefore be competitive and appropriate. Therefore, the removal of any of these elements would represent a competitive shortfall.

Q. Does this conclude your testimony?

A. Yes.

Exhibit No.___(JSG-4)

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

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

CASE NO. PU-399-03-296

Prepared Rebuttal Testimony
of J. Stephen Gaske
On Behalf of Montana Dakota Utilities Co.

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Q1. Are you the same J. Stephen Gaske who filed Prepared Direct Testimony earlier in this proceeding?

A. Yes.

Q2. What is the purpose of this rebuttal testimony?

A. I have been asked by Montana-Dakota Utilities Co. ("Montana-Dakota") to respond to various aspects of the direct testimony filed by Mr. Charles W. King on behalf of the Staff of the Public Service Commission of North Dakota. In particular, I will be responding to his testimony concerning the class cost of service study and rate design proposed by Montana-Dakota in this proceeding. In addition, I will provide comments on certain aspects of Mr. King's proposed Pool Sales Sharing Mechanism and I am sponsoring revisions to the tariffs for Rates 32 and 52.

Class Cost of Service Study

Q3. What are Mr. King's proposals with regard to the class cost of service study?

A. Mr. King feels that I have not done enough to mitigate the rate increases for the Residential and small Pumping customers. Consequently, he proposes that the Commission deny the proposed rate decrease for Lighting customers, and that the

Commission order an even larger rate increase than that proposed by Montana-Dakota for the Large General Service class of customers. Mr. King also makes three specific recommendations concerning cost allocation, but these recommendations have little or no impact on his ultimate rate proposals.

Classification of Production Plant Costs

Q4. What is Mr. King's first specific recommendation concerning cost allocation?

A. He recommends a different classification of production plant costs between "base" and "peak" usage. However, this recommendation results from a fundamental misunderstanding on his part. As described at page 18, lines 11-15 of his testimony, Mr. King examined Montana-Dakota Exhibit No. ___ (HVN-3) that was submitted as part of Mr. Nguyen's testimony. He then compiled Exhibit No. ___ (CWK-4) which ranks each of Montana-Dakota's production sources according to their capacity factors and divides the plants into high capacity factor plants and low capacity factor plants. In order to develop a ratio for classifying ***capacity*** costs into base and peak categories, Mr. King computes the annual level of ***fuel and O&M*** costs associated with high capacity factor plants relative to the fuel and O&M costs associated with low capacity factor plants. From this calculation, he finds that 93.2 percent of annual fuel and O&M expenses are incurred in running and maintaining plants that have high capacity factors, and that only 6.8 percent of the annual fuel and O&M expenses are incurred to run and maintain low capacity factor plants. In his last step, Mr. King makes the unwarranted leap to the conclusion that 93.2 percent of capacity costs must be associated with base demand.

Unfortunately, Mr. King's ratio of annual fuel and O&M expenses has nothing to do with the level or cost of *capacity* that is required to serve the peak demand on the system. The annual fuel and variable O&M costs depend on the *total kWh* generated during the 8,760 total hours in the year. In contrast, capacity is measured in KW, and the level of capacity required is determined by the *KW* of demand during the highest single hour in the year. Thus, it is appropriate to classify generating capacity costs using a ratio based on the *KW* level of capacity that is required to serve peak load.

Montana-Dakota's rate filing classifies one-third of generation capacity costs as being peak-related costs because that is the approximate level of capacity, measured in KW, that can be identified as being associated almost solely with the company's peak demand. Mr. King's cost classification proposal therefore should be rejected.

Allocation of Base Production and Transmission Costs

Q5. At page 18, lines 24-27 of his testimony, Mr. King states that he is unable to articulate a rationale for allocating base production and transmission costs on the basis of class non-coincident peak demands. Would you articulate this rationale?

A. According to the textbook *Public Utility Economics*:

> "The Non-Coincident Demand Method, or Maximum Demand Method, was discussed in the writings of Dr. John Hopkinson in 1892 and by Wright a few years later. The theoretical basis of this method provides that the joint-demand costs incurred in serving a number of customer groups should be allocated in proportion to the facilities necessary to serve each

> group separately. Accordingly, this method looks to class peak demands, regardless of the time of occurrence."[1]

Although the Non-Coincident Peak Demand method is commonly used to allocate joint costs among different customer groups, as a matter of economic principle this method does not precisely allocate costs. Instead, proper economic allocation of joint costs requires that the value of the service be considered in addition to the cost of the service. For example, the peak demand determines the amount of capacity that must be constructed. Consequently, the starting point in allocating capacity costs must be an assessment of the contribution that a customer, or customer class, makes to the coincident peak demand on the system.

Once sufficient capacity has been constructed to serve the peak demand, there is no additional capacity cost required to provide service to the off-peak customer. Capacity to serve off-peak usage is available at no additional cost as a by-product of providing capacity for peak usage. Instead, the marginal cost of providing service during off-peak periods generally is limited to the cost of fuel and variable O&M expenses. In these circumstances, proper cost determination might justify allocating none of the capacity costs to the off-peak usage and, instead, allocating all of the capacity costs solely based on coincident peak demand.

A widely accepted alternative is to allocate base production costs to rate classes using non-coincident peak demands. This approach allocates plant costs to each class in proportion to the level of capacity the class would require in the

[1] Garfield, P.J. and Lovejoy, P.J., *Public Utility Economics*, Prentice-Hall, Inc. (Englewood Cliffs, NJ: 1964), p. 160.

absence of the other classes. However, since the capacity requirements of the system are unrelated to the amount of *energy* consumed, Mr. King's proposal to use total kWh (or MWH) of usage to allocate the base production plant costs is inappropriate.

Allocation of Base Distribution Line Costs

Q6. Mr. King also objects to your allocation of certain distribution system costs based on the number of customers in each class. Are his objections valid?

A. No. Mr. King objects to the method used to allocate Land, Rights of Way and the base component of: Poles, Towers and Fixtures; Overhead Conductors and Devices; and Underground Conduits. Collectively, these costs can be referred to as Distribution Line costs because they involve all of the costs required to string distribution lines through local neighborhoods. Each customer on the system has distribution lines running past the premises where the customer takes service. The base level of the Distribution Line costs does not depend on the level of the customer's demand or on the number of kWh the customer consumes. Instead, these costs depend upon the number of miles of line required to pass all of the customers' premises. Consequently, the number of customers in each class is a primary determinant of the level of base Distribution Line costs and it is the best available method for allocating those costs.

Q7. At page 19, lines 18-25 of his testimony, Mr. King suggests that cost causation is irrelevant and that "value of service," as measured by the number of kWh consumed, is a more appropriate allocator. Does his argument have any economic validity?

A. No. His argument is based on two invalid points.

First, he states that "(e)xcept on the very edges of the system where lines are being extended, the *embedded* cost of the base distribution system is equally unaffected by both the amount of energy delivered and the number of customers served." (Emphasis added). However, this statement misses the most important goal of allocating costs: to recover the embedded costs from the customers who caused the costs to be incurred and who are benefiting from those facilities. Embedded costs of local service telephone lines and cable television lines are almost always recovered on a per customer basis, no matter how much or how little the customers use those services. Consequently, the fact that the costs are embedded is irrelevant for determining whether the customer should be responsible for the costs.

The second prong of Mr. King's argument is that Distribution Line costs should be recovered based on the "value" of the service and Mr. King claims that "value" is measured by the amount of energy, or kWh consumed. However, this is an odd measure of value since it ignores the cost of the Distribution Line facilities as well as the relative elasticities of demand of the different customer classes. Without reference to these factors, Mr. King's definition of "value" does not have any economic meaning.

Correction to Allocation Factors

Q8. Do you have any corrections to the allocation factors that you recommend in this proceeding?

A. Yes. In preparing this rebuttal testimony I found an error in the calculation of the Coincident and Non-Coincident peak demand allocation factors. After correcting for these errors, the appropriate allocation factors should be as follows:

	Coincident Peak		Non-Coincident Peak	
	Original	Corrected	Original	Corrected
Residential	44.05%	**44.17%**	56.32%	**50.88%**
Small Commercial	25.33%	**25.40%**	19.09%	**21.95%**
Large Commercial	28.47%	**28.27%**	21.09%	**23.15%**
Lighting	0.00%	**0.00%**	1.37%	**1.58%**
Irrigation	0.11%	**0.11%**	0.21%	**0.24%**
Municipal Pumping	2.03%	**2.06%**	1.91%	**2.20%**
North Dakota Totals	100.00%	**100.00%**	100.00%	**100.00%**

Q9. How will these changes affect the proposed rates?

A. There should be no impact on the proposed rates. The most significant change caused by this correction is a reduction in non-coincident peak costs allocated to Residential customers. However, this change will simply reduce the level of rate mitigation required without affecting the ultimate recommendation.

Rate Mitigation

Q10. Why did you indicate earlier that Mr. King's specific cost allocation proposals have little or no impact on the ultimate rates that he proposes?

A. Both Mr. King and I have proposed significant amounts of rate mitigation that shifts cost responsibility between the classes in order to reduce the maximum percentage rate increase experienced by any of the customer classes. This rate mitigation largely consists of moving allocated costs from the Residential and Pumping classes and adding these costs to the General Service and Lighting

classes. Since Mr. King's cost allocation recommendations are designed to reduce the amount of costs allocated to the Residential class, his cost allocation recommendations would reduce the amount of costs that he proposes to shift for rate mitigation purposes with little or no effect on the total costs that he recommends for recovery by each of the classes.

Q11. What steps have you taken to mitigate the amount of rate increase experienced by any given class of customers?

A. Mr. King and I both agree that Montana-Dakota's current Residential and Pumping rates produce a lower rate of return than the rates charged to the General Service and Lighting classes. In addition, we both agree that the class cost responsibility that I have proposed in this proceeding would continue to generate a far lower rate of return from the Residential and Pumping classes. The continued underrecovery from these classes would occur because I have proposed to mitigate the rate increases that the Residential and Pumping classes would experience if rates for these classes were to be based on full allocated costs. For example, I have proposed to reduce the costs allocated to Residential customers by $8.4 million dollars in order to mitigate 60 percent of the rate increase required for Residential customers. In other words, the proposed Residential rate increase is only 40 percent of the required amount. Similarly, I have proposed to reduce the costs allocated to the Pumping class by $0.42 million in order to mitigate 90 percent of the rate increase required for the Pumping customers. Mr. King feels that 60 percent mitigation for the Residential class and 90 percent mitigation for

the Pumping class is not enough mitigation. Consequently, he proposes to forego the decrease in Lighting rates that I have proposed.

Q12. What are your concerns with regard to Mr. King's recommendations for further rate mitigation?

A. In order to provide a very small amount of additional mitigation to residential and small Pumping customers, Mr. King would deny any rate decrease to Lighting customers. However, Mr. King's proposal ignores the fact that Montana-Dakota is no longer a winter-peaking or bi-modal peaking utility. As a result of this change in system characteristics, in comparison with rates for the other rate classes, rates for the Lighting class currently are far too high relative to the costs of providing service to the Lighting customers. Thus, a rate decrease for Lighting customers is justified at this time.

In addition, Mr. King would have the Commission increase rates to the Large General Service class of customers by 4.54 percent, in place of the 2.3 percent rate increase proposed in the rate filing. Mr. King's proposal ignores the fact that Montana-Dakota's proposed rates already have the Large General Service class picking up more than $8 million that are allocable to the Residential class. The $8 million of Residential class cost responsibility that Montana-Dakota has re-allocated to Large General service customers is the amount that the Large General service rates ought to be decreased according to the class cost of service study. Additional rate mitigation beyond that amount, at the expense of the Large General service class of customers, would establish a rate structure that is excessively unbalanced in terms of charging Residential customers far less than

cost and Large General Service customers far more than cost. Although Montana-Dakota's proposed rates provide substantial rate mitigation for the Residential class, an excessive amount of rate mitigation would threaten the ability of North Dakota to attract and retain jobs, and also threatens the long-run ability of Montana-Dakota to retain load.

Q13. What reasons does Mr. King give for advocating even greater rate mitigation than the amount proposed by Montana-Dakota?

A. At page 17, lines 2-5 of his testimony, Mr. King provides the following rationale for providing even more than the substantial rate mitigation that Montana-Dakota has proposed:

> "...[the Commission] has stated its desire to move toward equalized rates of return among classes. However, I believe that the disparity of rate increase among classes proposed by the Company is excessive. In particular, I find the residential rate increase excessive relative to the overall increase."

Thus, Mr. King's reason for advocating even greater rate mitigation is based on his subjective opinion that the Company's proposed rates constitute an "excessive" rate increase relative to the rate increases paid by other classes. Indeed, the definition of rate "mitigation" necessarily requires subjective decisions that trade some ratemaking goals against others. Consequently, Mr. King's opinion as to what is "excessive" must be examined in terms of a variety of measures of reasonable rates.

Since Mr. King's focus is on whether or not the *percentage rate increase* for residential customers is excessive, one can look at the real-dollar (inflation-

adjusted) level of residential rates to evaluate whether Montana-Dakota has proposed an "excessive" percentage rate increase. However, as noted in my Prepared Direct Testimony, Exhibit No. ___(JSG-1), pages 5-6, and in the Prepared Direct Testimony of Mr. C. Wayne Fox, Exhibit No. ___(CWF-1), pages 5-6 and Exhibit No.___(JSG-2), the Consumer Price Index ("CPI") has increased by approximately 60 percent since 1987 when the Commission last considered the relative level of rates paid by Montana-Dakota's various classes of customers. As a result, a 16 percent increase in Residential rates at this time would leave the real-dollar level of Residential rates more than 25 percent lower than the level of Residential rates paid as a result of the last Commission class cost of service inquiry. Given that the real-dollar level of the proposed Residential rates is at least 25 percent *lower* than the level of rates approved in the 1987 rate proceeding, one cannot readily conclude that the percentage rate increase proposed for Residential customers is "excessive."

Another useful analysis is to consider whether the proposed Residential *rate of return level, relative to the level of returns for the other classes*, is excessive. In the absence of the rate mitigation proposed by Montana-Dakota, each rate class would generate the same rate of return. However, as Mr. King has noted, Montana-Dakota has proposed Residential rates that would generate a considerably lower rate of return than the rates charged to other classes. According to Mr. King, the Commission has stated its desire to move toward equalized rates of return among classes. However, Mr. King's rate mitigation proposal would reduce the rate at which the Commission moves toward this goal,

and would perpetuate Residential rates that are *too low* relative to the rates for the other classes. However rapidly the Commission wants to move toward equalized rates of return among the classes, there is nothing "excessive" about the level of the proposed Residential rates relative to the rates charged to other classes.

Rate Design Proposals

Q14. What are Mr. King's rate design proposals?

A. His most significant rate design proposal is to limit increases in the Base Charges for all customer classes to 50 percent. In addition, Mr. King opposes the changes to the Economic Development Rate, Rate 34, whereby Montana-Dakota would be allowed to negotiate the level of the demand charges applicable to a customer. Mr. King feels that it is inappropriate to allow Demand Charges to be negotiated, and that it is more appropriate to allow Energy Charges to be negotiated. He also opposes an increase in the threshold level of eligibility for Rate 39 Interruptible Service and feels that the proposed Demand Charge for Rate 39 is too high.

Q15. Do you agree with Mr. King's proposal to limit increases in the Base Charges?

A. No. The increases in Base Charges that I am recommending would cause the Montana-Dakota rate structure to more accurately reflect costs and therefore encourage more efficient usage of electricity. In contrast, Mr. King's proposal would drastically understate the base charges and thereby overstate other components of the rate structure.

Mr. King has not addressed the fact that his proposal would distort the rate structure and benefit some customers at the expense of other customers within the same rate class. In addition, he has not considered the possibility that his proposal would discourage people from consuming electricity for efficient purposes.

Q16. How does Mr. King's proposal to limit increases in the Base Charges distort the rate structure?

A. Mr. King's proposal to depress the Base Charges is simply another way of saying that he wants to load basic network costs into the Energy Charges and/or Demand Charges of customers. This underprices the cost of a basic network connection and, more importantly, overprices the Energy Charges for Residential and Small Commercial customers. An electric utility such as Montana-Dakota provides several distinct services and products. These include: (i) a network connection to the system; (ii) highly reliable service on demand, or more than a basic level of service; and, (iii) a commodity in the form of electric energy. Different measures of output are useful in describing each of these products. For example, the costs of a basic network vary primarily with the number of customers and a Base Charge is used to recover these costs. The costs of providing reliability, and/or more than a basic level of service, vary with the levels of peak demand that customers impose on certain parts of the system. A Demand Charge is commonly used to recover the costs of providing demand-related costs from larger customers. For customers that are too small to justify the cost of a meter that measures demand, some form of adder to the Energy Charge commonly is used to charge customers for reliability and more than a basic level

of demand. Finally, the costs of providing energy vary with the number of kWh hours of electricity that customers consume.

More than 75 percent of Montana-Dakota's costs of providing electric service are fixed costs in the sense that they do not vary with the total amount of electricity consumed. In fact, the major costs of providing service, especially to Residential and Small Commercial customers, involve the fixed costs of providing a basic network connection. In contrast, less than 25 percent of the costs are associated with fuel and purchased power required to generate electricity. Once the required generation and distribution facilities are in place, the short-run marginal cost of generating electric energy is a relatively small portion of the overall costs. It is important to keep in mind that Mr. King's proposal to establish higher energy charges by recovering a greater share of fixed costs through an energy charge is likely to discourage efficient usage of electricity.

Q17. Would you elaborate on the reasons that Mr. King's proposal to set base charges below cost and overstate the energy and demand charges would discourage efficient usage of electricity?

A. Suppose the cost of producing an additional kWh of electricity is 3.4 cents, but the rate design loads a large amount of fixed cost recovery into the energy charge so that customers are charged, for example, 8.0 cents per kWh. A customer who is willing to pay 3.4 cents to use electricity for heating a car engine overnight, or for air conditioning an additional room in her apartment, might decline to use electricity for these purposes if the charge per kWh is set equal to

8.0 cents per kWh. This rate structure – with a large amount of fixed cost recovery loaded into the energy charge – gives the customer an incentive to avoid a charge of 8.0 cents but, in doing so, the utility's avoided cost, and the cost savings to society, is only 3.4 cents. In order to encourage efficient usage of electricity, the energy charge should be set as close as possible to the marginal cost of producing energy. This requires unloading fixed costs from the energy charge as much as possible.

Q18. At page 26, lines 21-24, of his testimony, Mr. King states that "(a)t $5.25, MDU's residential Base Rate would be the highest of any of the regulated electric companies in North Dakota." Have you examined the Base Charges of other electric utilities in North Dakota?

A. Yes. Exhibit No. ___ (JSG-5) shows the residential bills that are charged by the investor-owned utilities in the states served by Montana-Dakota, as well as the cooperatives in North Dakota, for different levels of consumption. The Base Charges of each utility are shown in the first column, which shows the amount charged when the customer uses zero kWh. Two utilities, Verendrye ($24) and KEM ($21) have residential Base Charges that are higher than the $17.00 charge that Montana-Dakota is proposing in this proceeding. In addition, more than half of the utilities on the list have Base Charges that are $10.00 or more.

Mr. King is correct that Otter Tail's Base Charge of $4.74 is the highest of the *regulated* electric companies in North Dakota. However, the cooperatives, which are owned by their customers, are not regulated by this Commission.

Consequently, Mr. King's argument begs for an answer to the following rhetorical question:

> Why is it that when the customers own the utility and must develop fair and reasonable Base Charges among themselves, they generally levy far higher Base Charges than the regulated utilities in North Dakota have been allowed to charge?

Q19. As customers use more energy in a month, what happens to the proposed bills of Montana-Dakota residential customers relative to the bills that other utilities would levy?

A. Montana-Dakota's proposed bills for customers who require more electricity compare very favorably with the bills of other utilities. For example, as shown on Exhibit No. ___ (JSG-5), a customer that uses 1,000 kWh per month during the summer months would have a bill of $80.07, which is virtually equal to the median bill for the utilities shown on the exhibit. Similarly, customers who consume 1,000 kWh per month during the winter months will receive monthly bills from Montana-Dakota that, at $72.88, are well below the median for the utilities on the exhibit. At greater consumption levels, Montana-Dakota would charge some of the lowest winter residential bills in the region.

Q20. At page 26, lines 7-8, Mr. King states that "Residential customers will no doubt think poorly of having to pay $17.00 just for the privilege of receiving a bill from MDU ..." Is Mr. King correct in this conclusion?

A. There are several aspects of Mr. King's argument that are either incorrect, misleading, or out of context.

For example, Mr. King is incorrect in suggesting that the Base Charge is designed only to recover the cost of rendering a bill each month. It is obvious in other sections of his testimony that Mr. King is well aware that the Base Charge has been designed to also recover the cost of providing a basic level of capacity, including the network of wires, poles, conduits, meters and transformers that is available to deliver electricity if and when the customers want it.

In addition, it is somewhat misleading for Mr. King to make a blanket statement about residential customers without identifying *which* residential customers. As I described earlier, the Base Charge issue is a question of whether some residential customers will pay higher overall bills and some residential customers will pay lower overall bills. There is no doubt that those residential customers who will pay higher overall bills as a result of Mr. King's recommendation to increase their Energy Charge would think poorly of Mr. King's proposal. In my opinion, the best resolution of this tension between various groups of customers within the residential class is to set the Base Charge as close as possible to the level of costs.

Finally, Mr. King's argument implies that customers would automatically assume that $17.00 is too much to pay for the fixed network and base facilities that are required to make service available. As I noted above, many coops that are owned by their customers have no qualms about levying Base Charges that are in the general vicinity of $17.00 per month. In addition, in order to put this aspect

of Mr. King's argument in context, I have examined the base monthly charges of other companies that provide network-type services within Montana-Dakota's North Dakota jurisdiction. The charges that I found were as follows:

Basic Telephone Service	
Qwest	$17.57
Wireless Telephone Service	
Qwest	$29.99*
CellularOne	$20.00**
Cable Television Service	
Midcontinent (Basic)	$13.95
Midcontinent (Classic)	$34.95
DirecTV (Basic Satellite)	$38.99
Internet Access	
America Online	$23.95
Juno	$ 9.95
High Speed Internet	
Qwest DSL with ISP	$29.99
Midcontinent Cable	$29.95

* Includes 200 minutes per month on weekdays and 1,000 minutes per month on weekends.

** Includes 60 minutes per month anytime minutes and 500 minutes nights and weekends.

Given this context, it is difficult to see why Montana-Dakota's electric customers would think any more poorly of the company's proposed $17.00 base charge than they think of the base charges required by other providers of network services.

Q21. Do you agree with Mr. King's reasons for opposing the proposed changes to the Economic Development Rate, Rate 34?

A. No. Rate 34 is a rate that is available to large new customers, and existing customers that substantially expand their load. In order to encourage economic development, Montana-Dakota is permitted to provide an initial negotiated

discount that phases out during the first five years of the contract. Under the current rate structure, Rate 34 has a fixed Demand Charge and the Energy Charge is negotiable within a floor and ceiling band for economic development purposes. Currently, the negotiable floor is 2.6 cents per kWh and the ceiling is 4.5 cents per kWh. This mechanism allows Montana-Dakota to provide a temporary, but significant, discount from the current Rate 30 Energy Charge which is approximately 6.3 cents for the first 2,000 kWh per month, 5.0 cents for the next 8,000 kWh per month, and 4.4 cents for all usage over 10,000 kWh per month.

Because the proposed rate design substantially unloads the level of fixed charges recovered in the Rate 30 Energy Charge, there no longer is much room for negotiation of an economic development discount within the Energy Charge. For example, the proposed Energy Charge for Rate 30 is a flat rate of 3.4 cents for primary service. Any meaningful discount below 3.4 cents could be less than the marginal cost of fuel required to serve the new load. Consequently, with the new rate design it makes more sense to allow the Demand Charge to be negotiable.

Mr. King feels that it is inappropriate to allow Demand Charges to be negotiated, and that it is more appropriate to allow Energy Charges to be negotiated. However, his opinion ignores the fact that the component of the cost structure that best lends itself to negotiation is the demand cost component. The reason that there currently is a floor on the level of negotiated Energy Charges is to ensure that the customer at least pays for the fuel that is required to provide service. Consequently, under the current rates fuel cost recovery is not, and should not be, negotiable. Instead, the current rate structure actually allows

Montana-Dakota to negotiate the portion of fixed costs that are recovered in the Energy Charge. Now that Montana-Dakota is proposing to move recovery of those fixed costs out of the Energy Charge and into the Demand Charge (and the Base Charge), it is appropriate to also move the focus of the negotiable rate out of the Energy Charge and into the Demand Charge.

Moreover, there are myriad circumstances in which a discount from demand-related costs can be cost justified. For example, the company may temporarily have sufficient capacity such that the near-term marginal costs of much of the capacity required to serve economic development load may be low, or close to zero. Another example might occur if there is temporarily low-cost firm power available for purchase on a standby basis. Since the economic development rate is temporary and phases out over five years, it is well understood that the customer soon will pay a Demand Charge that reflects the long-run cost that its demand places on the system. But the near-term marginal cost of service during the effective period of the economic development rate may be considerably less than the full Rate 30 Demand Charge. In this regard, Mr. King's concern that the negotiated Demand Charge may be less than the long-run marginal cost of new turbine capacity is misplaced. A far greater long-run concern should be whether Montana-Dakota's service territory will be able to attract and retain enough economic development and population to share in the costs of the existing capacity.

Q22. Do you have any observations regarding Mr. King's criticisms of the Rate 39 proposal?

A. Yes. Mr. King feels that the proposed Demand Charge for Interruptible Service, Rate 39, is too high. The Rate Design rationale for this charge is that the proposed Rate 30 rates contain a seasonal Demand Charge of $8.254 during the four summer months, and a Demand Charge of $5.254 during the other eight months of the year. In order to provide Interruptible customers with a discount for allowing the possible interruption of their load, I am recommending that the Rate 39 Demand Charge be set equal to $5.254 during all months of the year. Effectively, this allows interruptible customers to obtain a $3.00 per month discount in their Demand Charge during the summer months. Because there are some demand-related costs that are specific to facilities required for individual customers or specific segments of the distribution system, it would be inappropriate to reduce the Rate 39 Demand Charge to zero. However, I do not object to the possibility of providing a lower Demand Charge in Rate 39.

Tariff Revisions

Q23. Do you have any proposed revisions to the filed tariffs?

A. Attached as Exhibit No.___ (JSG-6) are proposed revisions to the tariff sheets for Rate 32, General Electric Space Heating Service, and Rate 52, Outdoor Lighting Service. Most of the revisions involve minor wording changes, but there are two substantive changes that were overlooked at the time of the initial filing.

Rate 32 is available solely for space heating uses and the low Energy Charge available under that rate presumes that the customer will be using the Rate 32 service only during off-peak months. However, after the rate filing, Montana-Dakota became aware that some customers may wish to connect heat pumps

under this rate schedule. Since the heat pumps would be used for both space heating and air conditioning, Montana-Dakota is proposing to revise the tariff to add a Demand Charge that would be applicable only during the summer peak months. This will ensure that appropriate demand-related costs are collected from any customers who might wish to connect heat pumps that would use the Rate 32 service during peak months. The proposed Rate 32 Demand Charge is set equal to the Rate 30 summer demand charge. Because there are no customers currently on this rate, addition of a summer Demand Charge to the tariff has no impact on Montana-Dakota's projected revenues or cost recovery.

The availability clause for Rate 52, Outdoor Lighting is clarified to indicate that equipment served may be company-owned or customer-owned. In addition, a reduced Energy Charge for primary Outdoor Lighting service, equal to the Rate 41, Municipal Lighting, primary service rate, is added to the Rate 52 rate schedule in order to accommodate athletic field lighting facilities currently served at the primary service level that will be moving to this rate. Finally, the General Terms & Conditions have been revised to clarify those items that apply only to situations where the company owns the lighting facilities.

Q24. Does this conclude your Prepared Rebuttal Testimony?

A. Yes.

Montana-Dakota Utilities Co.

New and Current MDU Residential Rates Compared With Residential Rates of Other Utilities

	0 kwh		100 kwh		500 kwh		1000 kwh		2000 kwh	
1	Verendrye-Rur	$24.00	Verendrye-Rur	$31.10	Slope	$59.50	Dakota Valley-Rural	$98.00	M-G-S-Rur	$167.20
2	KEM	$21.00	KEM	$28.60	Verendrye-Rur	$59.50	KEM	$97.00	Verendrye-Rur	$166.00
3	**NEW MDU-Summer**	**$17.00**	NoDak-Rur	$24.40	KEM	$59.00	Verendrye-Rur	$95.00	Dakota Valley-Rural	$165.00
4	**NEW MDU-Winter**	**$17.00**	**NEW MDU-Summer**	**$23.31**	Cass Co-Rur	$55.50	Cass Co-Rur	$92.60	KEM	$165.00
5	NoDak-Rur	$17.00	**NEW MDU-Winter**	**$23.31**	NoDak-Rur	$54.00	M-G-S-Rur	$89.20	Black Hills	$163.10
6	Oliver-Mercer	$14.00	Slope	$22.30	Dakota Valley-Rural	$50.50	Burke-Divide-Rural	$89.00	M-G-S-Urb	$157.70
7	Cass Co-Rur	$13.00	Cass Co-Rur	$21.50	M-G-S-Rur	$50.20	Slope	$87.00	Northwestern	$154.76
8	Dakota Valley-Rural	$13.00	Dakota Valley-Rural	$21.50	Burke-Divide-Rural	$49.50	Mountrail-Williams	$86.00	Mountrail-Williams	$154.20
9	Slope	$13.00	Oliver-Mercer	$20.60	**NEW MDU-Summer**	**$48.54**	NoDak-Rur	$86.00	Capital-Rur	$153.45
10	W Plains-Rur	$12.00	M-G-S-Rur	$19.00	**NEW MDU-Winter**	**$48.54**	Burke-Divide-Urban	$85.50	Cass Co-Rur	$150.60
11	Burke-Divide-Rural	$10.00	W Plains-Rur	$18.20	Cass Co-Urb	$47.50	Black Hills	$85.30	**NEW MDU-Summer**	**$143.14**
12	McKenzie	$10.00	Burke-Divide-Rural	$17.90	Mountrail-Williams	$47.50	Capital-Rur	$83.95	Slope	$142.00
13	W Plains-Urb	$10.00	Mountrail-Williams	$16.70	Oliver-Mercer	$47.00	**NEW MDU-Summer**	**$80.07**	NoDak-Rur	$140.00
14	Mountrail-Williams	$9.00	W Plains-Urb	$16.20	Capital-Rur	$46.75	Dakota Valley-Urban	$80.00	Burke-Divide-Rural	$135.00
15	Cass Co-Urb	$8.00	Cass Co-Urb	$15.90	Black Hills	$46.40	Oliver-Mercer	$80.00	Dakota Valley-Urban	$135.00
16	Dakota Valley-Urban	$8.00	Capital-Rur	$15.55	Burke-Divide-Urban	$46.00	M-G-S-Urb	$79.70	**CURRENT MDU**	**$133.57**
17	Capital-Rur	$7.75	McKenzie	$15.50	Dakota Valley-Urban	$44.00	Northwestern	$79.68	Capital-Urb	$133.30
18	Black Hills	$7.50	Black Hills	$15.28	W Plains-Rur	$43.00	Otter Tail	$76.91	Otter Tail	$132.05
19	Burke-Divide-Urban	$6.50	Dakota Valley-Urban	$15.20	Northwestern	$42.14	Cass Co-Urb	$76.60	Oliver-Mercer	$132.00
20	Capital-Urb	$6.50	Burke-Divide-Urban	$14.40	W Plains-Urb	$41.00	**NEW MDU-Winter**	**$72.88**	Burke-Divide-Urban	$131.50
21	Otter Tail	$4.74	Capital-Urb	$13.10	M-G-S-Urb	$40.70	Capital-Urb	$71.30	Cass Co-Urb	$129.60
22	Northwestern	$4.60	Northwestern	$12.11	Otter Tail	$40.33	XCEL-NSP Summer	$71.23	XCEL-NSP Summer	$129.46
23	NoDak-Urb	$4.00	Otter Tail	$11.86	Capital-Urb	$39.50	W Plains-Rur	$70.50	W Plains-Rur	$124.00
24	Verendrye-Urb	$4.00	Verendrye-Urb	$11.11	XCEL-NSP Summer	$37.62	W Plains-Urb	$68.50	W Plains-Urb	$122.00
25	XCEL-NSP Summer	$4.00	XCEL-NSP Summer	$10.72	**CURRENT MDU**	**$37.58**	**CURRENT MDU**	**$68.37**	McKenzie	$120.00
26	XCEL-NSP Winter	$4.00	**CURRENT MDU**	**$10.35**	McKenzie	$37.50	NoDak-Urb	$66.00	NoDak-Urb	$120.00
27	**CURRENT MDU**	**$3.50**	NoDak-Urb	$10.20	Verendrye-Urb	$35.70	McKenzie	$65.00	Verendrye-Urb	$113.70
28	M-G-S-Rur	$0.00	XCEL-NSP Winter	$9.93	NoDak-Urb	$35.00	XCEL-NSP Winter	$63.33	XCEL-NSP Winter	$113.66
29	M-G-S-Urb	$0.00	M-G-S-Urb	$9.50	XCEL-NSP Winter	$33.67	Verendrye-Urb	$61.70	**NEW MDU-Winter**	**$107.19**

Exhibit No.___(JSG-5)
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Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. 20

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

Availability:

In all communities served for general service customers for space heating service, where the customer also takes service under General Electric Service Rate 30 or General Electric Time-Of-Day Service Rate 31. Only space heating load is allowed on this rate schedule.

Rate:

Base Rate: $10.00 per month

For Primary Service:

Demand Charge:

June-September $8.254 per Kw

Energy Charge: 3.424¢ per Kwh

For Secondary Service:

Demand Charge:

June-September $11.224 per Kw

Energy Charge: 3.505¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Montana-Dakota Utilities Co.
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State of North Dakota
Electric Rate Schedule

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GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Montana-Dakota Utilities Co.
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400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 36.1
Canceling 3rd Revised Sheet No. 36.1

~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

Availability:

~~Company-owned~~For all outdoor lighting including flood lights ~~units~~ and metallic vapor yard lights in all communities served. Lighting equipment may be Company-owned or customer-owned.

Rate:

For Primary Service:	5.221¢ per Kwh computed according to the total rated capacity of the units in use.
For Secondary Service:	~~7.752¢~~5.627¢ per Kwh computed according to the total rated capacity of the units in use.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. Applicable to Company-owned Facilities:

~~1.~~ a. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dusk~~t~~ to dawn.

~~2.~~ b. The light may be mounted on existing poles owned or controlled by the Company. The Company will furnish a 35 foot pole(s) for flood lights and

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State of North Dakota
Electric Rate Schedule

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~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

a 30 foot pole(s) for yard light(s) at the customer's request at a separate rental rate if a special setting is required. If the customer chooses, the light may be installed on a pole owned by the customer or other mounting point suitable for installation of the light. The conductors will be extended 100 feet per unit free of charge, but the customer shall pay for the extra cost of extensions of more than 100 feet per unit.

~~3.~~ c. To the rate stated herein, bulb replacement and ownership costs for the units shall be added. The customer should consult with the Company for such costs.

~~5.~~ d. The Company will maintain the facilities and change the light bulbs when notified by the customer that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of customer. In case of vandalism, malicious mischief, or willful negligence, the Company will charge the customer for the cost of repair and replacement.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

43. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

Metallic vapor ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

~~6. Customer will be served only by contract and for a minimum period of two years.~~

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 36.1
Canceling 3rd Revised Sheet No. 36.1

~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

~~7~~4. The foregoing schedule is subject to Rates 101~~-130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

22 DEC 2003

1. Article Addressed to:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 12-22-03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7003 1680 0004 9646 3535

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

22 DEC 2003

1. Article Addressed to:

Dan Kuntz
PO Box 1695
Bismarck ND 58502-1695

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 12-22-03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7003 1680 0004 9646 3559

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

PU-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

22 DEC 2003

1. Article Addressed to:

Douglas W Schultz
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 12-22-03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7003 1680 0004 9646 3542

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

PY-277-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Thomas D Kelsch
PO Box 1266
Mandan ND 58554-1266

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X L Reiner ☐ Agent ☐ Addressee

B. Received by (Printed Name): L Reiner
C. Date of Delivery: 12-23-03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label): 7003 1680 0004 9646 3573

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

PY-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jim Roache
PO Box 544
Crosby ND 58730

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Jim Roache ☐ Agent ☐ Addressee

B. Received by (Printed Name): Jim Roache
C. Date of Delivery: 12/22/03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label): 7003 1680 0004 9646 3566

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

PY-399-03-296

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Thomas D Kelsch
PO Box 1266
Mandan ND 58554-1266

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Valerie Ehr ☐ Agent ☐ Addressee

B. Received by (Printed Name): Valerie Ehrlich
C. Date of Delivery: 11/17/03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label): 7003 1680 0004 9646 2965

ZUGER KIRMIS & SMITH

COUNSELORS AND ATTORNEYS AT LAW

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Daniel S. Kuntz, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.
Shawnda R. Reid
Constance N. Hofland
Paul R. Sanderson

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-7387
www.zkslaw.com
email: zkslaw@zkslaw.com

Of Counsel
John A. Zuger

Thomas O. Smith
1944-2001

Certified Civil Trial Specialist
National Board of Trial Advocacy

RECEIVED
JUL - 1 2003
NORTH DAKOTA
PUBLIC SERVICE COMMISSION
EXECUTIVE SECRETARY

July 1, 2003

Mr. Jon Mielke
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue -- 12th Floor
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co. Electric Rate Increase Application
Case No. PU-399-03-296

Dear Mr. Mielke:

Enclosed for filing are the original and seven copies of the Reply of Montana-Dakota Utilities Co. to Staff Response to Request for Interim Relief. Thank you for your cooperation in this matter.

Sincerely,

Daniel S. Kuntz

Enclosures

c: Bill Binek
Don Ball

14 PU-399-03-296 Pages: 1

Cover letter re Reply

by Montana-Dakota Utilities Co., a Division of MDU R

07/01/2003 CC: Comm Legal Illona, Pat, Jerry Mike

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NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.	)	Case No. PU-399-03-296
Electric Rate Increase	)	
Application	)	

REPLY OF MONTANA-DAKOTA UTILITIES CO. TO STAFF RESPONSE TO REQUEST FOR INTERIM RATE RELIEF

Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company") submits the following reply to the Commission Staff's response to Montana-Dakota's request for interim rate relief. Montana-Dakota requested annual interim rate relief of $2,404,100 to reflect the investment and operational costs associated with the Glendive No. 2 turbine that began commercial operation on May 31, 2003. This is less than one-third of the Company's total net revenue requirement increase needed for the 2003 test year.

The Staff objects to Montana-Dakota's interim request because its rate filing includes a proposed sharing mechanism for nonjurisdictional off-system sales margins. The Staff argues that if the off-system sales are continued as an offset to the cost of service, "it is possible that the requested rate increase is not necessary." The Staff's arguments regarding off-system sales margins are mere speculation. Montana-Dakota's proposed sharing mechanism would become effective prospectively from the date of the Commission's Order in this proceeding. Because there is no sharing mechanism currently in place, all off-system sales margins will effectively be credited to the test year revenue requirement for purposes of determining interim rate refunds. Accordingly, for purposes of interim relief, the proposed sharing of off-system sales is not an issue.

The Staff notes there are also other issues to be considered in this proceeding such as the cost of debt, the cost of equity, and SISP. Montana-Dakota agrees. Montana-Dakota, however, is not seeking interim relief for any additional costs associated with these

expenses. To the extent the test year revenue requirement shortfall resulting from these expenses exceeds the interim rates, Montana-Dakota will not have the opportunity to recover that shortfall. On the other hand, if decreases in these and other expenses are shown to offset the expenses associated with the new Glendive turbine, refunds of the interim rates to the extent of the decreased expenses presumably will be ordered by the Commission. It is for this reason, that interim relief is subject to refund in the event it is eventually determined that the Company's test year revenue requirement was less than the interim relief granted.

Montana-Dakota agrees that its application does not precisely conform to the new legislation that was approved during the 2003 Legislative Session in House Bill No. 1363. If Montana-Dakota had followed the format of that legislation, its requested interim increase would have been for a greater amount. Instead, Montana-Dakota is only requesting interim relief associated with the major investment of the new generation facility. Although Montana-Dakota's request does not follow the format of the new legislation, it meets the intent of that legislation.

Finally, the Staff argues the Commission should not grant interim relief to correct regulatory lag because Montana-Dakota has been the beneficiary of regulatory lag in the treatment of its nonjurisdictional off-system sales. Montana-Dakota does not seek interim relief for the full amount of its projected revenue requirement shortfall for the 2003 test year. Even with the interim relief, Montana-Dakota's projected test year net revenues will be well below that needed to meet its required rate of return. The Company has shown however, that without interim relief it will be denied the opportunity to obtain any return on

its investment for the Glendive turbine. For that reason, existing rates are confiscatorily low in providing any opportunity for return on a major investment dedicated to providing service to North Dakota customers.

For the foregoing reasons, Montana-Dakota requests the Commission grant Montana-Dakota's request for interim rate relief.

Dated this 1st day of July, 2003.

By: _____

Daniel S. Kuntz (ID #03490)
Zuger Kirmis & Smith
Attorneys for Montana-Dakota Utilities Co.
P.O. Box 1695
Bismarck, ND 58502-1695
(701)223-2711

P:\DKUNTZ\11056 MDU 2003 electric case\reply.doc

Public Service Commission
State of North Dakota

RECEIVED
JUN 25 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

COMMISSIONERS

Tony Clark, President
Leo M. Reinbold
Susan E. Wefald

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: sab@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

June 25, 2003

Mr. Jon H. Mielke
Public Service Commission
600 E Boulevard Ave. Dept. 408
Bismarck, ND 58505-0480

RE: **Montana-Dakota Utilities Co.**
Electric Rate Increase Application
Case No. PU-399-03-296

Dear Jon:

Enclosed for filing in the above referenced case are the original and seven copies of the **Staff Response to Montana-Dakota Utilities Co.'s Request for Interim Rate Relief.**

Thank you.

Sincerely,

William W. Binek
Chief Counsel

WWBsls
Enclosure

C: Parties of Record

12 PU-399-03-296 Pages: 1

Cover Letter re Staff's Response to MDU's Request for Interim Rate Relief
by Public Service Commission by William Binek, Chief

06/25/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

RECEIVED
JUN 25 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

STAFF RESPONSE TO MONTANA-DAKOTA UTILITIES CO.'S REQUEST FOR INTERIM RATE RELIEF

Staff recommends that the commission reject MDU's request for interim rate relief. The need for an interim rate increase has not been proven and is simply not fair to its customers.

The need for interim rate relief has not been adequately demonstrated. In its application, MDU proposes to eliminate profits from off-system sales in the determination of base rates. MDU's new proposed approach would flow 60% of the profits through to customers much like fuel costs are flowed through today. Whether this new approach is acceptable to the commission remains to be seen.

In the past, 100% of off-system sales profits have been used to offset the cost of providing service. Such an approach makes sense since established rates cover the costs of generation assets. Since ratepayers are paying for the costs of generation facilities in rates, they should benefit when those assets are used to make profit elsewhere.

In its application, MDU abandoned its previous method of projecting off-system sales margins through the use of market prices. On appeal to the District Court, MDU successfully argued that such a method was superior to staff's use of historical

averages and rates were so ordered. If the market method were employed today and off-system sales continued as an offset to the cost of service, it is possible that the requested rate increase is not necessary.

There are other issues to be considered by the commission including the cost of debt, cost of equity, need for new generation facility, SISP (extra pension plan for key employees) and so on before any kind of rate increase should be granted--whether interim rates are refundable or not.

On the face of it, the idea of refundable interim rates appears reasonable. In fact, legislation was passed in the last session to require that the commission grant interim rates, subject to refund. That law will not be effective until August 1 but if it was in place today, the request does not meet the requirements of the new law.

The new law will require that the interim rates must be calculated using the same types of costs as were allowed in the last commission order. MDU's request is predicated on the cost of its new generation facility and therefore does not meet the intent or letter of the law. While a generation facility is the same type of expense, the request does not take into consideration the other types of costs that were allowed or disallowed in the last rate proceeding. Further, MDU's proposed change with respect to off-system sales profits makes it impossible to determine what level of interim rates should be authorized, if any, when viewing the entire rate increase proposal.

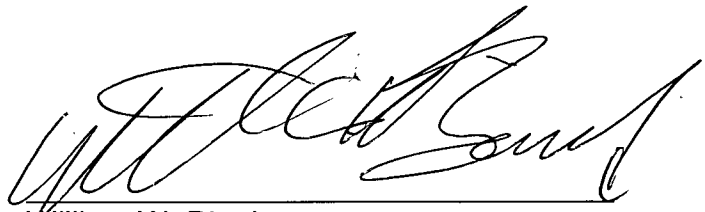
With respect to the issue of fairness, which staff presumes are what laws are supposed to ensure, it seems blatantly unfair to consumers to grant immediate rate increases subject to refund when at the same time the Commission does not have the authority to order immediate rate decreases subject to refund. As the Commission is

aware, MDU's reported earnings in recent years for its electric operations have been extremely high resulting in millions of dollars of over-earnings. The Commission's recent investigation of MDU's electric operations was delayed for at least a year until it could afford to procure a cost of capital witness. The investigation was successful but the eventual rate reduction was not ordered immediately when the over-earnings were first observed. Instead, regulatory lag allowed MDU's stockholders to benefit until the Commission issued its order.

In past decisions, the Commission has viewed interim rate increases as an extraordinary remedy that should be granted only where an actual emergency exists of where the relief is necessary to prevent gross hardship or inequity. Further, the Commission argued that unless existing rates are confiscatorily low and such rates remain in effect for an unreasonably long time such that the utility will suffer irreparable harm that no interim rate relief should be ordered. Given the facts of this case and MDU's annual reports to the Commission, staff is of the opinion that MDU's request is neither an emergency nor a taking of property.

The staff strongly opposes the request for interim rates. The existing record in this case does not prove the need for interim rates. Further, from a policy, philosophical and practical standpoint, regulatory lag on the reverse side argues loudly against the ordering of interim rates.

Dated June 25, 2003.



William W. Binek
Chief Counsel

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY FIRST CLASS MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sandra L. Scott deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **25th day** of **June, 2003,** she deposited in the United States Mail, Bismarck, North Dakota, **three** envelopes with regular postage, securely sealed and each containing a photocopy of:

STAFF RESPONSE TO MONTANA-DAKOTA UTILITIES CO.'S REQUEST FOR INTERIM RATE RELIEF

To:

DON BALL
MONTANA-DAKOTA UTILITIES CO
400 NORTH 4TH STREET
BISMARCK ND 58501

DOUGLAS W SCHULZ
MDU RESOURCES GROUP INC
P O BOX 5650
BISMRACK ND 58506-5650

DANIEL S KUNTZ
ZUGER KIRMIS & SMITH
P O BOX 1695
BISMARCK ND 58502-1695

Each address shown is the respective addressee's last reasonably ascertainable address.

Sandra Scott

Subscribed and sworn to before me
this **25th day of June, 2003.**

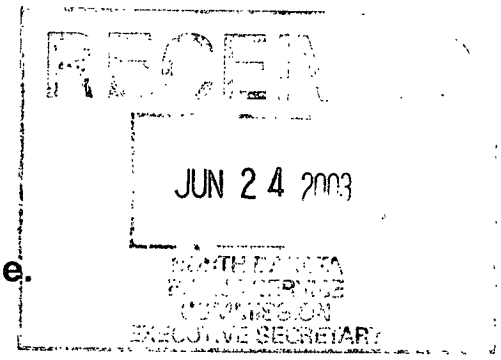
Susan K. Richter
Notary Public

SEAL

SUSAN K. RICHTER
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 15, 2004

Helbling, Sharon D. 03-296

From: Helbling, Sharon D.
Sent: Tuesday, June 24, 2003 1:39 PM
To: 'don.ball@mdu.com'
Subject: FW: MDU interim rate increase



Don,

This will be docketed and made a part of the case.

Sharon

-----Original Message-----
From: Wefald, Susan E.
Sent: Tuesday, June 24, 2003 11:17 AM
To: Comm; PUD; Legal
Subject: MDU interim rate increase

Here are some points I would like to discuss during the work session on July 1 on MDU's application for interim rates:

In 2002, MDU 's rate of return was 11.58% and its return on equity was 14.314%. In the new rate case, MDU is proposing a rate of return of 10.117.

1. It is my understanding that MDU is proposing sharing some of the profits from wholesale sales with customers. However, this results in a greater need for operating revenues, and that is one reason there is a request for a 9.1% increase in electric prices. Is this correct?

2. MDU states that, "The investment and operational costs associated with the Glendive No. 2 turbine increase Montana-Dakota's annual cost of providing electric service to North Dakota retail customers by $2, 404,100 which represents an approximate 2.8 percent increase over current rates." (Page 1, Motion for Interim Rate Relief)
Questions:

- Is there a way that some of the profits from wholesale sales can go directly to off set the costs of the new electric gas fired turbine?
- Can this occur in 2003?
- If $2,404,100 is the annualized cost, what is the 2003 cost based on the date the new plant goes into service? Is it approximately ½ of this amount?

3. The new law passed by the legislature does not go into effect until August 1. The legislature did not put an earlier effect date into the bill. What standard has the Commission used in the past to determine if interim rates are needed?

9 **PU-399-03-296** Pages: 1

Points of discussion at work session

by Public Service Commission by Comm Wefald

06/24/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Leo M. Reinbold
Susan E. Wefald

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: sab@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

June 19, 2003

Don Ball
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dear Mr. Ball:

On June 18, 2003, the Commission suspended the rates filed with Montana-Dakota Utilities Co.'s Electric Rate Increase application, Case No. PU-399-03-296.

Sincerely,

Sharon Helbling
Public Utilities Division

sdh

8 **PU-399-03-296** Pages: 1

Letter to MDU re suspension of rates

by Public Service Commission

06/19/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

APPROVED
DATE: 6-18-03
KMF

MOTION

June 18, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission suspend Montana-Dakota Utilities Co.'s rates filed with its Electric Rate Increase application in Case No. PU-399-03-296.

Sdh

7 **PU-399-03-296** Pages: 1

Motion suspending rates

by Public Service Commission

06/18/2003 CC: Comm Legal Illona, Pat, Jerry Mike .

MOTION

APPROVED
DATE: 6-18-03
KMF

June 18, 2003

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

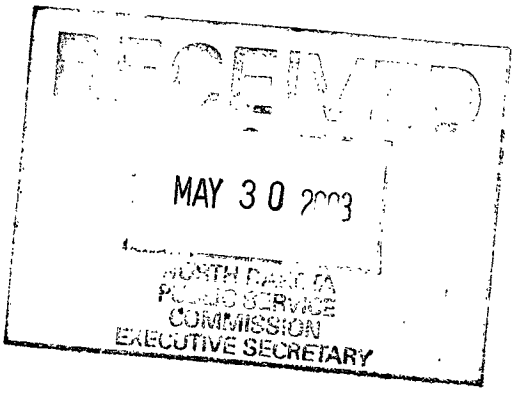
I move the Commission appoint Bill Binek and Mike Diller as advocacy staff and Patrick Fahn and Illona Jeffcoat-Sacco as advisory staff in Montana-Dakota Utilities Co.'s Electric Rate Increase application in Case No. PU-399-03-296.

Sdh

6 **PU-399-03-296** Pages: 1

Motion appt Binek/Diller advocacy staff &
Fahn/Jeffcoat-Sacco as advisory staff
by Public Service Commission

06/18/2003 CC: Comm Legal illona, Pat, Jerry Mike .



PUBLIC SERVICE COMMISSION

STATE OF NORTH DAKOTA

Montana-Dakota Utilities Co. Electric Rate Change	)))	Case No. PU-399- 03- ___

MOTION FOR INTERIM RATE RELIEF

Montana-Dakota Utilities Co. ("Montana-Dakota"), A Division of MDU Resources Group, Inc., is filing a notice, tariffs, and supporting information, for changes to its North Dakota retail electric rates to be effective July 1, 2003 ("Rate Filing"). The Rate Filing, in conjunction with a proposed off-setting sharing mechanism for wholesale electric sales margins, will provide additional annual net revenues before income taxes to Montana-Dakota of approximately $7,788,565 from retail electric service in North Dakota. The Rate Filing is necessitated, in part, by the investment and operational costs associated with the installation and commercial operation of the Glendive No. 2 natural gas turbine which will begin commercial operation on May 31, 2003. The investment and operational costs associated with the Glendive No. 2 turbine increase Montana-Dakota's annual cost of providing electric service to North Dakota retail customers by $2,404,100 which represents an approximate 2.8 percent increase over current rates.

If the Commission suspends Montana-Dakota's Rate Filing under N.D.C.C. § 49-05-06, Montana-Dakota requests the Commission to issue an order allowing Montana-Dakota to file an interim tariff providing for an across-the-board per kilowatt hour increase in retail electric rates that would derive additional annual revenues of

$2,404,100 to Montana-Dakota from retail electric service in North Dakota. The interim revenues will provide Montana-Dakota the opportunity to recover a return on its investment and costs associated with the Glendive No. 2 turbine. Montana-Dakota requests the interim rates to become effective for bills rendered 30 days after the date of filing of the interim tariff and to remain in effect during the time the Rate Filing is suspended. Montana-Dakota agrees to include within the terms and conditions of the interim rate tariff, a commitment to refund, with interest, any revenues collected under the interim rate increase in excess of the level of increased revenues approved by the Commission for the test year period in a final order in this proceeding. If requested by the Commission, Montana-Dakota is also prepared to file a bond to secure the refund commitment of the interim rate tariff.

Montana-Dakota's request for interim relief is for a lesser amount, but consistent with the concept of interim relief approved by the North Dakota Legislature during the 2003 Legislative Session in House Bill No. 1363. Although HB 1363 will not become effective until August 1, 2003, it reflects Legislative intent to allow interim rate relief, subject to refund, to provide public utilities an opportunity to recover costs and obtain a reasonable return on their utility rate base during suspension of proposed rate increases.

Montana-Dakota's need for the interim rate relief, as well as an explanation of the amount of requested interim relief, is contained in the testimony of Larry Crowley submitted in support of this motion and is further supported by the testimony and exhibits contained in the Rate Filing.

Dated this 30th day of May, 2003.

Respectfully submitted,

Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501
(701)222-7900

By: Donald R. Ball

Donald R. Ball
Assistant Vice President-
Regulatory Affairs

Exhibit No.__ (LAC-Int.1)

MONTANA-DAKOTA UTILITIES CO.

A Division of MDU Resources Group, Inc.

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

CASE NO. PU-399- 03 - ___

PREPARED DIRECT TESTIMONY OF

LARRY A. CROWLEY

REQUEST FOR INTERIM RATE RELIEF

Q. Please state your name and your business affiliation.

A. My name is Larry A. Crowley and I am a Senior Regulatory Consultant with H. Zinder and Associates.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Montana-Dakota Utilities Co.

Q. Are you the same Larry A. Crowley who has pre-filed direct testimony and exhibits in Montana-Dakota's general request for rate relief?

A. Yes I am.

Q What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide the jurisdictional revenue requirements associated with the Company's request for interim rate relief. As noted by Mr. Bruce Imsdahl in his pre-filed direct testimony in the Company's general rate case, the Glendive Unit No 2 generation station is expected to begin commercial operation on May 31, 2003. Once the new Glendive plant goes into commercial operation, the Company will no longer be able to defer the costs associated with the Glendive project nor will it have electric rates in effect that will allow the Company to recover the fixed, capital and operating costs associated with the Glendive plant. The purpose of this request for interim rate relief is solely for purposes of recovering the Company's costs associated with the commercial operation of Glendive Unit No 2.

Q. Have you calculated the revenue requirement associated with the Company's Glendive Unit No 2?

A. Yes I have. The total system revenue requirement associated with the Company's Glendive Unit No 2 is $3,464,700. Of that amount, $2,404,100 is the allocated North Dakota jurisdiction portion of the Glendive Unit No 2 revenue requirement. This represents an approximate 2.803 percent increase over current North Dakota jurisdictional rates and revenue levels as shown in the Company's general rate case.

Q. Please describe the methodology used to calculate the Company's North Dakota jurisdictional revenue deficiency associated with the Glendive Unit No 2.

A. The cost of providing service is measured through the use of the Company's accounting and operating data for a specific period of time. In this instance I am using the total system and North Dakota jurisdictional information provided by the Company specifically and solely for the Glendive Project. I should also mention that I am using the same jurisdictional separation methodology and same cost information I used for calculating the Company's revenue requirements in the general rate case.

With respect to the jurisdictional separation of the Glendive plant costs, the Company has implemented detailed and comprehensive accounting and forecasting systems that allocate all rate base and income statement items to the appropriate jurisdiction in accordance with the Company's corporate policies regarding allocation issues. The Company's books and records provide jurisdictional information for every transaction booked by the Company or which are part of the Company's forecasts. This internal process of classification,

functionalization and allocation provide detailed jurisdictional electric rate base components and income statements for each of the Company's electric jurisdictions. It is my understanding that the Commission has reviewed these internal jurisdictional allocation practices in the past and has found them acceptable. The Company is using the same jurisdictional allocation methodology for this interim rate relief proceeding that the Commission has recently reviewed and accepted in Case No. PU-399-01-186. It should also be noted that the Company is using the 12 coincident peaks methodology for allocating capacity costs in this proceeding and will use the same allocation methodology in its other electric jurisdictions.

Q. Have you prepared an exhibit that summarizes the calculation of the Company's North Dakota jurisdictional revenue deficiency associated with the Company's Glendive Unit No 2?

A. Yes. I prepared Exhibit No. __ (LAC-Int.2) which summarizes the calculation of the Company's North Dakota revenue deficiency associated the Glendive Unit No 2.

Q. Please describe Exhibit No. __ (LAC-Int.2).

A. Exhibit No. __ (LAC-Int.2) is a four-page exhibit which sets forth the Company's North Dakota revenue deficiency associated with the Glendive Unit No. 2.

Page 1 of this exhibit begins with the net electric plant in service for the Glendive Unit No 2 for inclusion in rate base. The values shown for rate base are, in effect, 2003 average plant and accumulated provision for depreciation balances

which reflect the annualization of the completion and commercial operation of the Company's Glendive No 2 turbine. These adjustments correspond to the same adjustments for the Glendive Unit No 2 made in the Company's general rate case. As shown on Page 1 of this exhibit, no adjustments are made to other rate base items such as working capital.

Other adjustments for the Glendive plant include the additional insurance expense in account 924, depreciation expense and the increase in property taxes. No other Operation and Maintenance expense adjustments are included because no additional Operation and Maintenance expenses are expected at this time as a result of the new plant. Fuel expenses will be recovered through the Company's FCA so no adjustments are made to fuel expense.

Also included are the capital costs for the Glendive plant. The capital costs and return on the Company's investment have been calculated using the same capital structure and required return on equity as filed in the Company's general rate case. The overall cost of capital and capital structure as filed in the Company's general rate case are shown on Page 2 of Exhibit No. __ (LAC-Int.2).

Finally, the total jurisdictional revenue requirement is shown after application of the appropriate income tax component based on the weighted cost of equity and the jurisdictional net-to-gross tax multiplier. The calculation of the income tax component is shown on Page 3 of the exhibit and the jurisdictional net-to-gross tax multiplier is shown on Line 7 of Page 4 of the exhibit.

The resulting revenue requirement of $2,404,100 is divided by total jurisdictional test year retail sales for an average interim rate adjustment of $0.001796 per kWh.

Q. How are you proposing to recover the interim rate case revenue deficiency?

A. I am proposing that the interim rate relief be recovered by a uniform cents per kWh rate adder. This would be the easiest rate mechanism to administer and track pursuant to the refund provisions associated with the interim rate request.

Q. Does this conclude your direct testimony in this proceeding?

A. Yes it does.

Montana-Dakota Utilities, Inc.
Before The North Dakota Public Service Commission
Request for Interim Rate Relief

Revenue Requirement - Glendive Unit No 2

Description	Total System	North Dakota
Average Plant in Service	$ 19,438.3	$ 13,621.7
Less: Accumulated Provision for Depreciation	(509.0)	(332.2)
Total Net Electric Plant in Service	$ 18,929.3	$ 13,289.5
Operating Expenses:		
O&M Expenses:		
Fuel - Account 547	-	-
Insurance - Account 924	53.3	34.4
Total O&M Expenses	53.3	34.4
Depreciation Expense	509.0	332.2
Taxes Other Than Income Taxes	213.2	149.5
Total Operating Expenses	$ 775.5	$ 516.1
Required Rate of Return - %	10.177%	10.177%
Return at Required Rate of Return	$ 1,926.4	$ 1,352.5
Income Tax Component - % (1)	4.030%	4.030%
Equity Costs on Net Electric Plant	$ 762.8	$ 535.5
Total Revenue Requirement	$ 3,464.7	$ 2,404.1
North Dakota Retail Sales - TY 2003 (MWh)		1,338,385
North Dakota Interim Retail Rate Adjustment per kWh		$ 0.001796

Note:
(1) See Page 3 of Exhibit No.__ (LAC-Int.2)
(2) Test Year Revenues at Current Rates - North Dakota Jurisdiction: $ 85,767.5
(3) Percent Increase over Current Rates 2.803%

Montana-Dakota Utilities, Inc.
Before The North Dakota Public Utilities Commission
Request for Interim Rate Relief

Overall Cost of Capital

Description	Amount	Capital Ratio	Cost of Capital	Weighted Cost
Long-Term Debt	$ 145,100.0	44.674%	9.027%	4.033%
Preferred Stock	16,250.0	5.003%	4.622%	0.231%
Common Equity	163,446.7	50.323%	11.750%	5.913%
Totals	$ 324,796.7	100.000%		10.177%

Montana-Dakota Utilities, Inc.
Before The North Dakota Public Utilities Commission
Request for Interim Rate Relief

Income Tax Component

Equity Costs:	
Common Equity	5.913%
Preferred Stock	0.231%
Total Equity Costs	6.144%
Net-to-Gross Multiplier	1.6559
Income Tax Component (1)	10.174%
Less: Equity Costs	6.144%
Total Income Tax Component	4.030%

Notes:
(1) Total Equity Costs * Net-to-Gross Multiplier

Montana-Dakota Utilities, Inc.
Before The North Dakota Public Service Commission
Request for Interim Rate Relief

North Dakota Jurisdiction

Line No	Description	Amounts
1	Income Before Income Taxes	100.00%
2	Less: North Dakota State Tax Rate -%	7.09%
3	Federal Tax Base (Line 1- Line 2)	92.91%
4	Federal Income Tax Rate	35.00%
5	Federal Income Tax Rate-Effective (Line 3 x Line 4)	32.52%
6	Income After Income Taxes (Line 3 - Line 5)	60.39%
7	Gross Revenue Conversion Factor (Line 1/Line 6)	1.6559
8	Combined Tax Rate for North Dakota (Line 2 + Line 5)	39.609%

MONTANA-DAKOTA UTILITIES CO.

CASE NO. PU-399-03-___

NOTICE

In the Matter of the Notice of
Montana-Dakota Utilities Co.
For an Electric Rate Change

Public Service Commission

Receipt of Paymer

Received: 6/2/2003 Check# 978427 for $50.00 Receipt# 5405

Electric Rate Increase Application **Docket # PU-399-03-296**

Montana-Dakota Utilities Co., a Division of MDU Resources
400 N 4th Street
Bismarck ND 58501

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

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

RECEIVED
MAY 30 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

May 30, 2003

Executive Secretary
North Dakota Public Service Commission
State Capitol – 12th Floor
Bismarck, ND 58505-0480

Re: Notice by Montana-Dakota Utilities Co. a Division of MDU Resources Group, Inc., of proposed tariffs to increase rates for electric service in the State of North Dakota

Case No. PU-399-03-___

Pursuant to Chapters 49-04, 49-05 and 49-06 of the North Dakota Century Code and the rules of the Public Service Commission of North Dakota, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., submits this letter of transmittal and a Notice, together with revised tariff sheets, statements, testimony and exhibits, supporting an increase in Montana-Dakota's rates for retail electric service in North Dakota. A fifty dollar filing fee is also enclosed pursuant to N.D.C.C. § 49-05-05.

Montana-Dakota is proposing to increase its electric rates as fully described in the Notice, tariffs, and accompanying statements, testimony and exhibits. The increase is being applied to each rate schedule in a manner that more accurately reflects the cost of providing electric service to customers served under each rate schedule.

Montana-Dakota is proposing to increase its electric rates to recover the investment and additional costs associated with the installation and commercial operation of a new generation resource required to meet the growing electrical energy requirements of its customers and to recover increased operation and maintenance expenses, depreciation expenses, insurance and taxes. Recovery of these increased costs will provide Montana-Dakota a reasonable opportunity to earn a fair rate of return for its North Dakota electric operations.

4 PU-399-03-296 Pages 5
Cover letter re application
by Montana-Dakota Utilities Co , a Division of MDU R
05/30/2003 CC Comm Legal Illona, Pat, Jerry Mike .

In addition, as part of this proposed increase in electric rates, Montana-Dakota is proposing to implement a sharing mechanism that will result in a decrease in the monthly electric bills of its North Dakota retail electric customers. The sharing mechanism will allocate a majority portion of the Company's margins from wholesale energy sales to retail customers in the form of a monthly credit that will be based on actual annual wholesale sales margins of the Company and the customer's actual energy consumption.

The total electric increase requested, net of the proposed sharing mechanism, is $7,788,565 or a 9.1% increase over current rates.

Montana-Dakota is prepared to prove by competent evidence that its existing rates will not allow it to fully recover the cost of providing electric service to North Dakota customers.

Montana-Dakota is proposes that this increase in its North Dakota electric rates be effective July 1, 2003. Approximately 70,700 North Dakota electric retail customers will be affected. The proposed change in electric rates is based upon a 2003 test year.

Please refer all inquiries regarding this filing to:

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

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

Douglas W. Schulz
Senior Attorney & Assistant Secretary
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650

and to:

Daniel S. Kuntz
Zuger Kirmis & Smith
P.O. Box 1695
Bismarck, ND 58502-1695

An original and seven copies of this letter of transmittal, and the accompanying Notice, tariffs, statements, testimony and exhibits are enclosed. A report of tariff change reflecting Commission data requirements regarding filings is attached hereto.

Montana-Dakota is concurrently submitting a Motion For Interim Rate Relief in the amount of $2,404,100 annually to be effective if the Commission suspends the proposed rate increase sought herein.

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

Donald R. Ball
Assistant Vice President -
Regulatory Affairs

Enclosures

North Dakota Report of Tariff Schedule Change

Case No. PU-399-03-____

Name of Utility: Montana-Dakota Utilities Co.

Address Main Office: 400 North Fourth Street, Bismarck ND 58501

NEW TARIFF DESIGNATION

Table of Contents	P.S.C. Tariff Volume	4	Sheet No.	1-1.1
Communities Served	P.S.C. Tariff Volume	4	Sheet No.	2-2.1
Residential Electric Service Rate 10	P.S.C. Tariff Volume	4	Sheet No.	3
Optional Time of Day Residential Rate 16	P.S.C. Tariff Volume	4	Sheet No.	7-7.1
Small General Service Rate 20	P.S.C. Tariff Volume	4	Sheet No.	10-10.1
Irrigation Power Service Rate 25	P.S.C. Tariff Volume	4	Sheet No.	14-14.1
Optional Time of Day Small General Rate 26	P.S.C. Tariff Volume	4	Sheet No.	15-15.1
General Electric Service Rate 30	P.S.C. Tariff Volume	4	Sheet No.	18-18.1
Optional Time of Day General Rate 31	P.S.C. Tariff Volume	4	Sheet No.	19-19.2
General Electric Space Heating Rate 32	P.S.C. Tariff Volume	4	Sheet No.	20-20.1
Firm Service Economic Development Rate 34	P.S.C. Tariff Volume	4	Sheet No.	22-22.2
Interruptible Large Power Service Rate 39	P.S.C. Tariff Volume	4	Sheet No.	24-24.2
Municipal Lighting Service Rate 41	P.S.C. Tariff Volume	4	Sheet No.	26-26.1
Municipal Pumping Service Rate 48	P.S.C. Tariff Volume	4	Sheet No.	32-32.2
Outdoor Lighting Service Rate 52	P.S.C. Tariff Volume	4	Sheet No.	36-36.1
Margin Credit Adjustment Rate 57	P.S.C. Tariff Volume	4	Sheet No.	41-41.1
Fuel Clause Rate 58	P.S.C. Tariff Volume	4	Sheet No.	42-42.1

{See Page 2 for additional tariff sheets}

Change: Applicability, availability and rates

(State part of tariff affected by change, such as: applicability, availability, rates, etc.)

Reason for Change: Increase in cost of providing electric service.

Approximate annual reduction in revenue ..... N/A

Approximate annual increase in revenue $7,788,565

Points Affected	Estimated number of customers whose cost of service will be:		
	Reduced	Increased	Unchanged
All		70,700	

Montana-Dakota Utilities Co.
Donald R. Ball
Assistant Vice President Regulatory Affairs

North Dakota Report of Tariff Schedule Change

Case No. PU-399-03-____

Name of Utility: Montana-Dakota Utilities Co.

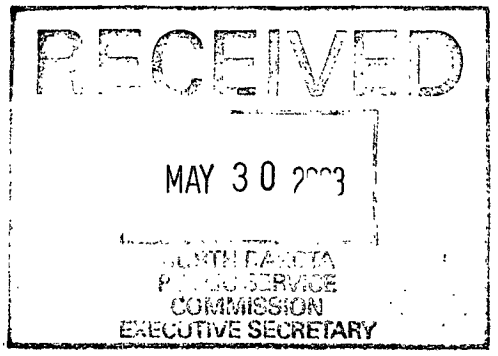
Address Main Office: 400 North Fourth Street, Bismarck ND 58501

NEW TARIFF DESIGNATION

Occasional Power Purchase Rate 96	P.S.C. Tariff Volume	4	Sheet No.	44-44.2
Parallel Generation Peaking Facility Rate 97	P.S.C. Tariff Volume	4	Sheet No.	45-45.3
Rule RE: Disconnection for Non-Payment Rate 102	P.S.C. Tariff Volume	4	Sheet No.	50
Residential Service Rate for Employees Rate 102	P.S.C. Tariff Volume	4	Sheet No.	51
Consumer Deposits Rate 106	P.S.C. Tariff Volume	4	Sheet No.	53
Notice to Discontinue Electric Service Rate 107	P.S.C. Tariff Volume	4	Sheet No.	54
Reconnection Fee for Seasonal Customers Rate 108	P.S.C. Tariff Volume	4	Sheet No.	55
Late Payment/Returned Checks Rate 109	P.S.C. Tariff Volume	4	Sheet No.	56
Electric Service Rules & Regulations Rate 110	P.S.C. Tariff Volume	4	Sheet No.	58-58.29
Electric Extension Policy Rate 112	P.S.C. Tariff Volume	4	Sheet No.	60-60.2
Method of Computing Initial or Final Bills Rate 113	P.S.C. Tariff Volume	4	Sheet No.	61
Rules for Application of Service Rate 114	P.S.C. Tariff Volume	4	Sheet No.	62-62.1
Tax Clause Rate 130	P.S.C. Tariff Volume	4	Sheet No.	67
Selective Testing Plan for Watthour Meters Rate 131	P.S.C. Tariff Volume	4	Sheet No.	68-68.2
Rules for Implementing Master Metering Res Rate 133	P.S.C. Tariff Volume	4	Sheet No.	70-70.1
Small Qualifying Facilities General Rules Rate 140	P.S.C. Tariff Volume	4	Sheet No.	74-74.2
	P.S.C. Tariff Volume		Sheet No.	
	P.S.C. Tariff Volume		Sheet No.	
	P.S.C. Tariff Volume		Sheet No.	
	P.S.C. Tariff Volume		Sheet No.	

PUBLIC SERVICE COMMISSION

STATE OF NORTH DAKOTA



In the Matter of the Notice of)
Montana-Dakota Utilities Co.)
For An Electric Rate Change)

Case No. PU-399-03-___

NOTICE

COMES NOW Montana-Dakota Utilities Co. (Montana-Dakota), A Division of MDU Resources Group, Inc., and respectfully submits the following Notice, tariffs and information in support thereof:

I.

Montana-Dakota's full name and post office address is:

Montana-Dakota Utilities Co.,
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

II.

Montana-Dakota is a Division of MDU Resources Group, Inc., a Delaware corporation duly authorized to do business in the state of North Dakota as a foreign corporation. Montana-Dakota is doing business in the state of North Dakota as a public utility.

III.

The Company's Certificate of Incorporation and amendments thereto have been previously filed with the Public Service Commission and such Certificate and amendments are hereby incorporated by reference.

3 PU-399-03-296 Pages: 383
Electric Rate Increase Application
by Montana-Dakota Utilities Co., a Division of MDU R
05/30/2003 CC: Comm Legal Illona, Pat, Jerry Mike

IV.

The following described rate schedules for electric service, copies of which are attached hereto as Appendix A, are currently in effect in the state of North Dakota and are on file with the Commission:

Volume No. 3	Description
Sub. 2nd Revised Sheet No. 1; 3rd Revised Sheet No. 1.1; 1st Revised Sheet No. 1.2	Table of Contents
1st Revised Sheet Nos. 2-2.1	Communities Served
4th Revised Sheet No. 3; 1st Revised Sheet No.3.1	Residential Electric Service Rate 10
5th Revised Sheet No. 4; 2nd Revised Sheet No. 4.1; 1st Revised Sheet No. 4.2	Special Residential Electric Dual Fuel Space Heating Service Rate 11 (Formerly Designated Rate 53)
4th Revised Sheet No. 5; 1st Revised Sheet No. 5.1	Special Residential Electric Thermal Energy Storage Service Rate 13 (Formerly Designated Rate 55)
4th Revised Sheet No. 7; 1st Revised Sheet No. 7.1	Optional Time-of-Day Residential Electric Service Rate 16
4th Revised Sheet No. 10; 1st Revised Sheet No. 10.1	Small General Electric Service Rate 20
5th Revised Sheet No. 11; 1st Revised Sheet No. 11.1; 2nd Revised Sheet No. 11.2	Special General Electric Dual Fuel Space Heating Service Rate 22 (Formerly Designated Rate 54)
4th Revised Sheet No. 12; 1st Revised Sheet Nos. 12.1-12.2	Special General Electric Thermal Energy Storage Service Rate 23 (Formerly Designated Rate 57)
5th Revised Sheet o. 14; 2nd Revised Sheet No. 14.1	Irrigation Power Rate 25
4th Revised Sheet No. 15; 3rd Revised Sheet No. 15.1; 1st Revised Sheet No 15.2	Optional Time-of-Day Small General Electric Service Rate 26
4th Revised Sheet No. 16	Feed Grinding Service Rate 27 (Closed)
4th Revised Sheet No 18; 1st Revised Sheet No. 18.1	Large General Electric Service Rate 30
4th Revised Sheet Nos. 19-19.1; 1st Revised Sheet No. 19.2	Optional Time-of-Day Large General Electric Service Rate 31
2nd Revised Sheet No. 22; 1st Revised Sheet Nos. 22.1-22.2	Firm Service Economic Development Rate 34

4th Revised Sheet No. 24; 1st Revised Sheet Nos. 24.1-24.2	Interruptible Large Power Service Rate 39
4th Revised Sheet No. 25; 1st Revised Sheet No. 25.1	Small Municipal Electric Service Rate 40 (Closed)
4th Revised Sheet No. 26; 3rd Revised Sheet No 26.1	Street Lighting Service Rate 41
4th Revised Sheet No. 32; 1st Revised Sheet No. 32.1	Municipal Pumping Service Rate 48
4th Revised Sheet No. 34	General Electric Water Heating Service Rate 50 (Closed)
4th Revised Sheet No. 36; 1st Revised Sheet No. 36.1	Private Lighting Service Rate 52 (Formerly Designated Rates 24 and 28)
4th Revised Sheet No. 40; 1st Revised Sheet No. 40.1	General Electric Space Heating Service Rate 56 (Closed)
3rd Revised Sheet No. 42	Fuel Clause Rate 58
18th Revised Sheet No. 44; 4th Revised Sheet No. 44.1	Occasional Power Purchase Rate 95 Non-Time Differentiated
17th Revised Sheet No. 45; 14th Revised Sheet Nos. 45.1-45.2; Original Sheet No. 45.3	Parallel Generation Peaking Facility Purchase Rate 96 Time Differentiated
1st Revised Sheet No. 50	Rule Governing Discontinuance of Service for Nonpayment of Bill Rate 101
1st Revised Sheet No. 51	Rate for Residential Electric Service for Permanent Employees of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. and Wholly-owned Subsidiaries Rate 102
1st Revised Sheet No. 53	Consumer Deposits Rate 106
1st Revised Sheet No. 54	Notice to Discontinue Electric Service Rate 107
1st Revised Sheet No. 55	Reconnection Fee for Seasonal or Customers Rate 108
2nd Revised Sheet No. 56	Late Payment Charge/Returned Check Charge Rate 109
Original Sheet Nos. 58-58.33	Electric Service Rules and Regulations Rate 110
1st Revised Sheet Nos. 59-59.1	Rules for Underground Electric Residential Distribution Rate 111
1st Revised Sheet Nos. 60-60.2	Electric Extension Policy Rate 112
1st Revised Sheet No. 61	Method of Computing Initial or Final Bills for Electric Service for Less than a Full Monthly Billing Period Rate 113
2nd Revised Sheet No 62; Original Sheet No. 62.1	Rules for Application of Electric Service Rate 114
1st Revised Sheet No. 67	Tax Clause Rate 130

3rd Revised Sheet Nos. 68-68.1	Selective Testing Plan for Watthour Meters Rate 131
1st Revised Sheet Nos. 70-70.1	Rules and Policies for Implementing Master Metering Restrictions Rate 133
3rd Revised Sheet Nos. 74-74.1; 4th Revised Sheet No. 74.2	Small Qualifying Facilities (SQF) General Rules Rate 140

V.

Montana-Dakota hereby files new rate schedules for electric service to customers served by Montana-Dakota in the State of North Dakota. The following rate schedules set forth in Volume No. 4 are proposed to be effective July 1, 2003, and thereby replace the rate schedules described in the preceding paragraph.

Volume No. 4	Description
Original Sheet Nos. 1-1.1	Table of Contents
Original Sheet No. 2-2.1	Communities Served
Original Sheet No. 3	Residential Electric Service Rate 10
Original Sheet Nos. 4-6	Reserved
Original Sheet Nos. 7-7.1	Optional Time-of-Day Residential Electric Service Rate 16
Original Sheet Nos. 8-9	Reserved
Original Sheet No3. 10-10.1	Small General Electric Service Rate 20
Original Sheet Nos. 11-13	Reserved
Original Sheet No. 14-14.1	Irrigation Power Service Rate 25
Original Sheet No. 15-15.1	Optional Time-of-Day Small General Electric Service Rate 26
Original Sheet Nos. 16-17	Reserved
Original Sheet Nos. 18-18.1	General Electric Service 30
Original Sheet Nos.19-19.2	Optional Time-of-Day General Electric Service Rate 31
Original Sheet Nos. 20-20.1	General Electric Space Heating Service Rate 32
Original Sheet No. 21	Reserved
Original Sheet Nos. 22-22.2	Firm Service Economic Development Rate 34
Original Sheet No. 23	Reserved
Original Sheet Nos. 24-24.2	Interruptible Large Power Service Rate 39
Original Sheet No. 25	Reserved
Original Sheet Nos. 26-26.1	Municipal Lighting Service Rate 41
Original Sheet Nos. 27-31	Reserved
Original Sheet Nos. 32-32.2	Municipal Pumping Service Rate 48

Original Sheet Nos. 33-35	Reserved
Original Sheet Nos. 36-36.1	Outdoor Lighting Service Rate 52
Original Sheet Nos. 37-40	Reserved
Original Sheet Nos. 41-41.1	Margin Credit Adjustment Rate 57
Original Sheet Nos. 42-42.1	Fuel Clause Rate 58
Original Sheet No. 43	Reserved
Original Sheet Nos. 44-44.2	Occasional Power Purchase Non-Time Differentiated Rate 95
Original Sheet Nos. 45-45.3	Parallel Generation Peaking Facility Purchase Time Differentiated Rate 96
Original Sheet Nos. 46-49	Reserved
Original Sheet No. 50	Rule Governing Discontinuance of Service for Nonpayment of Bill Rate 101
Original Sheet No. 51	Residential Electric Service Rate for Permanent Employees Rate 102
Original Sheet No. 52	Reserved
Original Sheet No. 53	Consumer Deposits 106
Original Sheet No. 54	Notice to Discontinue Electric Service Rate 107
Original Sheet No. 55	Reconnection Fee for Seasonal Customers Rate 108
Original Sheet No. 56	Late Payment Charge/Returned Check Charge Rate 109
Original Sheet No. 57	Reserved
Original Sheet No. 58-58.29	Electric Service Rules and Regulations Rate 110
Original Sheet No. 59	Reserved
Original Sheet No. 60-60.2	Electric Extension Policy Rate 112
Original Sheet No. 61	Method of Computing Initial or Final Bills For Electric Service for Less than a Full Monthly Billing Period Rate 113
Original Sheet No. 62-62.1	Rules for Application of Electric Service Rate 114
Original Sheet Nos. 63-66	Reserved
Original Sheet No. 67	Tax Clause Rate 130
Original Sheet No. 68-68.2	Selective Testing Plan for Watthour Meters Rate 131
Original Sheet No. 69	Reserved
Original Sheet No. 70-70.1	Rules and Policies for Implementing Master Metering Restrictions Rate 133
Original Sheet Nos. 71-73	Reserved
Original Sheet No. 74-74.2	Small Qualifying Facilities (SQF) General Rules Rate 140

VI.

In implementing the increased rates and proposed sharing mechanism for the Company's wholesale sales margins as contained herein, Montana-Dakota will receive additional net annual revenues before income taxes of approximately $7,788,565 for retail electric service in North Dakota.

VII.

The increased rates referred to in Paragraph V are filed because existing rate schedules will not allow Montana-Dakota to fully recover the cost of providing electric service to its North Dakota customers. The increased rates will allow recovery of additional investments and costs incurred for new generation resources to meet the needs of Montana-Dakota's customers as well as to recover increased operation and maintenance expenses. The tariff changes also reflect implementation of a sharing mechanism for wholesale electric sales margins. Filed concurrently with this Notice are statements, direct testimony and exhibits of Montana-Dakota's witnesses explaining the need for increased electric rates in North Dakota.

VIII.

Montana-Dakota is in need of increased rates to have the opportunity to earn a fair and reasonable return on its investment devoted to serving its North Dakota electric customers and to assure its customers of continued safe and reliable electric service.

IX.

This Notice is submitted in accordance with Section 49-05-05 of the North Dakota Century Code, and the rules and regulations promulgated by the Public Service Commission of the State of North Dakota.

Dated this 30th day of May, 2003

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

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

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
Substitute 2nd Revised Sheet No. 1
Cancelling 1st Revised Sheet No. 1

TABLE OF CONTENTS

Designation	Title	Sheet No.
	Table of Contents	1-1.2
	Communities Served	2-2.1
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Case No.:

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
3rd Revised Sheet No. 1.1
Cancelling 2nd Revised Sheet No. 1.1

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MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC 1st Revised Volume 3
Sheet No. 1.2
Cancelling _____ Sheet No. _____

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MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group Inc
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 2
Cancelling Vol 1 Orig. Sheet No. 2

COMMUNITIES SERVED
*Designates Division Office

BISMARCK DIVISION
*Bismarck, ND

Almont
Beulah
*Bismarck
Braddock
Burnstad
Carson
Center
Dawson
Driscoll
Elgin
Glen Ullin
Golden Valley
Hague
Hazelton
Hazen
Heil
Judson
Kintrye
Leith
Linton
Mandan
McKenzie
Napoleon
New Leipzig
New Salem
Steele
Sterling
Strasburg
Tappen
Zap

DICKINSON DIVISION
*Dickinson, ND

Beach
Belfield
Bentley
Bowman
Burt
*Dickinson
Dodge
Dunn Center
Gladstone
Halliday
Hebron
Killdeer
Marmath
Mott
New England
Rhame
Regent
Richardton
Sentinel Butte
South Heart
Taylor
Werner

GLENDIVE DIVISION
*Glendive, MT

Cartwright
East Fairview

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MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 2.1
Cancelling Vol 1 Orig. Sheet No. 2.1

COMMUNITIES SERVED

MOBRIDGE DIVISION
*Mobridge, SD

Ashley
Bucyrus
Buffalo Springs
Ellendale
Forbes
Fredonia
Fullerton
Gascoyne
Haynes
Hettinger
Kulm
Lehr
Merricourt
Monango
Reeder
Scranton
Selfridge
Ventura
Wishek
Zeeland

WILLISTON DIVISION
*Williston, ND

Alamo
Alexander
Ambrose
Appam
Arnegard
Aurelia
Battleview
Bowbells
Carpio
Columbus
Corinth
Corteau
Coulee
Crosby
Donnybrook
Epping
Flaxton
Grenora
Hamlet
Hanks
Kenaston
Kenmare
Larson
Lignite
Loraine
McGregor
Mohall
Noonon
Norma
Northgate
Portal
Powers Lake
Rawson
Ray
Ross
Sherwood
Springbrook
Stanley
Temple
Tioga
Tolley
Watford City
Wheelock
White Earth
Wildrose
*Williston
Zahl

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FEB 3 1987
Case No. 1
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Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

RESIDENTIAL ELECTRIC SERVICE Rate 10

AVAILABILITY:

In all communities served for single-phase residential electric service for domestic purposes only.

RATE:

Base Rate: $3.50

Energy Charge:

First	450 Kwh per month	7.022¢ per Kwh
Next	300 Kwh per month	6.622¢ per Kwh
Over	750 Kwh per month	6.022¢ per Kwh

MINIMUM BILL:

Base rate.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

1. Underground Service - Where provided, an additional charge of $1.50 per month for ninety-six monthly periods, totaling $144, will be added to the above rate.

2. Water Heating or Space Heating - Shall be provided where the customer has an approved installation for either water heating or space heating or both.

   a. Specifications for an approved water heating installation under this rate:

      1) The water heating installation shall not be used to supplement any other system of providing hot water service.

RESIDENTIAL ELECTRIC SERVICE Rate 10

SPECIAL TERMS AND CONDITIONS: (Cont.)

2) The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for a nominal voltage of 208, 240 or 277 volt single phase service.

b. Specifications for an approved space heating installation under this rate:

1) Electric space heating and air-conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.

2) All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.

3. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 5 1987
Case No. I
Formal Case No. 10,299

SPECIAL RESIDENTIAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 11
(Formerly Designated Rate 53)

AVAILABILITY:

In all communities served for single-phase residential electric service customers who operate Company approved interruptible electric space heating equipment so arranged to allow remote operation by the Company. The customer's primary source of space heating shall be the electric portion of a dual fuel heating system. The customer shall be responsible for providing a secondary source of space heating. Customers taking dual fuel space heating service under this rate will also be eligible to receive controlled electric water heating service hereunder. Heat pump space heating equipment can only be served under this rate if a Company approved automatic transfer switch is installed to ensure energy used for non-heating (cooling) purposes is provided and metered under the applicable firm service rate and the heat pump is interrupted under the same criteria as defined for space heating equipment. The customer must also receive electric service from the Company under another rate.

TYPE OF SERVICE:

Service shall be provided through a separate meter serving space heating and water heating facilities with no provision for connecting other loads thereto. The customer's dual fuel system controls, circulating fans, pumps, heat pumps and any alternate fuel related equipment shall be served as firm load. Heat pump space heating equipment may be served under this rate only if it can be controlled by the Company and a Company approved automatic transfer switch is used to ensure non-heating (cooling) energy is served under the applicable firm service rate. Unless otherwise specified by the Company, the point of delivery and service voltage for this service shall be the same as for customer's other electric service.

RATE:

Base Rate:	$6.15 per month
Energy Charge:	3.265¢ per Kwh

MINIMUM BILL:

Base rate.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL RESIDENTIAL ELECTRIC DUAL SPACE HEATING SERVICE Rate 11
(Formerly Designated Rate 53)

CONTRACT TERMS:

Customer agrees to contract for service under the Special Residential Electric Dual Fuel Space Heating Service Rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special Residential Electric Dual Fuel Space Heating Service Rate or of returning to the regular Residential Electric Service Rate or Optional Time-of-Day Residential Electric Service Rate.

SPECIAL TERMS AND CONDITIONS:

1. Electric space heating and water heating equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, single phase, shall be separately metered and separately circuited, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.

2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.

3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of customer's switch or circuit breaker by Company. The customer must wire the trip and close circuits into a connection point designated by Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system. If using a heat pump under this rate, the customer must install a Company approved automatic transfer switch to ensure energy used for non-heating (cooling) purposes is served under the applicable firm service rate.

4. The Company recommends that the installed capacity of electric water heating equipment be sufficient to provide the required volume of hot water giving consideration to the interruptions to be experienced as hereinafter discussed, to permit maximum utilization of the rate for the benefit of the customer.

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 4.2
Cancelling Vol 1 2nd Rev Sheet No. 23.2

SPECIAL RESIDENTIAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 11
(Formerly Designated Rate 53)

SPECIAL TERMS AND CONDITIONS: (Cont.)

5. Natural gas shall not be used in the secondary heating system.

6. During the heating season, interruption of space heating equipment will occur when the outside air temperature is below 0°F, between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.

7. Electric water heating equipment will experience interruptions between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.

8. The Company shall not be liable for loss or damage caused by interruption of service.

9. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
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Case No.: _____

SPECIAL RESIDENTIAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 13
(Formerly Designated Rate 55)

AVAILABILITY:

In all communities served for single-phase residential electric service customers who operate Company approved thermal energy storage facilities for the purpose of utilizing off-peak electric energy for space conditioning. The customer must also receive electric service from the Company under another rate.

TYPE OF SERVICE:

Service shall be provided through a separate meter serving only the space conditioning facilities with no provision for connecting other loads thereto. Unless otherwise specified by the Company, the point of delivery and the service voltage for this service shall be the same as for the customer's other electric service.

RATE:

Base Rate:	$5.50
Energy Rate:	2.972¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday. For all Kwh usage outside of the above designated hours, an energy charge of 11.133¢ per Kwh will apply.

MINIMUM BILL:

Base Rate.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 5.1
Cancelling Vol 1 Orig. Sheet No. 25.1

SPECIAL RESIDENTIAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 13
(Formerly Designated Rate 55)

FUEL CLAUSE:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

CONTRACT TERMS:
Customer agrees to contract for service under the Special Residential Electric Thermal Energy Storage Service rate for a minimum period of one year. At the end of a one-year period, the customer shall have the option of remaining under the Special Residential Electric Thermal Energy Storage Service rate or of returning to the regular Residential Electric Service rate or Optional Time-of-Day Residential Electric Service rate.

SPECIAL TERMS AND CONDITIONS:

1. Specifications for an approved space conditioning installation under this rate:

   a. Electric space conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts single phase, shall be separately metered and separately circuited and shall be permanently installed.

   b. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for space conditioning to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.

   c. Under this rate, at the customers option, a load control device can be installed to automatically turn off and on the electricity during the on and off-peak periods respectively. For this service, a monthly charge of $0.50 will be imposed to cover the cost of the load control device.

2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
Sheet No. 6
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(RESERVED FOR FUTURE USE)

APPROVED PSC N. DAK.
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Case No. 1
Formal Case No. 10,299

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Case No.: _____

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

AVAILABILITY:

In all communities served for single-phase residential electric service. The customer's wiring must be so arranged that all service can be measured through one meter.

RATE:

Base Rate: $5.50

On-Peak Energy: 13.034¢ per Kwh for all Kwh's used during peak hours designated as 9 a.m. to 9 p.m. local time, Monday through Friday.

Off-Peak Energy: 2.755¢ per Kwh for all Kwh's not covered by the On-Peak rating period. All usage on Saturday and Sunday will be billed at the Off-Peak rate.

MINIMUM BILL:

Base rate.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

CONTRACT TERMS:

Customer agrees to contract for service under the Optional Time-of-Day Residential Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Residential Electric Service rate or of returning to the regular Residential Electric Service rate.

SPECIAL TERMS AND CONDITIONS:

1. Underground Service - Where provided, an additional charge of $1.50 per month for ninety-six monthly periods, totaling $144, will be added to the above rate.

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 7.1
Cancelling Vol 1 1st Rev Sheet No. 4.1 & 4.2

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

SPECIAL TERMS AND CONDITIONS: (Cont.)

2. Water Heating or Space Heating - Shall be provided where the customer has an approved installation for either water heating or space heating or both.

   a. Specifications for an approved water heating installation under this rate:

      1) The water heating installation shall not be used to supplement any other system of providing hot water service.

      2) The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for a nominal voltage of 208, 240 or 277 volt single phase service.

   b. Specifications for an approved space heating installation under this rate:

      1) Electric space heating and air-conditioning equipment shall be designed to operate at 208, 240 or 277 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.

      2) All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.

3. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 3 1987
Case No. I-
Formal Case No. 10,799

Date Filed: January 29, 1987 Effective Date: _____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

	NDPSC	**Volume**	3
	4th Revised	**Sheet No.**	10
Cancelling	3rd Revised	**Sheet No.**	10

SMALL GENERAL ELECTRIC SERVICE Rate 20

AVAILABILITY:

In all communities served for all types of general electric service with billing demands of 50 Kilowatts or less except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be so arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

RATE:

Base Rate: $12.00

Demand Charge:

First	10 Kw or less of billing demand	No Charge
Over	10 Kw per month of billing demand	$5.25 per Kw

Energy Charge:

First	2,000 Kwh per month	7.646¢ per Kwh
Next	8,000 Kwh per month	5.746¢ per Kwh
Over	10,000 Kwh per month	5.246¢ per Kwh

MINIMUM BILL:

Base Rate plus Demand Charge.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

DETERMINATION OF BILLING DEMAND:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

SMALL GENERAL ELECTRIC SERVICE Rate 20

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

DISCOUNT FOR PRIMARY SERVICE:

A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

1. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 3 1987
Case No. I
Formal Case No. 10,799

SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22
(Formerly Designated Rate 54)

AVAILABILITY:

In all communities served for small and large general electric service customers as defined in the availability section of Small General Electric Service Rate 20 and Large General Electric Service Rate 30 who operate Company approved interruptible electric space heating equipment so arranged to allow remote operation by the Company. The customer's primary source of space heating shall be the electric portion of a dual fuel heating system. The customer shall be responsible for providing a secondary source of space heating. Customers taking dual fuel space heating service under this rate will also be eligible to receive controlled electric water heating service hereunder. Heat pump space heating equipment can only be served under this rate if a Company approved automatic transfer switch is installed to ensure energy used for non-heating (cooling) purposes is provided and metered under the applicable firm service rate and the heat pump is interrupted under the same criteria as defined for space heating equipment. Domestic electric water heating may be served under the provisions of this Rate Schedule. The customer must also receive electric service from the Company under another rate.

TYPE OF SERVICE:

Service shall be provided through a separate meter serving space heating and water heating facilities with no provision for connecting other loads thereto. The customer's dual fuel system controls, circulating fans and pumps and all other alternate fuel related equipment shall be served as firm load. Heat pump space heating equipment may be served under this rate only if it can be controlled by the Company and a Company approved automatic transfer switch is used to ensure non-heating (cooling) energy is served under the applicable firm service rate. Unless otherwise specified by the Company, the point of delivery and service voltage for this service shall be the same as for the customer's other electric service.

RATE:

Base Rate:

Single Phase	$ 7.65
Three Phase	$12.70

Energy charge for Service at Primary Voltage:	3.112¢ per Kwh
Energy charge for Service at Secondary Voltage:	3.279¢ per Kwh

MINIMUM BILL:

Base rate.

SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22
(Formerly Designated Rate 54)

PAYMENT:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

POWER FACTOR CLAUSE:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute intergrated reactive kilowatt amperes in excess of 50% of the maximum 15 minute intergrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

PRIMARY SERVICE:
Primary service shall be defined as those customers providing their own transformers, related equipment, and distribution facilities downstream of the meter satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.

CONTRACT TERMS:
Customer agrees to contract for service under the Special General Electric Dual Fuel Space Heating Service Rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special General Electric Dual Fuel Space Heating Service Rate or of returning to the applicable regular General Electric Service Rate or applicable Optional Time-of-Day General Electric Service Rate.

SPECIAL TERMS AND CONDITIONS:
1. Electric space heating equipment shall be designed to operate at a nominal voltage of 208, 240, 277, or 480 volts, shall be separately metered and separately circuited, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.

APPROVED PSC N. DAK.
FEB 3 1987

SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22
(Formerly Designated Rate 54)

SPECIAL TERMS AND CONDITIONS: (Cont.)

2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.

3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of customer's switch or circuit breaker by Company. Customer must wire the trip and close circuits into a connection point designated by Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system. If using a heat pump under this rate, the customer must install a Company approved automatic transfer switch to ensure energy used for non-heating (cooling) purposes is served under the applicable firm service rate.

4. The Company recommends that the installed capacity of electric water heating equipment be sufficient to provide the required volume of hot water giving consideration to the interruptions to be experienced as hereinafter discussed, to permit maximum utilization of the rate for the benefit of the customer.

5. Natural gas shall not be used in the secondary heating system.

6. During the heating season, interruption will occur when the outside air temperature is below 0° F, between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.

7. Electric water heating equipment will experience interruptions between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.

8. The Company shall not be liable for loss or damage caused by interruption of service.

9. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23
(Formerly Designated Rate 57)

AVAILABILITY:
In all communities served for general electric service customers who operate Company approved thermal energy storage facilities for the purpose of utilizing off-peak electric energy for space conditioning. The customer must also receive electric service from the Company under another rate.

TYPE OF SERVICE:
Service shall be provided through a separate meter serving only the space conditioning facilities with no provision for connecting other loads thereto. Unless otherwise specified by the Company, the point of delivery and the service voltage for this service shall be the same as for the customer's other electric service.

RATE:
Base Rate:

Single Phase	$ 7.80
Three Phase	$10.50

Energy Charge for Service at Primary Voltage:
3.146¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday.

For all Kwh usage outside of the above designated hours, an energy rate of 9.646¢ per Kwh will apply.

Energy Charge for Service at Secondary Voltage:
3.184¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday.

For all Kwh usage outside of the above designated hours, an energy rate of 10.122¢ per Kwh will apply.

MINIMUM BILL:
Base Rate.

SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23
(Formerly Designated Rate 57)

PAYMENT:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

POWER FACTOR CLAUSE:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

PRIMARY SERVICE:
Primary service shall be defined as those customers providing their own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.

CONTRACT TERMS:
Customer agrees to contract for service under the Special General Electric Thermal Energy Storage Service rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special General Electric Thermal Energy Storage Service rate or of returning to the applicable regular General Electric Service rate or the applicable Optional Time-of-Day General Electric Service rate.

APPROVED PSC N. DAK.
FEB 3 1987
Case No. F-
Formal Case No. 10,299

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 12.2
Cancelling Vol 1 Orig. Sheet No. 26.2

SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23
(Formerly Designated Rate 57)

SPECIAL TERMS AND CONDITIONS:

1. Specifications for an approved space conditioning installation under this rate:

   a. Electric space conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, shall be separately metered and separately circuited and shall be permanently installed.

   b. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for space conditioning to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.

   c. Under this rate, at the customers option, a load control device can be installed to automatically turn off and on the electricity during the on and off-peak periods respectively. For this service, a monthly charge of $0.50 will be imposed to cover the cost of the load control device.

2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 3 1987
Case No. 1
Former Case No. 10,299

Date Filed: January 29, 1987 Effective Date: _____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

IRRIGATION POWER SERVICE Rate 25

AVAILABILITY:

For irrigation power where facilities therefor are located adjacent to the Company's three-phase lines for power and incidental lighting service provided the Company has sufficient available capacity.

RATE:

Demand Charge:

$2.00 per month per horsepower of connected load.

Energy Charge:

3.011¢ per Kwh.

MINIMUM SEASONAL CHARGE:

$19.03 per horsepower of connected load, based on the maximum horsepower connected during the season, but not less than $190.30. If the total seasonal bill through the month of August is less than $19.03 per horsepower of connected load, one-half of the deficiency will be billed in September and the balance in October.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

IRRIGATION POWER SERVICE Rate 25

DETERMINATION OF CONNECTED LOAD:

The Company shall determine the connected horsepower by nameplate rating of the motors, or at its option by testing under conditions of maximum operating load.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

1. Individual motors having a rating in excess of 10 horsepower must be three-phase. All wiring and other facilities beyond the point of metering shall be owned, operated, and maintained by the customer.

2. Service shall be available during the irrigation season defined as the months of April, May, June, July, and August. The irrigation season, as previously defined, may be extended not more than 60 days, in which case the monthly demand charges shall apply and the Minimum Seasonal Charge shall be increased proportionately.

3. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED NORTH DAKOTA
PUBLIC SERVICE COMMISSION
1989
CASE NO. PU-399-89-488

Date Filed: November 1, 1989 Effective Date: November 21, 1989

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs & General Services

Case No.: _____

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

AVAILABILITY:

In all communities served for all types of general electric service with billing demands of 50 Kilowatts or less except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

RATE:

Base Rate:

Single Phase	$13.50
Three Phase	$14.00

Demand Charge for Service at Primary Voltage:

On-Peak Demand Charge:

First 10 Kw or less of billing demand	No Charge
Over 10 Kw per month of billing demand	$5.00 per Kw

Off-Peak Demand Charge:

In excess of the greater of 10 Kw or of the on-peak demand	$1.90 per Kw

Demand Charge for Service at Secondary Voltage:

On-Peak Demand Charge:

First 10 Kw or less of billing demand	No Charge
Over 10 Kw per month of billing demand	$5.25 per Kw

Off-Peak Demand Charge:

In excess of the greater of 10 Kw or of the on-peak demand	$2.00 per Kw

Energy Charge for Service at Primary Voltage:

On-Peak Energy Charge:

9.391¢ per Kwh for all Kwh's used during peak hours designated as 9 a.m. to 9 p.m. local time, Monday through Friday.

Off-Peak Energy Charge:

2.530¢ per Kwh for all Kwh's not covered by the On-Peak rating period. All usage on Saturday and Sunday will be billed at Off-Peak rate.

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

RATE: (Cont.)

Energy Charge for Service at Secondary Voltage:

On-Peak Energy Charge:

9.951¢ per Kwh for all Kwh's used during peak hours designated as 9 a.m. to 9 p.m. local time, Monday through Friday.

Off-Peak Energy Charge:

2.728¢ per Kwh for all Kwh's not covered by the On-Peak rating period. All usage on Saturday and Sunday will be billed at Off-Peak rate.

MINIMUM BILL:

Base Rate plus Demand Charge.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

DETERMINATION OF ON-PEAK BILLING DEMAND:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

DETERMINATION OF OFF-PEAK BILLING DEMAND:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the off-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

...R. DAK.
10/1/99

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 15.2
Cancelling Vol 1 2nd Rev Sheet No. 9.2

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

PRIMARY SERVICE:

Primary service shall be defined as those customer's providing their own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.

CONTRACT TERMS:

Customer agrees to contract for service under the Optional Time-of-Day Small General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Small General Electric Service rate or of returning to the regular Small General Electric Service rate.

SPECIAL TERMS AND CONDITIONS:

1. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 3 1987
Case No. I-
Formal Case No. 799

Date Filed: January 29, 1987 Effective Date: _____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

FEED GRINDING SERVICE Rate 27
(Closed)

AVAILABILITY:

For customers doing a custom feed grinding business for the operation of feed grinding equipment. No operation will be allowed between the hours of one-half hour before sunset and 10:00 o'clock p.m. under this schedule. No other load shall be included under this schedule.

The rate is restricted to feed grinding customers who were served under this rate prior to January 27, 1987. Any new feed grinding service will be served under the applicable general electric service rate.

RATE:

First	2,000 Kwh per month	7.922¢ per Kwh
Over	2,000 Kwh per month	5.922¢ per Kwh

MINIMUM BILL:

$1.70 per horsepower for first 5 horsepower of connected load; 35¢ per horsepower of connected load in excess of 5 horsepower; but not less than $17.25.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
4th Revised Sheet No. 18
Cancelling 3rd Revised Sheet No. 18

LARGE GENERAL ELECTRIC SERVICE Rate 30

AVAILABILITY:

In all communities served for all types of general electric service exceeding 50 Kilowatts of billing demand except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

RATE:

Base Rate: $15.00

Demand Charge: $5.25 per Kw of billing demand.

Energy Charge:

First	2,000 Kwh per month	6.275¢ per Kwh
Next	8,000 Kwh per month	4.975¢ per Kwh
Over	10,000 Kwh per month	4.375¢ per Kwh

MINIMUM BILL:

Base Rate plus Demand Charge.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

DETERMINATION OF BILLING DEMAND:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 50 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st revised Sheet No. 18.1
Cancelling _____ Sheet No. _____

LARGE GENERAL ELECTRIC SERVICE Rate 30

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

DISCOUNT FOR PRIMARY SERVICE:

A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

1. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB [illegible] 1987
Case No. [illegible]
Formal Order No. 10799

Date Filed: January 29, 1987 Effective Date: _____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

OPTIONAL TIME-OF-DAY LARGE GENERAL ELECTRIC SERVICE Rate 31

AVAILABILITY:

In all communities served for all types of general electric service exceeding 50 Kilowatts of billing demand except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

RATE:

Base Rate: $17.00

Demand Charge for Service at Primary Voltage:

On-Peak Demand Charge:

$5.00 per Kw of billing demand

Off-Peak Demand Charge:

$1.90 per Kw in excess of the on-peak billing demand

Demand Charge for Service at Secondary Voltage:

On-Peak Demand Charge:

$5.25 per Kw of billing demand

Off-Peak Demand Charge:

$2.00 per Kw in excess of the on-peak billing demand

Energy Charge for Service at Primary Voltage:

On-Peak Energy Charge:

8.355¢ per Kwh for all Kwh's used during peak hours designated as 9 a.m. to 9 p.m. local time, Monday through Friday.

Off-Peak Energy Charge:

2.836¢ per Kwh for all Kwh's not covered by the On-Peak rating period. All usage on Saturday and Sunday will be billed at Off-Peak rate.

Energy Charge for Service at Secondary Voltage:

On-Peak Energy Charge:

8.798¢ per Kwh for all Kwh's used during peak hours designated as 9 a.m. to 9 p.m. local time, Monday through Friday.

OPTIONAL TIME-OF-DAY LARGE GENERAL ELECTRIC SERVICE Rate 31

RATE: (Cont.)
Off-Peak Energy Charge:
2.989¢ per Kwh for all Kwh's not covered by the On-Peak rating period.
All usage on Saturday and Sunday will be billed at Off-Peak rate.

MINIMUM BILL:
Base Rate plus Demand Charge.

PAYMENT:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

DETERMINATION OF ON-PEAK BILLING DEMAND:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

DETERMINATION OF OFF-PEAK BILLING DEMAND:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the off-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

POWER FACTOR CLAUSE:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

OPTIONAL TIME-OF-DAY LARGE GENERAL ELECTRIC SERVICE Rate 31

PRIMARY SERVICE:

Primary service shall be defined as those customer's providing their own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.

CONTRACT TERMS:

Customer agrees to contract for service under the Optional Time-of-Day Large General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Large General Electric Service rate or of returning to the regular Large General Electric Service rate.

SPECIAL TERMS AND CONDITIONS:

1. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 3 1987
Case No. F-10,799
Former Case No.

Date Filed: January 29, 1987 Effective Date: _____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

FIRM SERVICE ECONOMIC DEVELOPMENT - RATE 34

AVAILABILITY:

In all communities served for all types of general electric service which meets one of the following qualifications:

A) New Customers - An applicant with total expected demand of 200 Kw per month and usage of 750,000 Kwh per year is eligible for service under this rate if it can meet any one of the following requirements: (i) its activities are largely or entirely different than that of the previous customer; (ii) that non-seasonal business has not been conducted at the premise for at least three billing periods prior to the application; (iii) that seasonal business has not been conducted at the premise for at least thirteen billing periods prior to the application; or (iv) the facility is newly constructed.

B) Existing Customers and Existing In-state Customers of Competing Suppliers - An existing customer, or an existing in-state customer of a competing supplier with increased demand of 200 Kw per month and increased usage of 750,000 Kwh per year is eligible for service under this rate. Only the expanded portion of the facility will be eligible for the negotiated rate. In addition, the new load must be supplied from a separately metered circuit with separate metering equipment to be installed at the customer's expense. Average usage at the original facility must be at least as great as that which occurred in the previous 12 month period.

RATE:

Base Rate: $15.00 per month

Demand Charge: $5.25 per Kw of billing demand

Energy Charge: Customer shall pay a negotiated rate not more than the ceiling or less than the floor as specified below.

Ceiling	Floor
4.519¢ per Kwh	2.598¢ per Kwh

MINIMUM BILL:

Base Rate plus Demand Charge.

FIRM SERVICE ECONOMIC DEVELOPMENT - RATE 34

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

RIGHT TO DISCONTINUE SERVICE:

The Company reserves the right to refuse applicants who have not previously signed a contract for service under this rate if it determines either system capacity or system energy supply is projected to be insufficient, or if service reliability is expected to be at jeopardy.

DETERMINATION OF BILLING DEMAND:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

SPECIAL TERMS AND CONDITIONS:

1. The customer and the Company shall execute a contract for service to be effective under this rate for a period of five years from the date of service commencement.

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 22.2
Cancelling Original Sheet No. 22.2

FIRM SERVICE ECONOMIC DEVELOPMENT - RATE 34

SPECIAL TERMS AND CONDITIONS: (Continued)

2. The negotiated energy charge shall be increased according to the differential between the negotiated rate and the ceiling as portrayed by the following schedule.

Years	Differential Percent Decrease
1-3	0%
4	25%
5	50%

At the end of the fifth year, the negotiated agreement hereunder expires.

3. Upon expiration of the contract, the customer shall be served under the otherwise applicable rate schedule.

4. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

5. The foregoing schedule is subject to Rates 101 through 133 and any amendments or alternations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: May 31, 1996 Effective Date: July 17, 1996

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs & General Services

Case No.: PU-399-96-237

INTERRUPTIBLE LARGE POWER SERVICE Rate 39

AVAILABILITY:

In all communities served for power to customers having a demand of 200 Kw or more for its interruptible load. Electric energy for the interruptible load shall be supplied through a separately metered circuit at the same voltage and phase utilized to serve the balance of the customer's electrical load so arranged to allow remote operation by the Company.

TYPE OF SERVICE:

Service under this rate shall be taken by the customer at whatever primary voltage is available at the point of delivery but not less than 2,400 volts. In the event that it is necessary to build a substation on the Company's transmission line to serve the customer, the cost of building the substation shall be a matter of negotiation between the Company and the customer.

RATE:

Base Rate:	Specified in the electric service agreement with the Company.
Demand Charge:	$1.70 per Kw of billing demand
Energy Charge:	3.111¢ per Kwh

MINIMUM BILL:

Base Rate plus the Demand Charge (200 Kw minimum).

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

DETERMINATION OF BILLING DEMAND:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

INTERRUPTIBLE LARGE POWER SERVICE Rate 39

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

1. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and monthly Base Rate payments to the Company. The monthly Base Rate payments are determined on a customer by customer basis and shall include, but are not limited to, any additional costs incurred by Company for facilities, such as substations, electric lines, meters, switching devices, and circuit breakers that are necessary to provide service under this rate.

2. All equipment associated with the interruptible load must be of such voltage and electrical characteristics that it can be separately metered and served from the circuit provided for the interruptible portion of the customer's load. If the equipment to be served is such that this is impossible, the customer must either make special arrangements with the Company or furnish the necessary equipment suitable for connection and metering to the circuit for the interruptible portion of the load.

3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of the customer's switch or circuit breaker by Company. Customer must wire the trip and close circuits into a connection point designated by the Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system.

APPROVED PSC N. DAK.
FEB 5 1987
Case No. 5
Record Order No. 16,799

Date Filed: January 29, 1987 Effective Date:

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.:

INTERRUPTIBLE LARGE POWER SERVICE Rate 39

SPECIAL TERMS AND CONDITIONS: (Cont.)

4. The duration and frequency of interruptions shall be at the sole discretion of the Company.

5. The Company shall not be liable for any loss or damage caused by or resulting from any interruption of service.

6. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 5 1987
Case No. I-
Docket/Case No. 10,299

Date Filed: January 29, 1987 Effective Date: _____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

SMALL MUNICIPAL ELECTRIC SERVICE Rate 40
(Closed)

AVAILABILITY:

For all lighting and power requirements with billing demands of 50 kilowatts or less for public buildings or locations supported by public tax levies, and for which the city is liable for payment, in all municipalities served where the Company is operating under a municipal franchise or permit, and the municipality has a standard contract for operation of a street lighting system and/or a municipal pumping system with the Company.

This rate is restricted to small municipal electric service customers who were served under this rate prior to January 27, 1987. Any new small municipal general electric service customer may take service under another applicable rate.

RATE:

Base Rate: $12.00

Demand Charge:

First	10 Kw or less of billing demand	No charge
Over	10 Kw per month of billing demand	$5.25 per Kw

Energy Charge:

First	2,000 Kwh per month	5.314¢ per Kwh
Next	8,000 Kwh per month	3.814¢ per Kwh
Over	10,000 Kwh per month	3.314¢ per Kwh

MINIMUM BILL:

Base Rate plus Demand Charge.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

DETERMINATION OF BILLING DEMAND:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 25.1
Cancelling _____ Sheet No. _____

SMALL MUNICIPAL ELECTRIC SERVICE Rate 40
(Closed)

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

The foregoing schedule is subject to Rule No. 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 8 1987
Case No. 3
Formal Case No. 10,199

Date Filed: January 29, 1987 Effective Date: _____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
4th Revised Sheet No. 26
Cancelling 3rd Revised Sheet No. 26

STREET LIGHTING SERVICE Rate 41

AVAILABILITY:

For street lighting purposes including streets, alleys and other public grounds to either company-owned or municipally-owned street lighting systems. Service will be provided all night, every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

RATE:

6.862¢ per Kwh computed according to the total rated capacity of the lamps in use.

Special discount:

For contracts of less than three years	None
For contracts of three years or more	1% times the total number of years of the contract
Maximum discount	10%

MINIMUM BILL:

As provided in contract.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

DISCOUNT FOR PRIMARY SERVICE:

A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities down-stream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
3rd Revised Sheet No. 26.1
Cancelling 2nd Revised Sheet No. 26.1

STREET LIGHTING SERVICE Rate 41

SPECIAL TERMS AND CONDITIONS:

1. The Company will maintain the facilities and change the light bulbs when notified by the municipality that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of employees of the municipality. In case of vandalism, malicious mischief, or willful negligence the Company will charge the municipality for the cost of repair and replacement.

2. The rate charged to municipally-owned street lighting systems shall be the above tariffed rate less .344¢ per Kwh.

3. In municipally-owned street lighting systems, an additional charge will be made to cover lamp replacements, materials and labor whenever such services are supplied by the Company.

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

5. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

DAK.

10,199

Date Filed: December 29, 1988

Effective Date: For bills rendered on and after January 1, 1989

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs & General Services

Case No.: _____

MUNICIPAL PUMPING SERVICE Rate 48

AVAILABILITY:

Municipal pumping purposes only and provided the municipality uses electricity exclusively for all its pumping requirements and purchases all such electricity from the Company. The municipality must sign a contract for a minimum period of one year.

RATE:

Base Rate: $13.00

Demand Charge:

On connected loads of 10 Kw or less, a demand charge of $2.25 per Kw of connected load; on connected loads in excess of 10 Kw, demand charge of $2.25 per Kw of demand based upon the highest 15 minute interval demand as registered upon a demand meter during the month covered by the billing period but in no event less than $22.50.

Energy Charge: 4.368¢ per Kwh

Special discount:

For contracts of less than three years	None
For contracts of three years or more	1% times the total number of years of the contract
Maximum Discount	10%

MINIMUM BILL:

Base Rate plus Demand Charge.

PAYMENT:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

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Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC 1st Revised Volume 3
Sheet No. 32.1
Cancelling Vol 1 1st Rev Sheet No. 17.1

MUNICIPAL PUMPING SERVICE Rate 48

POWER FACTOR CLAUSE:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.

DISCOUNT FOR PRIMARY SERVICE:

A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.

FUEL CLAUSE:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 3 1987
Case No. I
Formal Case No. 16,799

Date Filed: January 29, 1987 Effective Date:

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.:

GENERAL ELECTRIC WATER HEATING SERVICE Rate 50
(Closed)

AVAILABILITY:
In all communities served. The customer must also receive electric service from the Company under another rate.

This rate is restricted to general electric service customers who were served under this rate prior to July 1, 1977 or under Rate 51 prior to January 27, 1987. Any residential customer or new general service customer may take water heating service under another applicable rate.

RATE:
Base Rate: $2.00

Energy Charge: 5.118¢ per Kwh

MINIMUM BILL:
Base Rate.

PAYMENT:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:
1. To qualify for service under this schedule, the installation must consist of a separate circuit of approved conduit or metal armored cable construction so that this service may be separately metered.

2. The foregoing schedule is subject to Rate 130 and any amend-ments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

PRIVATE LIGHTING SERVICE Rate 52
(Formerly Designated Rates 24 and 28)

AVAILABILITY:
Company-owned flood light units and metallic vapor yard lights in all communities served.

RATE:
7.752¢ per Kwh computed according to the total rated capacity of the units in use.

PAYMENT:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

1. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dust to dawn.

2. The light may be mounted on existing poles owned or controlled by the Company. The Company will furnish a 35 foot pole(s) for flood lights and a 30 foot pole(s) for yard light(s) at the customer's request at a separate rental rate if a special setting is required. If the customer chooses, the light may be installed on a pole owned by the customer or other mounting point suitable for installation of the light. The conductors will be extended 100 feet per unit free of charge, but the customer shall pay for the extra cost of extensions of more than 100 feet per unit.

3. To the rate stated herein, bulb replacement and ownership costs for the units shall be added. The customer should consult with the Company for such costs.

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC 1st Revised Volume 3, Sheet No. 36.1
Cancelling Vol 1 Orig. Sheet No. 7.1

PRIVATE LIGHTING SERVICE Rate 52
(Formerly Designated Rates 24 and 28)

SPECIAL TERMS AND CONDITIONS: (Cont.)

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

   Metallic vapor ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

5. The Company will maintain the facilities and change the light bulbs when notified by the customer that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of customer. In case of vandalism, malicious mischief, or willful negligence the Company, will charge the customer for the cost of repair and replacement.

6. Customer will be served only by contract and for a minimum period of two years.

7. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 8 1987
Case No.
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Date Filed: January 29, 1987 Effective Date:

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.:

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
4th Revised Sheet No. 40
Cancelling 3rd Revised Sheet No. 40

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 56
(Closed)

AVAILABILITY:
In all communities served for any general electric service customer for space heating, where the customer also takes service under another rate. Air-conditioning and water heating may also be taken in conjunction with space heating under this rate, but no other load will be allowed on this rate.

This rate is restricted to general electric service customers who were served under this rate prior to January 27, 1987. Any residential customer or new general electric service customer may take space heating service under another applicable rate.

RATE:
Base Rate: $2.00

Energy Charge: 5.850¢ per Kwh

MINIMUM BILL:
Base Rate.

PAYMENT:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

FUEL CLAUSE:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:
1. Electric space heating and air-conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, shall be separately metered and separately circuited, shall be permanently installed, and the electric heating equipment shall be the primary source of space heating.

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400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 40.1
Cancelling Vol 1 Orig. Sheet No. 21.1

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 56
(Closed)

SPECIAL TERMS AND CONDITIONS: (Cont.)

2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.

3. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

APPROVED PSC N. DAK.
FEB 3 1987
Order No. 16,799

Date Filed: January 29, 1987 Effective Date: _____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: _____

FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .001¢ (one thousandth of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be 1.554¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent four month period plus unrecovered (or less over-recovered) prior cumulative energy costs:

1. The cost of fossil and other fuels, including but not limited to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fuel consumed in jointly owned generating stations as recorded in Account 151.

2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:

   a. Energy that is purchased on an economic dispatch basis;

   b. Energy purchased from a renewable energy source, including but not limited to hydropower, wood, windpower, and biomass;

3. The actual identifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above, less;

4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent four month period as herein defined.

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent four month period for which actual cost data is available. The company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent four month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

OCCASIONAL POWER PURCHASE RATE 95
NON-TIME DIFFERENTIATED

AVAILABILITY:

To any qualifying cogeneration and small power production 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 (QF) as defined under 18 CFR, Part 292.

RATE:

Metering charge for single phase service:	$ 1.25 per month
With instrument transformers:	$ 5.00 per month
Metering charge for three phase service:	$ 5.10 per month
With instrument transformers:	$10.75 per month

Energy delivered to and accepted by Company by a QF shall be paid for by Company in accordance with one of the following two options, elected by the QF:

1. Simultaneous Purchase and Sale:

Energy sales to QF - 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 electric service, etc.) that is currently on file with the Commission.

Capacity and energy purchases by Company:

Energy Payment = 1.462¢ per Kwh
Capacity Payment = $0 per Kw

2. Net Billing:

Energy generated will be compensated on a net billing basis. Company will install a meter to measure the energy generated by the QF. The Company will also install a meter to measure the energy consumed by the QF. Metered generation will be subtracted from the metered consumption for the billing period.

If metered generation is less than metered consumption, the QF will be billed the applicable retail rate. If metered generation is greater than the metered consumption, the QF will be paid for each Kwh an amount equal to:

1.462¢ per Kwh

OCCASIONAL POWER PURCHASE RATE 95
NON-TIME DIFFERENTIATED

SPECIAL TERMS AND CONDITIONS:

1. Change of Rates: This schedule 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 at least one year but less than five years.

5. In order to qualify for the net billing option, the generating equipment and the load of the facility must be located at the same "physical site". "Physical site" shall mean on the same tract of land and the generator output must be physically connected to the load service entrance.

6. For general terms and conditions covering QF's, see Rate 140.

7. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

APPROVED NORTH DAKOTA
PUBLIC SERVICE COMMISSION
JAN 14 1992
CASE NO. PU-399-91-475

Date Filed: August 1, 1991 Effective Date: January 14, 1992

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs & General Services

Case No.:

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

	NDPSC	Volume	3
	17th Revised	Sheet No.	45
Cancelling	16th Revised	Sheet No.	45

PARALLEL GENERATION PEAKING FACILITY PURCHASE Rate 96
TIME DIFFERENTIATED

AVAILABILITY:

To any qualifying cogeneration and small power production facilities for the purpose of generating 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 1000 Kw or less, that operate as a peaking facility (defined below), and are Qualifying Facilities (QF) as defined under 18 CFR, Part 292.

I. FACILITIES CAPABLE OF PROVIDING DISPATCHABLE CAPACITY AT THE TIME OF COMPANY'S SUMMER PEAK

RATE:

Metering charge for single phase service:	$ 4.75 per month
With instrument transformers:	$ 9.10 per month
Metering charge for three phase service:	$10.45 per month
With instrument transformers:	$16.95 per month

1. Capacity delivered to the Company:

QF has the option of one of two methods of payment for capacity:

a. Actual avoided costs at the time of delivery, or

b. Levelized payment for term of contract based on Table 1 below.

TABLE 1
Contract Length (YR.)

	5	10	15	20	25	30	35
$/Kw-mo	5.947	7.304	7.943	8.352	8.573	8.702	8.782

Total capacity payment per month = The applicable contract length capacity payment from Table 1 times the maximum 1 hour capacity, as demonstrated by an annual capability test.

Date Filed: May 31, 2001 **Effective Date:**

Issued By: C. Wayne Fox, President

Case No.:

PARALLEL GENERATION PEAKING FACILITY PURCHASE Rate 96
TIME DIFFERENTIATED

RATE: (Cont.)

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.750¢ per Kwh	1.304¢ per Kwh

Peak Periods: The On-Peak Period is defined as those hours between 9 a.m. and 9 p.m. Central time, Monday through Friday in Central time zones, and between 8 a.m. and 8 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 the Company's system operating characteristics.

II. FACILITIES WHICH ARE NOT DISPATCHABLE AND PROVIDE ENERGY AND CAPACITY ON AN "AS AVAILABLE" BASIS

RATE:

Metering charge for single phase service:	$ 4.75 per month
With instrument transformers:	$ 9.10 per month
Metering charge for three phase service:	$10.45 per month
With instrument transformers:	$16.95 per month

1. Total capacity payment per billing period = P X Maximum 15 minute capacity for billing period, where P is defined below.

P = QCF/PCF(VTable 1)

where:
- P = capacity payment in $/Kw - month
- QCF = Qualifying Facilities Capacity Factor
- PCF = 65%
- VTable 1 = Applicable value from Table 1
- CF = Capacity Factor which equals average 15 minute on-peak metered capacity divided by the greatest 15 minute on-peak metered capacity during the billing period.

QCF/PCF cannot be greater than 1.

PARALLEL GENERATION PEAKING FACILITY PURCHASE Rate 96
TIME DIFFERENTIATED

RATE: (Cont.)

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.750¢ per Kwh	1.304¢ per Kwh

ENERGY SALES TO QUALIFYING FACILITIES:

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 electric service, etc.) that is currently on file with the Commission.

SPECIAL TERMS AND CONDITIONS:

1. Change of Rates: This schedule shall be reviewed annually, updated if necessary, and revised upon the Commission's approval.

2. Service under this schedule shall be on a simultaneous purchase and sale basis only.

3. 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.

4. 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.

5. 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 five years or more.

6. Line loss considerations will be determined on a site specific basis.

7. For dispatchable units, generator outages must be pre-scheduled with Company to provide coordination with Company units.

8. A Peaking Unit is a unit not designed for continuous operation and is capable of supplying capacity and energy during periods of peak electric consumption. Generally, peaking units have a capacity factor of 20% or less.

PARALLEL GENERATION PEAKING FACILITY PURCHASE Rate 96
TIME DIFFERENTIATED

SPECIAL TERMS AND CONDITIONS: (Cont.)

9. For general terms and conditions covering QF's, see Rate 140.

10. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

APPROVED NORTH DAKOTA
PUBLIC SERVICE COMMISSION
JAN 14 1992

Date Filed: August 1, 1991 Effective Date: January 14, 1992

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs & General Services

CASE NO PU-399-91-475

Case No.: _____

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC 1st Revised Volume 3
Sheet No. 50
Cancelling 101-N-2 Sheet No. ____

RULE GOVERNING DISCONTINUANCE OF
SERVICE FOR NONPAYMENT OF BILL Rate 101

All bills for service are due when rendered and will be considered delinquent if not paid by the due date shown on the bill. If any customer shall become delinquent in the payment of service bills, such service may be discontinued by the Company under the applicable rules of the Public Service Commission. The Company may collect a fee of $12.00 before restoring electric service which has been disconnected for nonpayment of service bills, or where a Service Extender has been installed in lieu of full disconnection.

APPROVED PSC N. DAK.
FEB 9 1987
Case No. 1
Formal Case No. 10,799

Date Filed: January 29, 1987 Effective Date: ____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: ____

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 51
Cancelling 102-N-1 Sheet No. ____

RATE FOR RESIDENTIAL ELECTRIC SERVICE FOR PERMANENT EMPLOYEES OF MONTANA-DAKOTA UTILITIES CO., A DIVISION OF MDU RESOURCES GROUP, INC. AND WHOLLY-OWNED SUBSIDIARIES RATE 102

Available for: Residential use only in a single family unit served by Montana-Dakota Utilities Co. to a full time permanent employee who as been continuously employed by the Company at least six months and is the principal support of the household in which he resides, or is the spouse of the principal support.

Rate: The employee's bill shall be computed at the applicable rate, and the amount reduced by 33 1/3%.

APPROVED PSC N. DAK.
[illegible] 9 1987
Docket No. 10,799

Date Filed: January 29, 1987 Effective Date: ____

Issued By: C. Wayne Fox, Vice President - Regulatory Affairs

Case No.: ____

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 53
Cancelling 106 Sheet No. ____

Consumer Deposits Rate 106

The Company will determine whether or not a deposit shall be required of an applicant for electric service in accordance with Commission rules.

a. The amount of such deposit shall not exceed an estimated 60 day service bill.

b. The Company may accept in lieu of a cash deposit a contract signed by a guarantor, satisfactory to the Company, whereby the payment of a specified sum not to exceed the required cash deposit is guaranteed. The term of such contract shall be indeterminate, but it shall automatically terminate when the customer gives notice of service discontinuance to the Company or a change in location covered by the guarantee agreement or thirty days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance which the customer owes the Company. Upon termination of a guarantee contract a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits shall be refunded to customers at termination provided all billings for service have been paid. Deposits will be refunded to all active customers, after the deposit has been held for twelve months, provided a prompt payment record has been established.

APPROVED PSC N. DAK.
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MONTANA-DAKOTA
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400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC 1st Revised Volume 3
Sheet No. 54
Cancelling 107-N
Sheet No.

NOTICE TO DISCONTINUE ELECTRIC SERVICE Rate 107

Customers desiring to have their electric service discontinued shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal call or telephone to the Company's local business office, in communities in which an office is maintained. In other communities such notice shall be given to the Company's representative who services the community or to the nearest business office. Saturdays, Sundays and legal holidays ar not considered business days.

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MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKO.
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 55
Cancelling 108-N Sheet No. ____

RECONNECTION FEE FOR SEASONAL CUSTOMERS Rate 108

A fee of $12.00 will be collected for reconnecting electric service to any customer who has disconnected electric service at the same location during the preceeding twelve month period.

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LATE PAYMENT CHARGE/RETURNED CHECK CHARGE Rate 109

LATE PAYMENT CHARGE

Bills will be considered past due if not paid by the due date shown on the bill. An amount equal to 1% per month will be applied to any unpaid balance existing at the immediate subsequent billing date.

RETURNED CHECK CHARGE

A charge of $10.00 will be collected by the Company for each check charged back to the Company by a bank.

APPROVED NORTH DAKOTA
PUBLIC SERVICE COMMISSION
OCT - 1 1991
CASE NO. PU-399-91-627

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Case No.:

ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

MONTANA-DAKOTA UTILITIES CO.

ELECTRIC SERVICE RULES and REGULATIONS

as filed with the
Regulatory Commissions
of
Montana, North Dakota,
South Dakota and Wyoming

(Revised June, 1986)

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Section 100 - GENERAL

101. Company and Customer

These rules are issued on behalf of Montana-Dakota Utilities Co., hereinafter referred to as the "Company." The term "Customer" includes both a present consumer and an applicant for the Company's service.

102. Purpose

102.1 The purpose of these rules is to acquaint architects, engineers, contractors, electrical dealers, wiremen and others with the Company's requirements pertaining to the installation of services, meters, wiring, motors and other appliances to be supplied with electric service from the electric distribution system of the Company.

102.2 The practices outlined herein are dictated by many years of operating experience and, with reasonable interpretation and special inquiry in unusual cases, they are considered a trustworthy guide. These rules will be subject to revision and addition from time to time in keeping with new developments and accepted good practice.

103. Electrical Codes and Ordinances

The Electric Service Rules and Regulations contained herein are supplementary to and do not intentionally conflict with nor supersede the National Electrical Code, nor such state and municipal laws and ordinances that may be in effect in the areas in which the Company furnishes electric service, except that where the requirements of these Electric Service Rules and Regulations exceed those of such codes, laws, and ordinances, these Electric Service Rules and Regulations shall apply.

104. Wiring Adequacy

The Company recommends the services of a reliable and experienced electrical contractor be obtained for any new wiring or alteration of existing wiring. The familiarity of the contractor with national and local wiring codes, and his knowledge of the Customer's present and future needs, should result in a safe and satisfactory installation.

NOTE: Wiring codes provide minimum requirements for safety. Installation of wiring capacity greater than minimum code requirements is recommended to bring to the Customer all the benefits of electric service and to protect building investment by minimizing obsolescence resulting from an inadequate wiring system.

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105. Application for Service

Application for original or additional service may be made at the Company's offices by mail, by telephone or by personal call. The following is required:

Customer's name
Exact address of premises
Type of service required
Date service is required
Character of the load
(Note any special requirements)
Customer's deposit (when required)

The above shall be supplied to the Company as far as possible in advance of the Customer's requirements for service.

106. Inspection of Wiring

Where permits and inspections covering Customer's wiring and installation are required by local ordinance, it is mandatory that such requirements be fulfilled before the Company will make connections to the Customer's installation. In locations where such inspections are not required by law or ordinance, an affidavit by the wiring contractor stating that the wiring has been done in compliance with the National Electrical Code will be acceptable.

107. Permits, Certificates, Affidavits

It is the responsibility of the Customer to obtain all necessary permits, certificates of inspection or affidavits as required in Paragraph 106 and to notify the Company promptly of any proposed alterations or additions to Customer's load. Failure to comply with these requirements may result in delayed connection, interruption of service or damage to apparatus.

108. Connections

Service connections will be made and a meter or meters will be installed by the Company following Customer's compliance with Paragraphs 105, 106, and 107 above, and payment of the prescribed Customer's deposit. (Refer to Paragraph 402.)

109. Consultation with the Company

109.1 The location, size and character of the Customer's load and the current, voltage, frequency, phases, etc. which the Company has available at the Customer's location will determine the type of service supplied to the Customer.

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109.2 Architects, engineers, contractors, electric dealers, wiremen and others must confer with local representatives of the Company to determine the type of service that will be available before designing or preparing specifications for new electrical installations or alterations to existing installations.

109.3 Consultation with the Company before purchase and installation of apparatus may save the Customer unnecessary expense by avoiding purchase of equipment that is incompatible with the service available from the Company's facilities.

109.4 In all cases involving large installations and other cases where any doubt exists, full information as to the type of service available should be obtained from the Company.

110. Unauthorized Use of Service

110.1 Unauthorized use of service is defined as any deliberate interference, such as tampering with a Company meter, registration, connections, equipment, seals, procedures or records, that result in a loss of revenue to the company. Unauthorized use of service is also defined as reconnection of service that has been terminated, without the Company's consent. Violators are subject to prosecution.

110.2 Types of unauthorized use of service include, but are not limited to, the following:

(a) Bypass around meter.
(b) Meter reversed.
(c) Equipment connected ahead of meter.
(d) Tampering with meter that affects the accurate registration of electric usage.
(e) Electricity being used after service has been discontinued by the Company.

110.3 In the event that there has been unauthorized use of service, Customer shall be charged for:

(a) Time, material, and transportation costs used in investigation or surveillance.
(b) Estimated charge for non-metered electricity.
(c) On-premise time to correct situation.
(d) Any damage to Company property.

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110.4 A Customer's service disconnected for any of the reasons outlined in Paragraph 110.2 shall be reconnected after the Customer has furnished satisfactory evidence of compliance with Company's rules and conditions of service, and paid any charges which are due, including:

(a) All delinquent bills, if any;
(b) The amount of any Company revenue loss attributable to said tampering;
(c) Expenses incurred by the Company in replacing or repairing the meter or other equipment, costs incurred in the preparation of the bill, plus costs as outlined in Paragraph 110.3;
(d) Reconnection fee applicable; and
(e) A cash deposit, the amount of which will not exceed the maximum amount determined in accordance with rules of the applicable State Public Service or Utilities Commission.

111. Unauthorized Attachments to Poles

111.1 The unauthorized attachment of any flags, banners, signs, clothes-lines, antennas, etc. to Company poles is prohibited. The use of poles for placards or other advertising matter is forbidden. The Company will remove such unauthorized attachments without notice and may prosecute any such trespassers.

111.2 Customers are cautioned to locate antennas so that they are beyond falling distance from the Company's lines, either transmission or distribution. In many of the communities in which the Company operates, this provision is covered by local ordinance.

111.3 Antennas and lead-ins shall be located a safe distance from and shall never cross over or under the Company's lines or contact the Company's poles.

111.4 The Company disclaims all responsibility where such equipment contacts the Company's lines, poles or equipment.

112. Access to Customer's Premises

The Company's authorized agents and employees shall have access, at all reasonable hours, to the premises of the Customer for the purpose of reading, inspecting, testing, adjusting and otherwise caring for, replacing or removing meters or other Company property which may be on the Customer's premises.

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113. Protection of Customer's Equipment

It is the primary goal of the Company to furnish satisfactory electric service consistent with fair and reasonable rates. However, as the Company's electric system is unusually widespread and has many interconnections with sources of power other than its own generating stations, it is subject to exposure by storms and other factors not under its control. Although the Company employs the latest developments in equipment and methods of operation for the purpose of maintaining adequate service, it cannot guarantee service to be free from interruptions, variation in voltage and frequency, single phase energization of three phase lines, reversal of phase rotation or other abnormal conditions, and it cannot assume liability for damage to Customer's equipment resulting therefrom. Therefore it is the obligation of the Customer to provide such protective devices as may be necessary to safeguard his equipment and installation. (Refer to Paragraph 711.)

114. Regulatory Commission Authority

The Regulatory Commissions of Montana, North Dakota, South Dakota and Wyoming, with which these Rules and Regulations have been filed, prescribe standards for electric service to which the Company is subject. The Rules and Regulations set forth herein are supplementary to and do not intentionally conflict with the Commissions' standards for electric service, the National Electrical Code, state codes or local laws or ordinances.

Section 200 - USE OF ELECTRIC SERVICE

201. Rate Schedules

201.1 Electric service will be billed under the rate schedule that applies to the class of service used.

201.2 Rate schedules applicable to various classes of service may be obtained from the Company upon request. Only single phase service will be supplied under a residential rate schedule. Temporary use, seasonal use and standby service may be subject to special rate provisions and charges. Information is available at the offices of the Company.

202. Resale of Energy

The Company will not supply energy for resale except as expressly covered by special contract or where such provision is a part of the rate schedule.

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203. Temporary Service

Temporary service is any service for construction work, carnivals, gravel pits, occasional lighting, etc., which is not expected to continue in use for a period long enough to justify the construction cost necessary for extending service. When temporary service is desired the Customer shall, in addition to paying the scheduled rates, make deposit in advance in the amount of the Company's estimated cost of installing and furnishing such temporary service facilities together with the cost of disconnecting and removing same and the estimated billing to the Customer for electric service. Final billing will reflect credit for the salvage value of materials used in providing the temporary service. Any deficiency in such advance payment shall be paid by the Customer upon presentation of bill. Any amount deposited in excess of final billing by the Company will be refunded to the Customer.

204. Standby Service

Where electric service is supplied as standby to a Customer's generating facilities or vice versa, the Customer shall provide and install at his expense a suitable double-throw switch or other device which will completely isolate the Customer's power facilities from the Company's system. The service entrance shall be installed so that the phase conductors will be totally isolated from the Customer's wiring before the standby unit is put into operation.

205. Parallel Service

Parallel operation of the Customer's generating equipment with the Company's system shall be permitted to the extent provided in other approved rates.

206. Transformer Installations on Customer's Premises

206.1 The Company may supply transformers to be installed in the Customer's building or on the Customer's premises when requested by the Customer and in accordance with the following paragraphs.

206.2 The Customer shall agree to indemnify and save the Company harmless from any loss, damage, expense or liability, incurred or arising from, or out of the installation, operation, maintenance, repair or removal of its transformers, cables, conductors, apparatus and all other Company property, material or equipment placed on the Customer's premises or in the Customer's building.

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206.3 Power or distribution transformers with primary voltage of 2400 volts or higher will not be installed in Customer's building unless a vault suitable for the purpose is provided by the Customer. Transformer vault construction must comply with the requirements of the latest edition of the National Electrical Code and current supplements thereto.

206.4 The Company will furnish, own and maintain conventional oil filled transformers at no cost to the Customer. However, where dry type transformers, transformers containing a nonflammable insulating coolant or oil filled transformers of special voltage or design are required they shall be owned, installed and maintained by the Customer at his expense.

206.5 Padmounted transformers may be installed on Customer's premises. The Customer shall furnish a suitable concrete pad, conduit, ground rod and service conductors as noted in Figure 8. Where the Customer has more than four parallel conductors, a cable junction enclosure and conduit to the transformer location may be required. The Customer shall consult with the Company to determine when a cable junction enclosure is required.

206.6 Where the transformer is installed adjacent to an asphalt or concrete driveway, parking lot, or walkway, the Customer shall provide conduit from the transformer location to a point beyond the driveway, parking lot, or walkway to accommodate the Company's primary voltage cable. The Customer shall consult with the Company to determine the proper size conduit.

206.7 Refer to Figure 8 for additional information on transformer location.

Section 300 - ELECTRIC SERVICE AVAILABLE

301. Frequency

All service supplied by the Company is alternating current at a nominal frequency of 60 Hertz.

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302. Secondary Voltages (See also Section 400.)

302.1 In general, the following classes of service are normally supplied:

Phase	Wires	Nominal Voltage	Nominal Service
1	3	120/240	Single Phase Lighting & Power
3	4 Delta	120/240	Combined Light & Power
3	4	208 Grd Y/120	Combined Light & Power
3	4	480 Grd Y/277	Combined Light & Power
3	4 Delta	240/480	Combined Light & Power
3	3 Delta	480	Combined Light & Power

302.2 Service at other voltages may be made available for approved loads upon special application to the Company. Supplying such service may require special construction and equipment by the Customer and the Company. The details of such construction and equipment are subject to negotiation between the Company and the Customer before service is supplied.

302.3 As the voltage and number of phases which will be supplied depend upon the character of the load, its size, and location, it is necessary that the Customer consult with the Company regarding the type of service which will be furnished before proceeding with the purchase of equipment or the installation of wiring. (Refer to Paragraph 109.)

302.4 The Customer's wiring for single phase installations shall be such that the difference in loads on each side of the supply neutral shall not exceed 10% of the total load.

302.5 For three phase grounded wye installations, the load shall be balanced so that the difference in loads on the separate phases shall not exceed 10% of the total load.

303. Primary Voltages (See also Section 500.)

Service may be made available at primary voltage of 2400 volts or higher. Since the available primary voltage is not the same in all communities, or localities within the communities, the Customer must consult the Company when such service may be required.

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Section 400 - SECONDARY VOLTAGE SERVICE
(Under 600 Volts)

401. Secondary Voltage Service Connections

The location of the service connection is subject to approval by the Company. It is essential, in order to avoid errors, that the architect, contractor, wireman or others consult with the Company to determine the preferred location. The Company will cooperate with the Customer to the fullest extent practicable in determining such location. Once established, any change by the Customer may result in billing to the Customer for any additional work or materials required by the Company.

402. Service Connections and Disconnections

All connections or disconnections of overhead or underground services, regardless of the voltage, will be made by the Company at the point where the Company's facilities join those of the Customer. No Customer or agent of the Customer will be authorized to make such connections or disconnections. (Refer to Paragraphs 105, 106, 107 and 108.)

403. Number of Service Drops

In general, one service drop will be installed for each customer location. Exceptions will be made in special cases where it is mutually advantageous to the Customer and the Company.

404. Services in Raceways

Where services are installed in raceways, the installations must comply with the requirements of the latest edition of the National Electrical Code.

405. Service Entrance Requirements

405.1 The Company recommends that the service entrance for single family residences be not less than three conductor No. 2 AWG Copper (100 ampere switch) or its equivalent. The service entrance should be as much larger as is required to permit a load addition of 100%. All service entrance conductors shall be of the stranded type. Bare neutral shall not be installed in conduit due to the possibility of radio interference. The Company should always be consulted regarding services to multiple dwellings, commercial or industrial buildings. A special note should be made that no more than six service switches may operate on one service entrance without a switch ahead of the meters.

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405.2 Ample length of service entrance conductor shall be left protruding from the service head and at padmount equipment facilities to allow for proper connection to the service drop for overhead installations and to padmount equipment terminals.

405.3 When entrances are parallel in two or more conduits, all phases shall be run in each conduit and all wires shall be of the same length.

405.4 The service entrance conductors between the Company's service attachment and the meter device shall be in accordance with provisions of the National Electrical Code, state code and local ordinances. The conductors shall be run continuously without a splice from the wire attachment to the meter device and from the meter device to the service switch.

406. Identification of Conductors

406.1 For purposes of identification, the neutral wire of each single phase entrance shall be clearly marked at the service outlet as well as at the meter location.

406.2 Where 4-wire, three phase service entrances are installed, the neutral conductor and the "wild" phase conductor (nominal 208 volts to ground) shall each be clearly marked at the service outlet, at the meter and at service equipment.

407. Conductor Switching and Fusing

All ungrounded conductors shall be properly insulated, and protected by circuit breakers or switches and fuses.

408. Neutral Grounding

The neutral conductor of the Customer's wiring shall be grounded in accordance with provisions of the National Electrical Code, state code and local ordinances.

409. Overhead Service Drops

409.1 The service entrance shall be located so the overhead service drop from the Company's line will allow conductors to maintain a clearance of not less than three feet from windows, doors, porches, fire escapes or similar locations. Conductors running above the top level of a window are considered out of reach from that window.

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409.2 In cases where the contours of the building are such that proper clearances cannot be maintained by attaching the service drop directly to the building, the Customer shall install and maintain a supporting structure of sufficient mechanical strength to support the wires and of sufficient height to provide the necessary clearances.

409.3 On buildings constructed of wood, the service entrance shall be run to a point where the service attachment can be made to a studding. If this is not possible, a firm means for mounting the service attachment shall be provided.

409.4 On buildings constructed of materials other than wood, the Customer shall install the necessary facilities for mounting the service drop attachment. The Company will supply the attachment for the Customer to install at the time the building is being constructed.

409.5 The service entrance head must be located above the point of attachment of the service drop to the building. The point of attachment shall be established so that the drip loop is not less than 10 feet above finished grade and shall be at a height to permit the minimum clearance requirements listed in Paragraph 409.7 (Refer to Figure 2.)

409.6 The service entrance head shall be installed to permit the service drop wires to be attached to the building at a location to maintain clearance over railroads, highways, streets, driveways, roofs, communication or signal wires, and away from windows, awnings and other obstructions on the building.

~~409.7 Service drop conductors shall not~~ be readily accessible and when not in excess of 600 volts, shall conform to the following general requirements. Refer to the National Electrical Safety Code for possible exceptions.

Clearance over roof - Conductors shall have a clearance of not less than 8 feet from the highest point of roofs over which they pass with the following exceptions:

a. Where the voltage between conductors does not exceed 300 volts and the roof is not readily accessible the clearance may be not less than 3 feet. A roof is considered readily accessible if the means of access is through a doorway, ramp, stairway, or permanently mounted ladder.

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b. Service drop conductors of 300 volts or less which do not pass over other than a maximum of 4 feet of the overhang portion of the roof for the purpose of terminating at a (through-the-roof) service raceway or approved support may be maintained at a minimum of 18 inches from any portion of the roof over which they pass.

Clearance from ground - Service drop conductors shall have the following minimum clearance from ground:

15 feet - above spaces or ways accessible to pedestrians only. This clearance may be reduced to the following values:
(a) 12 feet for service conductors less than 300 volts to ground
(b) 10 feet for drip loops of triplex (or quadruplex) service conductors less than 150 volts to ground and the portion of the associated service drop span located within 15 feet of the service entrance to buildings.

15 feet - over residential driveways and commercial areas not subject to truck traffic. This clearance may be reduced to 12 feet for:
(a) triplex (or quadruplex) conductors less than 750 volts to ground
(b) open supply line conductors less than 300 volts to ground.

18 feet - over commercial areas, parking lots, agricultural or other areas subject to truck traffic.

18 feet - over public streets, alleys, roads and driveways on other than residential property.

18 feet - over swimming pools, or within 10 feet, measured horizontally, of the pool edge. In addition, there must be 14 feet clearance measured in any direction from every point on a diving platform or tower. Both requirements apply to triplex (or quadruplex) less than 750 volts to ground.

NOTE: These clearances comply with the 1984 Edition of the National Electrical Safety Code. Refer to the latest edition of this publication for current clearance requirements.

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409.8 A farm yard service pole shall be installed on farm installations by the Company for the Customer's convenience in installing service to each of several buildings on the farm. The Customer shall be responsible for installation of all materials. Transformer poles shall not be used for service poles.

410. Secondary Voltage Underground Service

410.1 Where the Customer desires an underground service, he must furnish and install conduit from the line side of the meter socket to a point a minimum of 12 inches below grade. (Refer to Figure 1.) Customer shall also provide necessary conduit for services under any asphalt or concrete driveway, walkway, or parking lot. Where a Customer plans to convert from an overhead to an underground service, he must provide all necessary changes to his service entrance, including relocation, and be responsible for permits and extraordinary charges such as concrete or asphalt work, landscaping damage, unforeseen underground obstructions, frozen ground, etc. To avoid extraordinary charges the Customer may provide the trench.

410.2 If an owner requests underground service from an existing overhead line and desires to own the underground service, he may do so and not be charged the Company's underground service charge. (Refer to Figures 1 and 3.)

411. Mobile Home Service

The Company will connect from and after April 7, 1983 its service conductors to a Company approved but Customer owned metering pedestal or meter socket and meter mounting device. The Customer, as the term is used in this section, is considered to be the mobile home court owner for installations in approved mobile home courts and the mobile home owner for installations on a private lot.

Section 500 - PRIMARY VOLTAGE SERVICE
(2400 Volts or More)

501. General

The Company offers electric service at primary voltages of 2400 volts or higher. A Customer desiring to take service at primary voltage shall furnish and own the conductors from the point of delivery and shall consult the Company to assist in determining the size, type and arrangement of service entrance equipment and conductor specifications required for the Customer's particular needs. It is recommended that the Customer consult

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the Company concerning advantages of certain filed rates which allow a discount when the Customer owns the conductor, transformers and other equipment on the Customer's side of the primary metering point.

502. Service Entrance Equipment

The service entrance equipment shall perform the following functions:

a. Isolate the load from the supply circuit by visible means.
b. Automatically break the circuit in the event of overload.
c. Permit manual opening of the circuit at full load.

503. Overcurrent Protection

Overcurrent protective devices may be as follows:

a. Fuses
b. Automatic trip circuit breakers

The automatic overcurrent protective device must have an interrupting rating, at circuit voltage, equal or exceeding the maximum short circuit current available at the location where service is taken. The Company should be consulted as to the proper specifications for such equipment since maximum short circuit currents are subject to change through upgrading of the Company's distribution system.

504. Isolating Switches

The isolating switch shall provide visible evidence that the circuit to which it is applied is open or disconnected. It shall be so located in the circuit that it disconnects all service equipment from the source of supply. Where automatic circuit breakers are used as circuit protective equipment they shall be accompanied by isolating switches located in the supply side of the circuit.

505. Load Break Switches

Isolating switches (Paragraph 504) are not considered to possess load-break capability. They shall be accompanied by a switch capable of interrupting the full load on the circuit.

506. Disconnecting Means

506.1 If a Customer's service consists of only one circuit only one set of devices is required as itemized in Paragraph 502, above.

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506.2 If the Customer's service consists of more than one but less than seven circuits, one set of devices is required for each circuit as itemized in Paragraph 502, above. A master isolating switch shall be installed at the source side and ahead of all circuits and their devices. In no case will more than six circuits be supplied from a single installation.

507. Load Balance

Loads on the three phases shall be balanced as closely as possible. The maximum unbalance permitted between individual phase loads is 10% of the total three phase load.

Section 600 - METERING

601. General

The Company will install the necessary meters to measure the electrical energy delivered under each account for a particular class of service.

602. Meter Installations

602.1 The Company will furnish all meters required for billing purposes. It shall be the Customer's responsibility to furnish, install and maintain the meter mounting device. Company approved specifications for electric meter sockets and metering transformer enclosures are listed below:

Self-Contained Meter Sockets - Single Phase, Three Phase and Multiple Position Type

1. U.L. approved
2. 100 ampere minimum for overhead service installations
3. 150 ampere minimum for underground service installations
4. Connections to be stud type
5. Recommend fittings to be compression type
6. Recommend ringless
7. Equipped with a fifth terminal where network metering is required
8. Recommend a manual lever by-pass feature where power cannot be interrupted because of computers, alarm systems, etc.
9. Automatic by-pass feature is not acceptable

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Current Transformer Rated Meter Socket, Single Phase

1. U.L. approved
2. Minimum size must provide space for test switch installation
3. Recommend ringless
4. Recommend one piece cover
5. Socket must have six terminals
6. Automatic by-pass feature is not acceptable
7. Consult with Company prior to purchasing any instrument rated socket

Current Transformer Rated Meter Socket, Three Phase

1. U.L. approved
2. Minimum size must provide space for test switch installation
3. Recommend ringless
4. Recommend one piece cover
5. For three phase, three wire, the socket must be equipped with 8 terminals, all others must be equipped with 13 terminals
6. Automatic by-pass feature is not acceptable
7. Consult with Company prior to purchasing any instrument rated socket

Current and Voltage Transformer Enclosure (Secondary Service)

1. Recommend a durable, weather-resistant finish and weather-proof seal
2. Must be provided with hinge-type cover and provisions to attach locking or sealing device
3. Minimum size 10" x 24" x 30" with suitable mounting brackets for current and voltage transformers.
4. Consult with Company prior to purchasing any metering transformer enclosure.

602.2 Socket type meters with capacities up to 200 amperes and under 300 volts for single or two-family residences, farms and small commercial establishments shall, where possible, be placed out-of-doors.

602.3 On large capacity installations over 200 amperes and under 600 volts, the Company will furnish and install the current transformers when required. Where practical, such installations shall be arranged for outdoor metering. (Refer to Figure 4.)

602.4 Where it is determined that a secondary metering transformer enclosure is required, the Customer shall furnish and install a sealable steel enclosure. Such enclosures shall contain only the service entrance

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conductors and metering transformers. Customer's distribution circuits shall not be taken through the metering transformer enclosure. The metering transformers shall be installed on the line side of the Customer's disconnecting device. Suitable lugs, connectors, etc. for connecting metering transformers to service mains shall be provided by the Customer. The Company will furnish and own the current transformers and voltage transformers where required. (Refer to Figure 5.)

The Company shall always be consulted as to whether a metering transformer enclosure will be used, and for minimum steel enclosure sizing.

602.5 For larger installations having switchboards, the metering transformers may be mounted in the switchboard bus, provided they are accessible for changing and testing.

602.6 Meters and test switches may be mounted on a suitable panel adjacent to the metering transformer enclosure.

603. Meter-Switch-Fuse Wiring Sequence

For all secondary voltage metering installations the meter, entrance switch and main line fuse or breaker shall be installed in the order named with respect to power flow. When more than six meters are served by one entrance a Customer owned main service switch shall be installed on the source side of the meters. (Refer to Figure 6.) Also, a Customer owned main service switch shall be installed on the source side of all 480 volt, self-contained meters.

604. Meter Locations

604.1 Each meter shall be located in compliance with the National Electrical Code and local ordinances in a place of convenient access and where it will not create a hazard. The location shall be agreed upon by the Customer's representative and the Company. (Refer to Figure 1.)

604.2 Meters shall be located so that there is not less than 3 feet of unobstructed space in front of the meter and so that the center line of the meter is not less than 4 feet nor more than 5 feet above the floor, ground, or permanent platform from which the reading will be taken.

605. Outdoor Metering

Outdoor meters shall be permanently mounted on secure structures such as houses, buildings, poles, etc. in easily accessible locations and where they do not create a hazard. All required conduit will be provided by customer. (Refer to Figures 1 and 4.)

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606. Indoor Metering

606.1 Indoor meters for multiple dwellings, large office buildings, etc. shall be grouped and located as near the service entrance location as practicable. (Refer to Figure 6.)

606.2 Meter panels shall be furnished and installed by the Customer in a clean, dry location free from vibration.

607. Wiring Diagrams

Typical wiring diagrams for various types of self-contained meters are shown on Figure 7. These are subject to change from time to time with advancement in the art of metering. Refer to Figure 7 for proper location of "wild" phase for three phase, four wire delta installations.

608. Labeling

Where two or more meter mounting devices are installed at one location, each shall be labeled so that it may be identified as to the Customer served. Electrical contractors are requested and cautioned to check and identify wiring circuits carefully to avoid metering errors due to incorrect circuitry.

609. Seals

609.1 All meters and all points of access to Customer wiring on the source side of the meter will be sealed by the Company. All cabinets and switch boxes, either inside or outside of the building, which contain unmetered wires shall have provision made for sealing before service will be supplied. (Refer to Paragraph 602.4.)

609.2 The breaking of Company seals and/or tampering with meters and unmetered wiring by unauthorized persons is prohibited by law. (Refer to Paragraph 110.)

Section 700 - UTILIZATION EQUIPMENT

701. Interfering Loads

Whenever a Customer's utilization equipment has characteristics which cause undue interference with the Company's service to other Customers, the Customer shall provide, at his expense, the necessary equipment to prevent or eliminate such interference. The Company may install and maintain at the Customer's expense the necessary equipment to eliminate such interference if it deems it advisable. When a Customer's equipment or method of operation causes such interference and the Customer does not correct the

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condition after being so requested by the Company, the Company reserves the right to discontinue the electric service, following written notification of its intent to do so; and service will not be re-established until the conditions complained of have been corrected.

702. Power Factor

Whenever the Customer's utilization equipment is of such characteristics as to produce a low power factor, the Company reserves the right to require the Customer to raise such power factor, at the Customer's expense, or to pay additional charges as provided in certain of the Company's rates on file with the State Public Service or Utilities Commission of the state wherein the Customer is located.

703. Water Heaters

Water heaters shall be equipped with thermostatically controlled non-inductive heating elements designed for 240 volt single phase service.

704. Motion Picture Apparatus

Motion picture apparatus, photo lamps and rectifiers requiring more than 15 amperes shall be suitable only for 208 or 240 volts supply.

705. X-Ray Equipment

X-ray equipment requiring more than 15 amperes shall be connected for 208 or 240 volts supply. At the option of the Company, such equipment may be separately metered and/or supplied from separate transformers.

706. Electric Welders

Electric welding apparatus shall require special arrangements with the Company to determine its ability to serve before installation is made. (Refer to Paragraph 702.)

707. Electric Motors

707.1 Motors have standard voltage ratings of 115/230 volts for single phase and 220/440 volts for three phase. Motors are designed to operate at their rated voltage, plus or minus 10%; thus a 220 volt three phase motor will operate satisfactorily at 208 volts or 240 volts.

707.2 All three phase motors connected to the Company's lines should be equipped with low-voltage and single phase protection to insure that such motors will be disconnected from the line or the starting equipment returned to the "off" position in case of failure of normal voltage supply.

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707.3 Reverse phase relays are recommended for equipment such as elevator motors, cranes, etc. to protect the installation in case of phase reversal. The Company makes every effort to prevent change in phase rotation of its three phase system, but it cannot guarantee against such occurrence.

707.4 Single phase, infrequently started motors may be operated at 120 volts provided the locked rotor current of such motors does not exceed 45 amperes. Frequently started motors may be operated at 120 volts provided the locked rotor current of such motors does not exceed 25 amperes.

Motors up to and including 7 1/2 h.p. may be operated at 208 or 240 volts except that when the nameplate rating is higher than 5 h.p., compensating starting equipment may be required to limit the starting current. Such cases shall be referred to the Company for approval. (In locations where three phase service is not available, single phase motors larger than 7 1/2 h.p. may be operated with approval of the Company.)

707.5 In general, three phase motors up to and including 10 h.p. nameplate rating, operating at 208, 240, or 480 volts, may be equipped for across line starting. Motors larger than 10 h.p. may use across line starting in some instances, depending on frequency of starting, motor location, etc. Such cases shall be referred to the Company for approval. Reduced voltage starting equipment, when required, shall be furnished by the Customer.

For motors above 50 h.p., the Company shall be consulted for determination of permissible locked rotor current.

When a single piece of motor driven apparatus has more than one motor starting simultaneously, the sum of the maximum starting currents of those motors starting simultaneously and also the sum of their horsepower rating shall be furnished to the Company to determine when reduced voltage starting may be required.

707.6 Locked rotor currents are obtainable from motor manufacturers. Where frequent starting of motors may interfere with service to other customers supplied from the same secondary or primary lines, the Company reserves the right to limit locked rotor currents.

708. Flashing Display Signs

The Company reserves the right to refuse service for "flashing" display signs or display lighting where such service would interfere with voltage regulation of the secondary system.

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709. Fluorescent and Gaseous Tube Lighting

High power factor ballasts or transformers must be used for fluorescent, mercury vapor, neon or other gaseous tube lighting equipment. It is required that such equipment operate at a power factor of not less than 90% lagging.

710. Electric Heat Equipment

A Customer planning to install resistance type heating, heat pump, electric furnace, electrode boiler, etc. shall consult with the Company, preferably before purchasing the equipment, so that operational modes of this equipment are determined to be acceptable for connection to the Company's distribution system. It is important that consultation is obtained prior to installation of this equipment so the Company can provide adequate equipment and conductor capacity to efficiently serve the Customer's requirements. Consultation shall be required only for permanently installed electric heat equipment and where it is the Customer's primary heat source.

711. Computers and Electronic Equipment

Computers and other sensitive electronic equipment which require high grade, uninterrupted power may, on occasion, experience problems when connected directly to the Company's distribution system. The customer should check with an electric dealer, wireman, contractor, engineer, or architect to ascertain the need for lightning arresters, surge suppressors, isolation transformers, standby or uninterruptible power supplies. (Refer to Paragraph 113.)

712. Carrier Equipment

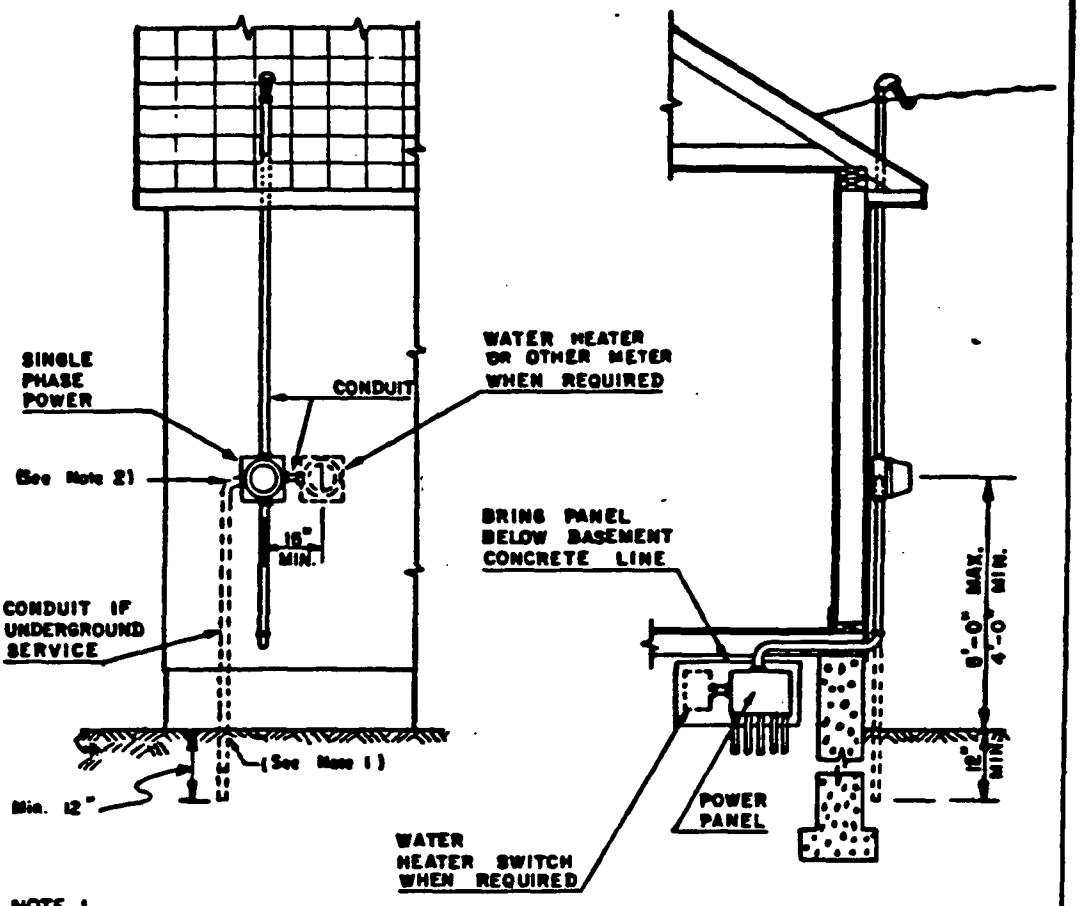
The Customer shall not impose, or cause to be imposed, any electric signal of any frequency or magnitude upon the Company's distribution system.

713. Lighting Service to Athletic Fields

All new installations shall be served at primary voltage. Loads greater than 50 Kw shall be served three phase. The customer shall furnish, install, and maintain the entire installation, including distribution transformers and a load break switch suitable for operation from the ground. Metering will be accomplished by an elapsed time meter, furnished by the Company, connected at an appropriate location on the customer's 120/240 volt distribution system. The Company's General Service Rate applies with the exception that there will be no demand charge or discount for primary service.

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NOTE 1

Leave space around conduit when pouring concrete for sidewalk, patio, etc., because of possible settling.

ALL EQUIPMENT CUSTOMER OWNED EXCEPT METER(s) AND SERVICE CONDUCTORS. CUSTOMER MAY ELECT TO OWN UNDERGROUND SERVICE CONDUCTORS.

NOTE 2

Service should terminate on exterior of building.

TYPICAL SOCKET TYPE METER INSTALLATION WITH ASSOCIATED EQUIPMENT						
MONTANA-DAKOTA UTILITIES CO.						
DRAWN BY	DATE	APPROVED	DATE	SCALE	DWG. No.	FILE No.
E.S.	8-1-77	[illegible]	10-3-77	NONE		

Rev. 5-86 Cor

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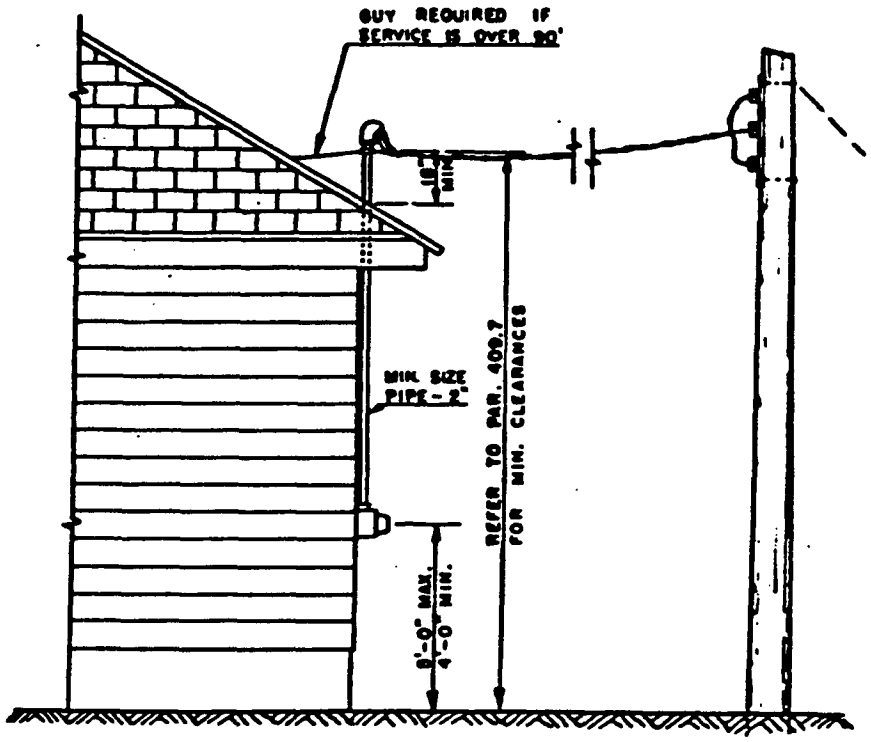
FIGURE 1

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TYPICAL SERVICE ATTACHMENT						
MONTANA-DAKOTA UTILITIES CO.						
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E. S.	8-2-77		8-3-78	NONE		

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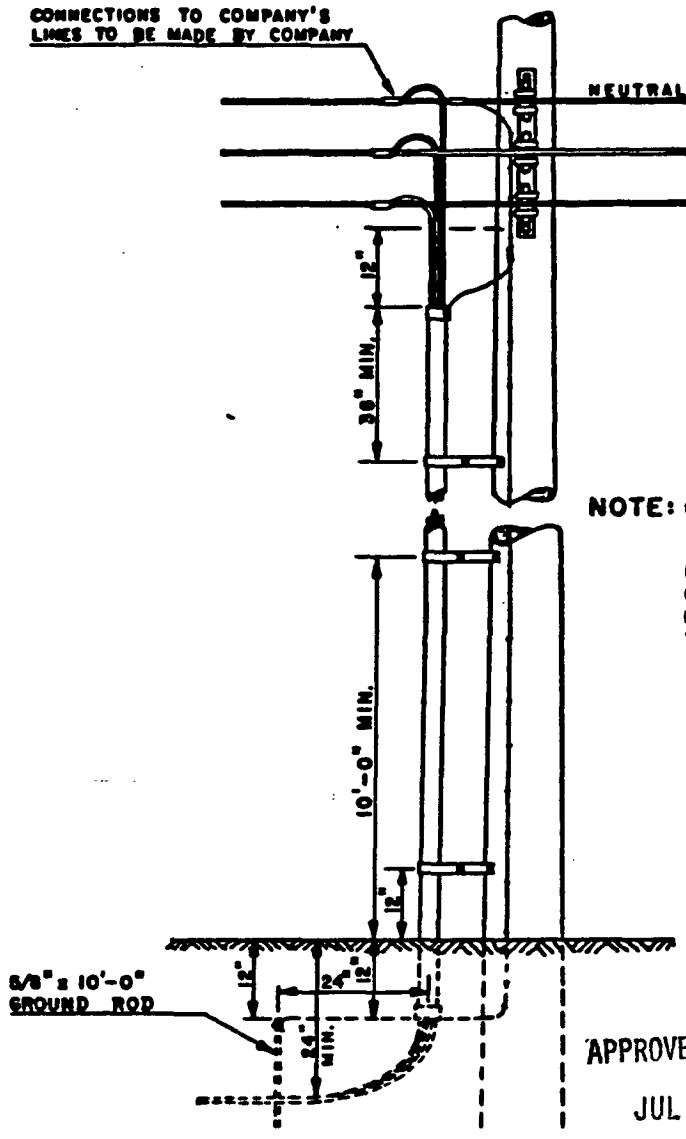
FIGURE 2

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NOTE: CONDUIT STANDOFF BRACKETS REQUIRED ON ALL INSTALLATIONS HAVING A TRANSFORMER ON THE POLE OR HAVING MORE THAN TWO CONDUITS.

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CUSTOMER OWNED UNDERGROUND SERVICE FROM OVERHEAD SUPPLY

MONTANA-DAKOTA UTILITIES CO.

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E. S.	6-3-77		10-3-77	NONE		

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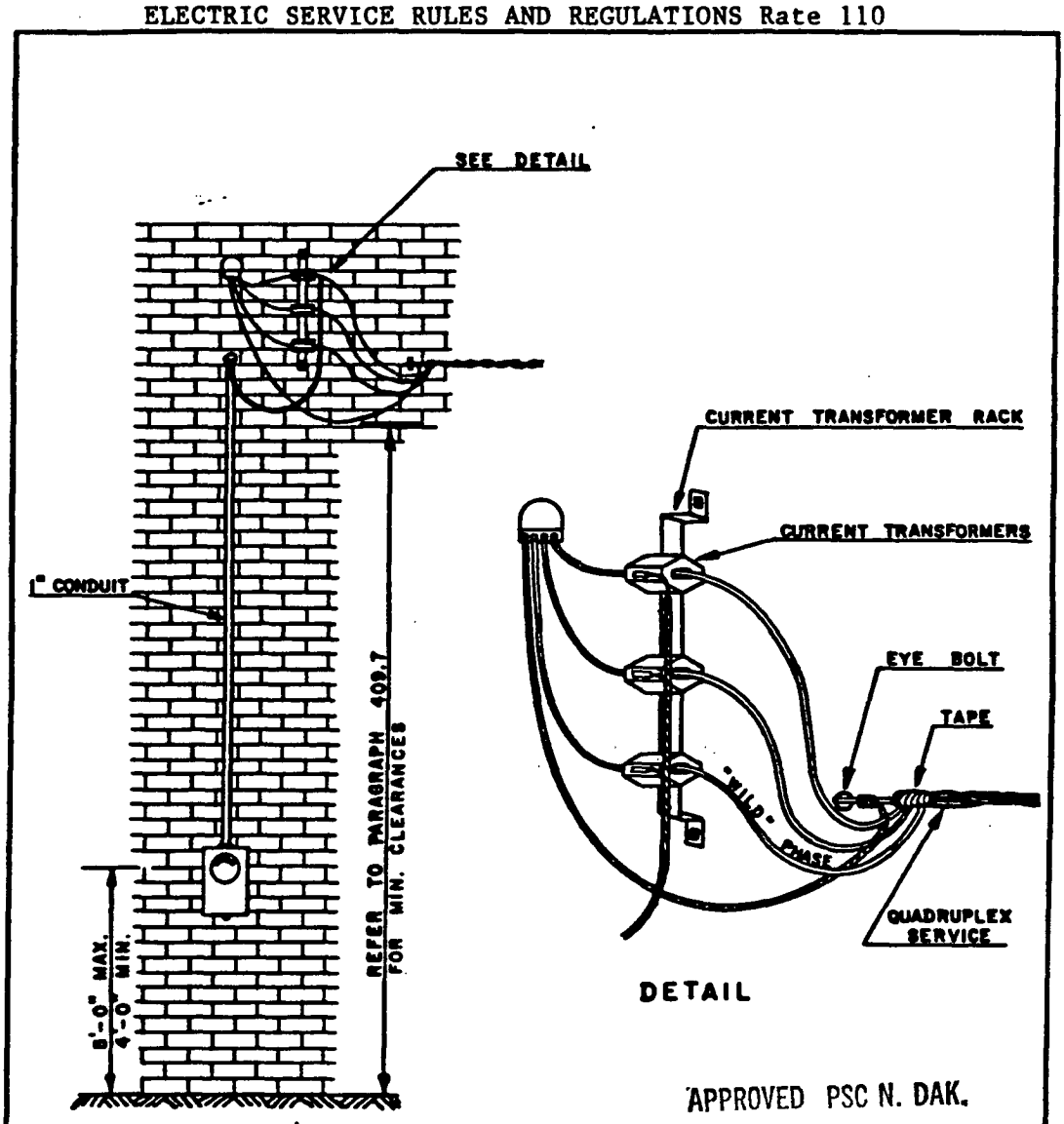
FIGURE 3

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DETAIL

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Formal Case No.

TRANSFORMER RATED METERING OUTSIDE INSTALLATION						
MONTANA-DAKOTA UTILITIES CO.						
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E. S.	8-4-77		10-3-77	NONE		

Rev. 5-86 Cer

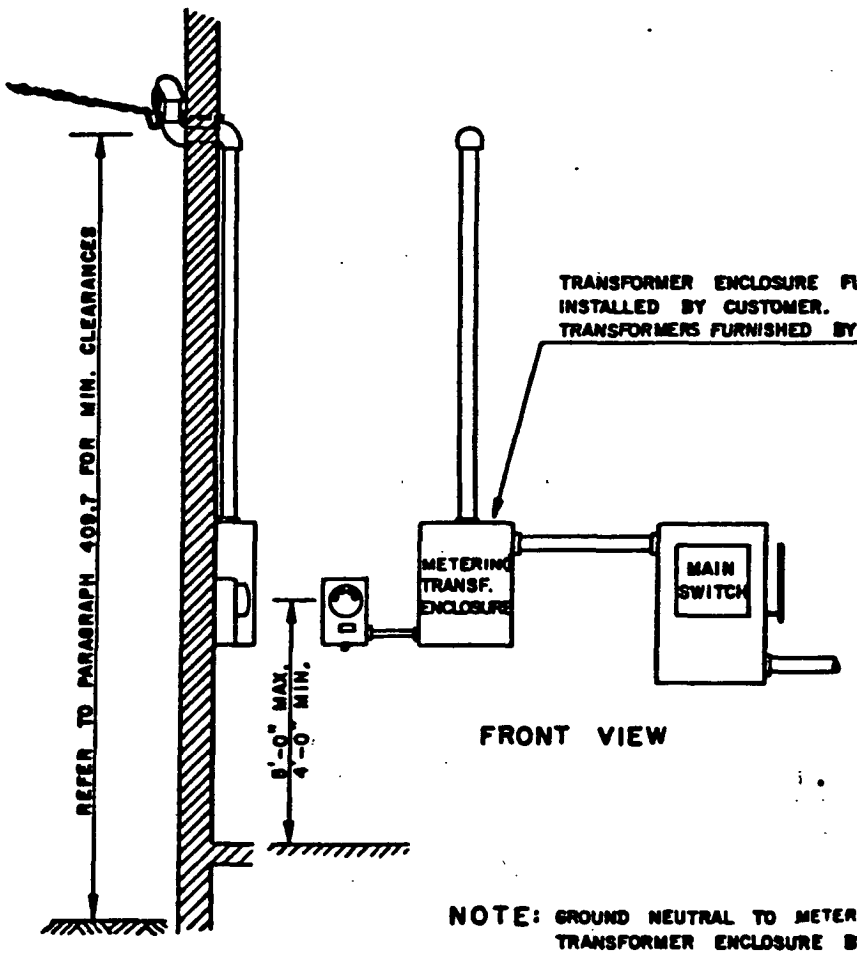
FIGURE 4

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NOTE: GROUND NEUTRAL TO METERING TRANSFORMER ENCLOSURE BY DIRECT CONNECTION OR BY GROUND WIRE.

MINIMUM DIMENSIONS FOR METERING TRANSFORMER ENCLOSURE
24" x 30" x 10"

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TRANSFORMER RATED METERING INSIDE INSTALLATION

MONTANA-DAKOTA UTILITIES CO.

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E. S.	8-4-77	[illegible]	11-3-77	NONE		

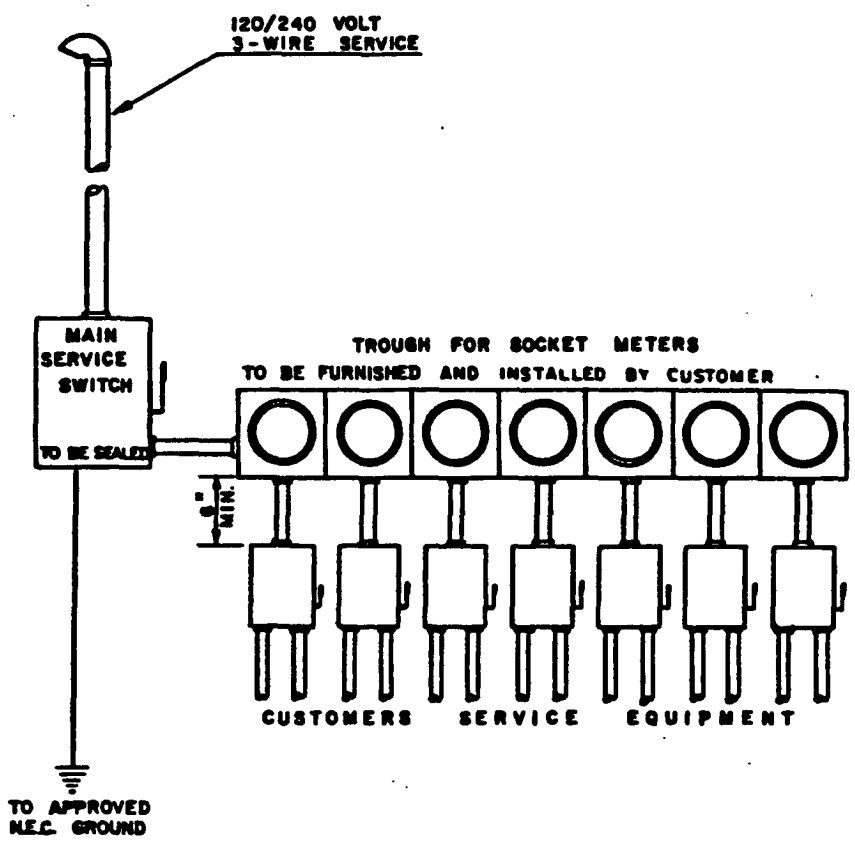
FIGURE 5

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NOTE: INSTALLATION SHALL COMPLY WITH N.E.C. AND LOCAL ORDINANCES. MAIN SWITCH NOT REQUIRED FOR SIX METERS OR LESS.

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SERVICE INSTALLATION FOR MULTIPLE DWELLINGS						
MONTANA-DAKOTA UTILITIES CO.						
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E. S.	8-8-77			NONE		

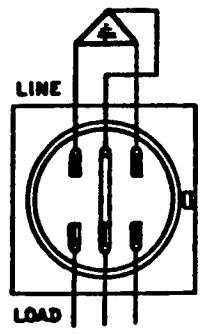
FIGURE 6

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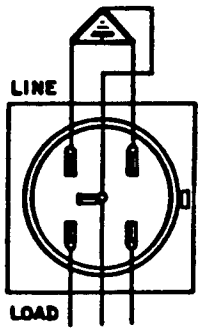
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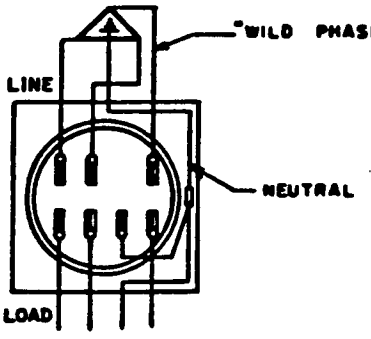
TERMINAL 8 BOTTOM



TERMINAL 8 SIDE

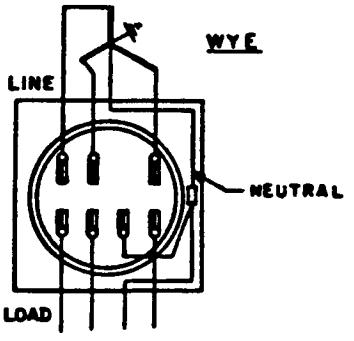
3-WIRE 3-PHASE DELTA 240 V.

DELTA



4-WIRE 3-PHASE 120/240 V.
DELTA

WYE



4-WIRE 3-PHASE 120/208 V.
WYE

4-WIRE 3-PHASE DELTA AND WYE

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POLYPHASE SELF CONTAINED METER CONNECTIONS						
MONTANA-DAKOTA UTILITIES CO.						
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E. S.	8-8-77	[signature]	10-5-77	NONE		

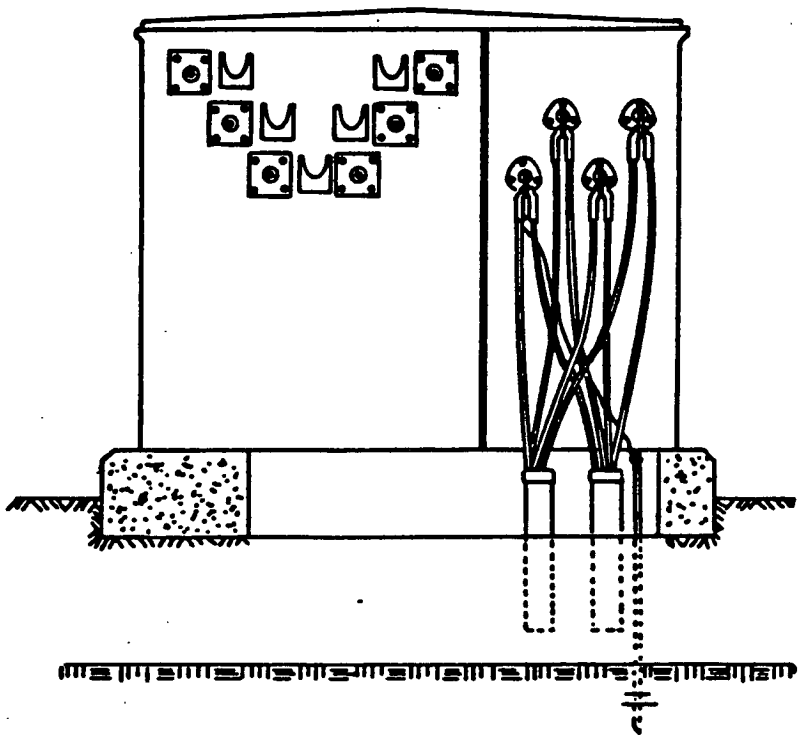
FIGURE 7

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NOTES

CONSULT WITH COMPANY FOR ACTUAL EQUIPMENT PAD DIMENSIONS.

TRANSFORMER PAD, SERVICE CABLE, CONDUIT AND GROUND ROD FOR SERVICE CABLE GROUNDING ARE FURNISHED BY CUSTOMER.

ALLOW SUFFICIENT SLACK IN SERVICE ENTRANCE CONDUCTOR TO ALLOW FOR PROPER CONNECTION TO EQUIPMENT TERMINALS.

SERVICE CONNECTORS TO BE FURNISHED BY COMPANY.

CONNECTION TO COMPANY'S EQUIPMENT TERMINALS TO BE MADE BY COMPANY.

WHEN MORE THAN FOUR CONDUCTORS ARE INSTALLED FOR EACH PHASE, CONSULT COMPANY FOR TRANSITION CABINET REQUIREMENTS.

Redrawn 5-86 Cer

TRANSFORMER LOCATION

1. MINIMUM SEPARATION OF FIVE FEET MUST BE MAINTAINED BETWEEN OIL-FILLED PADMOUNT TRANSFORMERS AND NONCOMBUSTIBLE OR COMBUSTIBLE STRUCTURES.
2. ALL OIL-FILLED PADMOUNT TRANSFORMERS MUST BE INSTALLED SO ANY FLOW OF OIL RESULTING FROM A FAILURE OF THE TRANSFORMER WILL FLOW AWAY FROM ANY STRUCTURE.
3. A TRANSFORMER SHOULD BE LOCATED AWAY FROM TRAFFIC AREAS OR PROTECTED WITH A SUITABLE BARRIER SUCH AS CONCRETE FILLED PIPE PROVIDED BY THE CUSTOMER.
4. WHEN LOCATING PAD, CONSIDER OVERHEAD CLEARANCE FOR POSSIBLE TRANSFORMER REPLACEMENT.

TYPICAL PADMOUNT EQUIPMENT INSTALLATION

MONTANA-DAKOTA UTILITIES CO.

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Cer	5-86			NONE		

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FIGURE 8

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Case No.: _____

MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 59
Cancelling III-N-3 Sheet No. _____

RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111

The Company will make underground residential distribution facilities available to serve residential customers according to the following rules and regulations and subject to the rates filed with the North Dakota Public Service Commission:

1. Where the developer requests it, underground distribution and services will be provided in new subdivisions having 25 or more homes on contiguous lots available to the extension. The developer/owner(s) will furnish such easement rights as the Company may require for the installation, operation, and maintenance of the underground distribution, and will furnish a copy of a recorded plat or map showing the location of the area for which underground service is being requested. The service cable will be owned by the Company terminating at the meter socket located on the house, except the customer will furnish and install the conduit from the line side of the meter to a point a minimum of 12" below the ground. At the Company's option, it may extend its underground residential distribution in new areas to fewer than 25 customers.

2. When the property owner(s) requests it, underground residential distribution and services will be provided to replace existing overhead distribution to a group of owner(s) cooperating with one another, providing a minimum of 25 homes on contiguous lots are available to the conversion or extension thereof. The owner group shall, prior to the installation of the underground distribution system, secure such easement rights as the Company may require for the installation, operation, and maintenance of the underground distribution. The owner(s) will provide all necessary changes in the service entrances, including relocation, to convert to underground service at no cost to the Company. This will include the installation of the conduit from the line side of the meter socket to a point a minimum of 12" below the ground. The owner(s) will reimburse the Company for the cost of removal of the existing overhead distribution multiplied by the fractional life remaining, plus the total installed cost (including material), based on present day costs, of the facilities to be removed multiplied by the fractional life remaining, less the salvage value of all materials removed based on present day new values multiplied by the fractional life remaining.

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Case No.: _____

RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111

3. At the property owner's request, underground services from an existing overhead distribution system will be made available to residential customers. The customer will furnish and install the conduct from the line side of the meter socket to a point a minimum of 12" below the ground. When the owner(s) desire(s) to covert from overhead to underground service, he must provide all necessary changes in his service entrance, including relocation. If an owner requests underground service from an existing overhead line and desires to own the underground service, he may do so and not be charged the Company's underground service charge.

4. These rules will apply to multiple occupancy dwellings of less than three units. If in an area served by overhead distribution the Company finds it expedient to serve an apartment building of three units or more, by underground primary service, the occupants of the apartment building will not be charged the underground service rate. Occupants of two-units apartment buildings will be charged the rate for underground service.

5. Residential underground distribution will be provided in new trailer courts or in existing trailer courts where the Company does not now own the distribution facilities if 25 or more trailer homes will be served therefrom. The Company's facilities will terminate at the line side of the meter pedestal or socket, which will be installed and owned by the customer. At the Company's option it may provide underground residential distribution to fewer than 25 customers in trailer courts.

6. In general, the underground residential distribution will be served from overhead distribution feeder lines.

7. Where abnormal conditions causing extraordinary costs on any part of the extension exist, a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.

8. The Company has on file with the North Dakota Public Service Commission rates for service provided by underground distribution, which include an additional monthly charge for underground electric residential service for 96 monthly billing periods. If the customer desires, he may make an advance payment of $144, instead of being billed for 96 months under the special terms for underground service.

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Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
1st Revised Sheet No. 60
Cancelling Original 112 Sheet No.

ELECTRIC EXTENSION POLICY Rate 112

The policy of Montana-Dakota Utilities Co. for electric extensions to provide service to customers located within its service territory is as follows:

1. A permanent extension may be constructed without a contribution if the estimated project construction cost is equal to or less than two times the estimated annual revenue (2 to 1 ratio).

2. If the estimated project construction cost is greater than two times the estimated annual revenue, the extension will be made only with a contribution, which may be refundable.

   A. Contribution -

      1) When a contribution is required of any customer, with the exception of those customers defined in 2) below, the formula for determining the amount of the initial contribution shall be the estimated construction cost less two times the estimated annual revenues.

      2) The initial contribution for developers of subdivisions shall be the estimated construction cost.

      3) Payment of the initial contribution amount shall be made prior to construction.

      4) Upon completion of construction, the contribution amount shall be adjusted to reflect actual construction costs and an additional charge or refund levied accordingly.

      5) Company may waive all contributions if it determines that the initial contribution will be soon refunded because of additional customer connections.

   B. Refund -

      1) If within a five-year period from the date initial service is established, one or more additional customers are added to the above referred to extension, Company shall recompute the contribution required by combining the estimated proposed construction cost for the new customer(s) with the construction cost to those customers already taking service. If, by so combining the contruction costs, the

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ELECTRIC EXTENSION POLICY Rate 112

contribution of those customers already taking service would be less, Company shall make a proportionate refund, without interest, to those customers taking service prior to commencement of service to said additional customer(s).

2) Refunds for developers of subdivisions shall be made for each lot connected based on the following calculation: Total refundable contribution divided by the number of lots that can be served from the extension equals refund per lot. In addition, the total revenue of the subdivision will be reviewed annually to determine if adequate revenues are being generated so that the contribution formula would indicate a zero contribution. When this revenue level is reached, a refund will be made to the developer equal to the remaining contribution amount still held by the Company.

3) No refund shall be made by Company to customer(s) or developer after a five-year period from which initial service is established, nor shall refunds be made in excess of the amount contributed.

4) No interest will be paid by Company to customer(s) on any amount customer(s) has paid to Company as a contribution in aid of construction.

3. Project construction cost shall include all cost of the electric extension and overhead cost less the cost of customers' transformer(s), service line, and meter. The service line is considered to be the low voltage conductors between the Company owned transformer or secondary system and the customer owned service entrance equipment.

4. Electric extension refers to any facilities which must be constructed to connect a new customer to the utility system or the addition of capacity to existing facilities.

5. Company will deliver electricity to customer at the rate approved by the North Dakota Public Service Commission.

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

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ELECTRIC EXTENSION POLICY Rate 112

6. Where a contribution in aid of construction is required to provide service, such extension is subject to prior execution by customer and Company of Company's standard agreement for extensions.

7. Where abnormal conditions exist, causing extraordinary costs on any part of the extension (e.g., railroad or river crossing, land clearing, special permits, etc.), a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.

8. This rule shall not be construed as prohibiting the Company from making a contract with a customer in a different manner, if the contract provides a more favorable method of extension to the customer. Such determination to be made on the basis of specific extension characteristics.

9. Temporary loads, such as gravel pit operations, carnivals, etc., shall follow the Company rules for temporary services.

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

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1st Revised Sheet No. 61
Cancelling 113-N-1 Sheet No. ____

METHOD OF COMPUTING INITIAL OR FINAL BILLS FOR ELECTRIC SERVICE FOR LESS THAN A FULL MONTHLY BILLING PERIOD Rate 113

Customers meters are read as nearly as practicable at thirty-day intervals. When service is begun or terminated at any location between regular meter reading dates, bills will be prorated on a daily basis, whenever the billing period is less than 27 calendar days or more than 35 calendar days. The minimum monthly bill, base rate, kilowatt hour blocks and demand charge provisions in all rate schedules will be prorated.

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400 North Fourth Street
Bismarck, ND 58501

STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

NDPSC Volume 3
2nd Revised Sheet No. 62
Cancelling 1st Revised Sheet No. 62

RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

1. Residential Electric Service is available to any residential customer for domestic purposes only. All normal sized equipment used for domestic lighting, heating, cooking and power, and used strictly for household purposes, may be supplied through one meter.

   a. Residential service is defined as service for domestic general household purposes in space occupied as living quarters, designed for occupancy by one family. Typical service would include the following: separately metered units, such as single private residences, single apartments, moible homes and sorority and fraternity houses (this is not an all-inclusive list). In addition, auxiliary buildings on the same premise as the living quarters, used for residential purposes, may be served on the residential rate.

   b. Motors and other equipment which interfere with service to neighboring customers, all motors larger than 5 horsepower and temporary or seasonal loads totaling more than 25 kilowatts (Kw) will not be permitted on the Residential Electric Service Rate without prior Company approval.

   c. Only single phase service is available under the Residential Electric Service Rate.

2. Three phase service shall be served under the appropriate General Electric Service Rate.

3. General Electric Service is defined as service provided to non-residential services, such as a business enterprise in space occupied and operated for nonresidential purposes. Typical service would include stores, offices, shops, restaurants, boarding houses, hotels, service garages, wholesale houses, filling stations, barber shops, beauty parlors, apartment houses with master metering exemptions, common areas of shopping malls or apartments (such as halls or basements), churches, elevators, schools and facilities located away from the home site (this is not an all-inclusive list).

4. If separate metering is not practical for a single unit (one premise) that is using electricity for both domestic purposes and for conducting business (or for nonresidential purposes), the customer will be billed under the predominate use policy. Under this policy, the customer's combined service is billed under the rate (Residential or

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RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

General Electric Service) applicable to the type of service which constitutes 50% or more of his total connected load.

5. Other classes of service furnished by the Company shall be defined in applicable rate schedules or in rules and regulations pertaining thereto. Service to customers for which no specific rate schedule is applicable shall be billed on the appropriate General Electric Service Rate.

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

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ELECTRIC RATE SCHEDULE

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

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TAX CLAUSE Rate 130

In addition to the charges provided for in the electric tariffs of the Company there shall be charged pro rata amounts which on an annual basis shall be sufficient to yield to the Company the full amount of any excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality or other political subdivision for the privilege of conducting its utility operations therein.

The charges to be added to the customers' service bills under this clause shall be limited to the customers within the corporate limits of the municipality or other political subdivision imposing the tax.

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

A. NEW METERS

A sampling of 5% will be tested at full load and at light load. If any meter is found to be off more than ±1%, the entire lot will be tested or rejected.

B. RESIDENTIAL WATTHOUR METERS IN SERVICE

1. A random selection of meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979, 1980 to 1989, etc., will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 96% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 96% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of four years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

C. COMMERCIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

C. COMMERCIAL WATTHOUR METERS (Cont.)

3. The criteria for acceptance shall be: at least 98% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 98% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

D. INDUSTRIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 99% of the meters shall be not more than ±2% in error at both light load and full load, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 99% of the tested meters fail to meet these requirements, the entire vintage class will be tested and adjusted or, if more economic, replaced within two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

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STATE OF NORTH DAKOTA
ELECTRIC RATE SCHEDULE

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RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

1. These rules apply to electric service to:

   A) Any new commercial or residential building for which the physical labor involved in the erection of such building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

   B) Any substantially remodeled commercial or residential building for which the physical labor involved with the remodeling of the said building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

2. This rule does not apply to hotels, motels, dormitories, nursing homes, homes for the elderly, facilities of a similar nature, or to low-income rental housing for which the cost of electricity is included in the rent, and for which the amount of the rental payment is based upon the tenant's ability to pay. Such buildings and facilities may be served by a master-meter.

3. Electric service to each unit or facility in a new or substantially remodeled building which is subject to this rule shall be provided in accordance with the applicable rate schedule for such service in the area in which the building is located.

4. Electric service to buildings which are subject to this rule shall be on an individually-metered basis, unless the owner or builder of such building presents the Company with written evidence that the North Dakota Public Service Commission has approved master-metering of electric service to the building on the basis that the owners or contractors costs of purchasing and installing facilities for separate metering together with the Company costs of purchasing and installing separate meters exceed the long-term benefits resulting therefrom.

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RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

5. All other rules and regulations of the Company which govern electrical service in North Dakota and which do not conflict with the provisions of this rule shall apply to electric service provided to new and existing buildings which are subject to this rule. The customer is responsible for ascertaining and complying with all applicable rules and regulations of any governmental authority having jurisdiction over the subject matter of this rule.

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STATE OF NORTH DAKOTA
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SMALL QUALIFYING FACILITIES (SQF)-GENERAL RULES Rate 140

General Rules for Generation:

1) The interconnection between the utility and the qualifying facility will be limited to the service voltage and phases available at the qualifying facility. If different voltages or phases are required, the necessary changes will be provided by the qualifying facility.

2) The power factor and frequency of the qualifying facility shall be such as to not adversely affect the utility system. If corrective devices are required, they will be provided by the qualifying facility.

3) Fault protection equipment shall be provided by the qualifying facility. The utility and qualifying facility shall coordinate protective devices in order to limit damage to each system.

4) The qualifying facility's interconnection shall meet the requirements of local, state and federal codes.

5) The owner of the qualifying facility shall submit equipment specifications as requested by the utility prior to owner's installation of such equipment to assure compatibility and coordination with the utility system.

6) The owner of a qualifying facility will be requested to curtail, interrupt or reduce deliveries of electric energy, in order that the utility may construct, install, maintain, repair, replace, remove or inspect any of its equipment or any part of its system, or if it determines that curtailment, interruption or reduction of delivery is necessary because of safety, emergencies, forced outages or operating conditions on its system. Except in case of emergency, in order to minimize operating problems, the utility and qualifying facility shall give the other reasonable prior notice of any curtailment, interruption or reduction of delivery and its probable duration.

7) The Company reserves the right for periodic inspection of safety devices which are part of the interconnection. This does not affect the responsibility of the qualifying facility to assure the operating safety of the equipment on its side of the interconnection point.

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7370

SMALL QUALIFYING FACILITIES (SQF)-GENERAL RULES Rate 140

8) The Company reserves the right to disconnect any facility that has interconnected without utility authorization.

9) The Company has the right to disconnect and lock-out a qualifying facility's generating equipment with due notice whenever it has been determined that harmonics are being produced or other factors are present which would interfere with communications or otherwise cause degradation of service to other customers. If, in the judgment of the utility, an unsafe condition is created on the utility system by the operation of the qualifying facility the utility shall have the right to disconnect the facility until the cause of such condition is eliminated.

10) In the event of a utility system outage or interruption of service, a qualifying facility's generator shall be capable of automatically disconnecting itself to prevent the utility's line from being energized. Also, a qualifying facility's system shall not be capable of energizing the utility's line when that line is de-energized.

11) A manually operated generator disconnect switch, provided by the owner of a qualifying facility, shall be accessible to utility personnel at all times. Such a switch would be used, whether or not the owner is present to remove the qualifing facility's generator from the line in an emergency situation as determined by utility system conditions.

12) All necessary rights-of-way and easements to install, operate, maintain, replace and remove utility facilities, including adequate access rights are to be furnished by the owner of the qualifying facility on owner's property.

13) The metering shall be adequate to measure energy, or energy and capacity, from the qualifying facility to the utility, from the utility to the qualifying facility, and, if necessary, adequate to determine the time at which energy is transferred from one party to another.

14) If the qualifying facility is located at a site outside of Company service territory and energy is delivered to Company through facilities owned by another utility, energy payments will be adjusted reflecting losses occurring between point of metering and point of delivery.

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SMALL QUALIFYING FACILITIES (SQF)-GENERAL RULES Rate 140

General Rules for Generation: (Cont.)

15) In the event the qualifying facility desires wheeling by the Company of its output, arrangements will be made subject to negotiation.

16) A Metering Charge will be assessed the qualifying facility for installation by the Company of additional metering equipment plus operation and maintenance costs.

17) An Interconnection Charge will be assessed for any additional facilities (exclusive of the items included in Metering Charge) or changes in existing facilities to permit interconnection with the Company. Payment shall be a one-time payment.

18) The owner of a qualifying facility will indemnify and save the utility harmless from all loss on account of injury, death or damage to property caused by the qualifying facility unless the injury, death or damage is the direct result of the negligence of the utility.

19) Qualifying facilities shall be required to execute a contract that specifies a one or five-year minimum term depending upon applicable rate schedule and describes the responsibilities, liabilities, ownership of equipment, and location.

20) The owner of a qualifying facility shall obtain and maintain general liability insurance in an amount established by negotiation between the owner of a qualifying facility and the Company.

21) Qualifying facilities with generating capacity greater than 1000 Kw, or operating as a base loaded unit regardless of size, will require individual negotiation.

APPROVED NORTH DAKOTA
PUBLIC SERVICE COMMISSION
JAN 14 1992

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 1

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State of North Dakota
Electric Rate Schedule

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Electric Rate Schedule

COMMUNITIES SERVED

ELECTRIC SERVICE
**Designates Region Office*

Dakota Heartland Region

Almont	Gascoyne	Merricourt
Ashley	Glen Ullin	Mobridge
Beulah	Golden Valley	Monango
Bismarck*	Hague	Napoleon
Braddock	Haynes	New Leipzig
Bucyrus	Hazelton	New Salem
Buffalo Springs	Hazen	Reeder
Burnstad	Heil	Scranton
Carson	Hettinger	Selfridge
Center	Judson	Steele
Dawson	Kintyre	Sterling
Driscoll	Kulm	Strasburg
Elgin	Lehr	Tappen
Ellendale	Leith	Ventura
Forbes	Linton	Wishek
Fredonia	Mandan	Zap
Fullerton	McKenzie	Zeeland

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COMMUNITIES SERVED

ELECTRIC SERVICE

Badlands Region

Alamo	East Fairview	Portal
Alexander	Epping	Powers Lake
Ambrose	Flaxton	Rawson
Appam	Gladstone	Ray
Arnegard	Glendive	Regent
Aurelia	Grenora	Rhame
Battleview	Halliday	Richardton
Beach	Hamlet	Ross
Belfield	Hanks	Sentinel Butte
Bentley	Hebron	Sherwood
Bowbells	Kenaston	South Heart
Bowman	Kenmare	Springbrook
Burt	Killdeer	Stanley
Carpio	Larson	Taylor
Cartwright	Lignite	Temple
Columbus	Loraine	Tioga
Corinth	Marmath	Tolley
Corteau	McGregor	Watford City
Coulee	Mohall	Werner
Crosby	Mott	Wheelock
Dickinson*	New England	White Earth
Dodge	Noonon	Wildrose
Donnybrook	Norma	Williston
Dunn Center	Northgate	Zahl

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RESIDENTIAL ELECTRIC SERVICE Rate 10

Availability:

In all communities served for single-phase residential electric service for domestic purposes only.

Rate:

Base Rate: $17.00 per month

Energy Charge October – May:

First 750 Kwh per month	6.307¢ per Kwh
Over 750 Kwh per month	3.431¢ per Kwh

Energy Charge June – September: 6.307¢ per Kwh

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: May 30, 2003 **Effective Date:**

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

Case No.:

Montana-Dakota Utilities Co.
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400 N 4th Street
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Electric Rate Schedule

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Original Sheet No. 7

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Availability:

In all communities served for single-phase residential electric service. The customer's wiring must be so arranged that all service can be measured through one meter.

Rate:

Base Rate: $22.00 per month

On-Peak Energy: For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday:

October-May	10.170¢ per Kwh
June-September	14.170¢ per Kwh

Off-Peak Energy: 3.431¢ per Kwh for all energy not covered by the On-Peak rating period.

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day Residential Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Residential Electric Service rate or of returning to the regular Residential Electric Service rate.

General Terms and Conditions:

The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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SMALL GENERAL ELECTRIC SERVICE Rate 20

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be so arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

Base Rate: $35.00 per month

Energy Charge October – May:

First 750 Kwh per month	6.307¢ per Kwh
Over 750 Kwh per month	3.431¢ per Kwh

Energy Charge June – September: 6.307¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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SMALL GENERAL ELECTRIC SERVICE Rate 20

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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IRRIGATION POWER SERVICE Rate 25

Availability:

For irrigation power service.

Rate:

Base Rate: $10.00 per month

Demand Charge:

October – May	$3.060 per Kw
June – September	$6.060 per Kw

Energy Charge: 3.484¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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IRRIGATION POWER SERVICE Rate 25

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

Base Rate: $37.00 per month

On-Peak Energy: For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday:

October – May	10.170¢ per Kwh
June – September	14.170¢ per Kwh

Off-Peak Energy: 3.431¢ per Kwh for all energy not covered by the On-Peak rating period.

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day Small General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Small General Electric Service rate or of returning to the regular Small General Electric Service rate.

General Terms and Conditions:

1. Customers and their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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GENERAL ELECTRIC SERVICE Rate 30

Availability:

In all communities served for all types of demand metered general electric service except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

For Primary Service:

Base Rate:	$90.00 per month
Demand Charge:	
October – May	$5.254 per Kw
June – September	$8.254 per Kw
Energy Charge:	3.424¢ per Kwh

For Secondary Service:

Base Rate:	$35.00 per month
Demand Charge:	
October – May	$ 8.224 per Kw
June – September	$11.224 per Kw
Energy Charge:	3.505¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

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GENERAL ELECTRIC SERVICE Rate 30

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31

Availability:

In all communities served for all types of demand metered general electric service except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

For Primary Service:

Base Rate: $92.00 per month

On-Peak Demand:

October – May	$4.344 per Kw
June – September	$7.344 per Kw

On-Peak Energy: For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday:

October – May	3.575¢ per Kwh
June – September	5.575¢ per Kwh

Off-Peak Energy: 3.424¢ per Kwh for all energy not covered by the On-Peak rating period.

For Secondary Service:

Base Rate: $37.00 per month

On-Peak Demand:

October – May:	$7.457 per Kw
June – September:	$10.457 per Kw

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OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31

On Peak Energy: For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday:

October – May:	3.919¢ per Kwh
June – September:	5.919¢ per Kwh

Off-Peak Energy: 3.505¢ per Kwh for all energy not covered by the On-Peak rating period.

Minimum Bill:
Base Rate.

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:
Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Determination of On-Peak Billing Demand:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day General Electric Service rate or of returning to the regular General Electric Service rate.

General Terms and Conditions:

1. Customers and their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

Availability:

In all communities served for general service customers for space heating service, where the customer also takes service under General Electric Service Rate 30 or General Electric Time-Of-Day Service Rate 31. Only space heating load is allowed on this rate schedule.

Rate:

Base Rate: $10.00 per month

Energy Charge:

For Primary Service	3.424¢ per Kwh
For Secondary Service	3.505¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

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GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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FIRM SERVICE ECONOMIC DEVELOPMENT
Rate 34

Availability:

In all communities served for all types of general electric service which meets one of the following qualifications:

a. New Customers - An applicant with total expected demand of 200 Kw per month and usage of 750,000 Kwh per year is eligible for service under this rate if it can meet any one of the following requirements: (i) its activities are largely or entirely different than that of the previous customer; (ii) that non-seasonal business has not been conducted at the premise for at least three billing periods prior to the application; (iii) that seasonal business has not been conducted at the premise for at least thirteen billing periods prior to the application; or (iv) the facility is newly constructed.

b. Existing Customers and Existing In-state Customers of Competing Suppliers - An existing customer, or an existing in-state customer of a competing supplier with increased demand of 200 Kw per month and increased usage of 750,000 Kwh per year is eligible for service under this rate. Only the expanded portion of the facility will be eligible for the negotiated rate. In addition, the new load must be supplied from a separately metered circuit with separate metering equipment to be installed at the customer's expense. Average usage at the original facility must be at least as great as that which occurred in the previous 12 month period.

Rate:

Base Rate:	$92.00 per month
Demand Charge:	To Be Negotiated
Energy Charge:	Otherwise applicable energy charge for General Service Rate 30.

Minimum Bill:

Base Rate plus Demand Charge.

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FIRM SERVICE ECONOMIC DEVELOPMENT
Rate 34

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Right to Discontinue Service:

The Company reserves the right to refuse applicants who have not previously signed a contract for service under this rate if it determines either system capacity or system energy supply is projected to be insufficient, or if service reliability is expected to be at jeopardy.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

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FIRM SERVICE ECONOMIC DEVELOPMENT
Rate 34

General Terms and Conditions:

1. The customer and the Company shall execute a contract for service to be effective under this rate for a period of five years from the date of service commencement.

2. The negotiated demand charge shall be increased according to the differential between the negotiated rate and the ceiling as portrayed by the following schedule.

Years	Differential Percent Decrease
1-3	0%
4	25%
5	50%

   At the end of the fifth year, the negotiated agreement hereunder expires.

3. Upon expiration of the contract, the customer shall be served under the otherwise applicable rate schedule.

4. Customers and their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

5. The foregoing schedule is subject to Rates 101-133 and any amendments or alternations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Availability:

In all communities served for power to customers having a demand of 500 Kw or more for its interruptible load. Electric energy for the interruptible load shall be supplied through a separately metered circuit at the same voltage and phase utilized to serve the balance of the customer's electrical load so arranged to allow remote operation by the Company.

Type of Service:

Service under this rate shall be taken by the customer at whatever primary voltage is available at the point of delivery but not less than 2,400 volts. In the event that it is necessary to build a substation on the Company's transmission line to serve the customer, the cost of building the substation shall be a matter of negotiation between the Company and the customer.

Rate:

Base Rate:	Specified in the electric service agreement with the Company.
Demand Charge:	$5.254 per Kw of billing demand
Energy Charge:	3.424¢ per Kwh

Minimum Bill:

Base Rate plus the Demand Charge (500 Kw minimum).

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 500 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

1. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and monthly Base Rate payments to the Company. The monthly Base Rate payments are determined on a customer by customer basis and shall include, but are not limited to, any additional costs incurred by Company for facilities, such as substations, electric lines, meters, switching devices, and circuit breakers that are necessary to provide service under this rate.

2. All equipment associated with the interruptible load must be of such voltage and electrical characteristics that it can be separately metered and served from the circuit provided for the interruptible portion of the customer's load. If the equipment to be served is such that this is impossible, the customer must either make special arrangements with the Company or furnish the necessary equipment suitable for connection and metering to the circuit for the interruptible portion of the load.

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INTERRUPTIBLE LARGE POWER SERVICE Rate 39

3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of the customer's switch or circuit breaker by Company. Customer must wire the trip and close circuits into a connection point designated by the Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system.

4. The duration and frequency of interruptions shall be at the sole discretion of the Company.

5. The Company shall not be liable for any loss or damage caused by or resulting from any interruption of service.

6. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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MUNICIPAL LIGHTING SERVICE Rate 41

Availability:

For municipal lighting purposes including streets, alleys and other public grounds. Service will be provided all night, every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

Rate:

For Primary Service:	5.221¢ per Kwh computed according to the total rated capacity of lamps in use.
For Secondary Service:	5.627¢ per Kwh computed according to the total rated capacity of the lamps in use.
Special discount:	For contracts of ten years or more 10%

Minimum Bill:

As provided in contract.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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MUNICIPAL LIGHTING SERVICE Rate 41

General Terms and Conditions:

1. The Company will maintain the facilities and change the light bulbs when notified by the municipality that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of employees of the municipality. In case of vandalism, malicious mischief, or willful negligence the Company will charge the municipality for the cost of repair and replacement.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. In municipally-owned street lighting systems, an additional charge will be made to cover lamp replacements, materials and labor whenever such services are supplied by the Company.

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

5. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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MUNICIPAL PUMPING SERVICE Rate 48

Availability:

For municipal pumping purposes provided the municipality uses electricity exclusively for all its pumping requirements and purchases all such electricity from the Company. The municipality must sign a contract for a minimum period of one year.

Rate:

For Primary Service:

Base Rate: $12.00 per month

Demand Charge:

Connected loads of 10 Kw or less will be billed based on connected load. Connected loads in excess of 10 Kw will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter in the current month or 10 Kw.

October – May: $1.150 per Kw
June – September: $4.150 per Kw

Energy Charge: 3.461¢ per Kwh

For Secondary Service:

Base Rate: $10.00 per month

Demand Charge:

Connected loads of 10 Kw or less will be billed based on connected load. Connected loads in excess of 10 Kw will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter in the current month or 10 Kw.

October – May: $3.060 per Kw
June – September: $6.060 per Kw

Energy Charge: 3.484¢ per Kwh

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MUNICIPAL PUMPING SERVICE Rate 48

Special discount:
For contracts of ten years or more 10%

Minimum Bill:
Base Rate plus Demand Charge.

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Margin Credit Adjustment:
Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:
1. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

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MUNICIPAL PUMPING SERVICE Rate 48

2. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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OUTDOOR LIGHTING SERVICE Rate 52

Availability:

For all outdoor lighting including flood lights and metallic vapor yard lights in all communities served.

Rate:

5.627¢ per Kwh computed according to the total rated capacity of the units in use.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

1. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dusk to dawn.

2. The light may be mounted on existing poles owned or controlled by the Company. The Company will furnish a 35 foot pole(s) for flood lights and a 30 foot pole(s) for yard light(s) at the customer's request at a separate rental rate if a special setting is required. If the customer chooses, the light may be installed on a pole owned by the customer or other mounting point suitable for installation of the light. The conductors will be extended 100 feet per unit free of charge, but the customer shall pay for the extra cost of extensions of more than 100 feet per unit.

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OUTDOOR LIGHTING SERVICE Rate 52

3. To the rate stated herein, bulb replacement and ownership costs for the units shall be added. The customer should consult with the Company for such costs.

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

   Metallic vapor ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

5. The Company will maintain the facilities and change the light bulbs when notified by the customer that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of customer. In case of vandalism, malicious mischief, or willful negligence, the Company will charge the customer for the cost of repair and replacement.

6. Customer will be served only by contract and for a minimum period of two years.

7. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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MARGIN CREDIT ADJUSTMENT Rate 57

Applicability:

This schedule is applicable to the electric energy delivered to all North Dakota retail customers served under Company electric rate schedules. There shall be adjusted from the net monthly bill computed according to the applicable electric retail rate schedule, a credit based on the allocated Wholesale Sales Margins earned by the Company for a defined 12-month period that are applicable to the Company's North Dakota jurisdiction.

Wholesale Sales Margin Credit Adjustment:

The Wholesale Sales Margin Credit Adjustment ("Margin Credit Adjustment' or "MCA") is computed by dividing the Company's actual Wholesale Sales margins for a defined 12-month period, as allocated to the Company's North Dakota retail electric jurisdiction ("Margin Credit Amount"), by the total actual North Dakota jurisdictional retail energy sales for the same defined 12-month period. The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the defined 12-month period as herein defined.

This credit adjustment shall be calculated annually and shall be based on the Wholesale Sales Margins earned by the Company for the most immediately available 12-month period during which the Company made wholesale transactions. The Company shall file with the Commission at least thirty days prior to making an adjustment, a Notice setting forth the Margin Credit Adjustment or MCA calculated for the most recent 12-month period. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of the month following the Notice period, unless otherwise ordered by the Commission.

The MCA will be credited by use of an "equal-cents-per-Kwh" rate structure.

True-up:

The difference, if any, between the jurisdictional total annual Wholesale Sales Margins earned by the Company and credited to North Dakota retail customers during a 12-month period and the Wholesale Sales Margins credited to North Dakota retail customers during that 12-month period through the MCA, shall be deferred and used to adjust subsequent MCA credits. For example, if the amount credited to North Dakota retail customers under the MCA is less than the

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MARGIN CREDIT ADJUSTMENT Rate 57

retail customer portion of the allocated jurisdictional Wholesale Sales Margins earned by the Company during the same time period, the subsequent MCA calculation shall be modified to include the amount under-credited. If the actual amount credited to the North Dakota retail customers under the MCA is more than the Wholesale Sales Margin earned by the Company and allocated to North Dakota retail customers, the subsequent MCA calculation shall be reduced by the amount previously over-credited. Any such differences shall accrue interest while deferred.

Adjustments:

Montana-Dakota may file an adjustment to the MCA to reflect changes in the wholesale sales markets and resulting Wholesale Sales Margins when the amount of the change in the MCA is at least 25 percent more or less than the currently effective MCA.

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FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .001¢ (one thousandth of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be 1.303¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent four month period plus unrecovered (or less over-recovered) prior cumulative energy costs:

1. The cost of fossil and other fuels, including but not limited to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fuel consumed in jointly owned generating stations as recorded in Account 151.

2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:

   a. Energy that is purchased on an economic dispatch basis;

   b. Energy purchased from a renewable energy source, including but not limited to hydropower, wood, windpower, and biomass;

3. The actual identifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above, less;

4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent four month period as herein defined.

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FUEL CLAUSE Rate 58

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent four month period for which actual cost data is available. The company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent four month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production 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 (QF) as defined under 18 CFR, Part 292.

Rate:

Metering charge for single phase service:	$ 1.25 per month
With instrument transformers:	$ 5.00 per month
Metering charge for three phase service:	$ 5.10 per month
With instrument transformers:	$10.75 per month

Energy delivered to and accepted by Company by a QF shall be paid for by Company in accordance with one of the following two options, elected by the QF:

1. Simultaneous Purchase and Sale:

   Energy sales to QF - 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 electric service, etc.) that is currently on file with the Commission.

   Capacity and energy purchases by Company:

Energy Payment	= 1.462¢ per Kwh
Capacity Payment	= $0 per Kw

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

2. Net Billing:

   Energy generated will be compensated on a net billing basis. Company will install a meter to measure the energy generated by the QF. The Company will also install a meter to measure the energy consumed by the QF. Metered generation will be subtracted from the metered consumption for the billing period.

   If metered generation is less than metered consumption, the QF will be billed the applicable retail rate. If metered generation is greater than the metered consumption, the QF will be paid for each Kwh an amount equal to:
   1.462¢ per Kwh

General Terms and Conditions:

1. Change of Rates: This schedule 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 at least one year but less than five years.

5. In order to qualify for the net billing option, the generating equipment and the load of the facility must be located at the same "physical site". "Physical site" shall mean on the same tract of land and the generator output must be physically connected to the load service entrance.

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

6. For general terms and conditions covering QF's, see Rate 140.

7. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production facilities for the purpose of generating 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 1000 Kw or less, that operate as a peaking facility (defined below), and are Qualifying Facilities (QF) as defined under 18 CFR, Part 292.

I. FACILITIES CAPABLE OF PROVIDING DISPATCHABLE CAPACITY AT THE TIME OF COMPANY'S SUMMER PEAK

Rate:

Metering charge for single phase service:	$4.90 per month
With instrument transformers:	$8.55 per month
Metering charge for three phase service:	$10.65 per month
With instrument transformers:	$16.10 per month

1. Capacity delivered to the Company:

QF has the option of one of two methods of payment for capacity:

a. Actual avoided costs at the time of delivery, or

b. Levelized payment for term of contract based on Table 1 below.

TABLE 1
Contract Length (YR.)

	5	10	15	20	25	30	35
$/Kw-mo	5.120	6.335	7.176	7.589	7.953	8.166	8.297

Total capacity payment per month = The applicable contract length capacity payment from Table 1 times the maximum 1 hour capacity, as demonstrated by an annual capability test.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.860¢ per Kwh	1.337¢ per Kwh

Peak Periods: The On-Peak Period is defined as those hours between 9 a.m. and 9 p.m. Central time, Monday through Friday in Central time zones, and between 8 a.m. and 8 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 the Company's system operating characteristics.

II. FACILITIES WHICH ARE NOT DISPATCHABLE AND PROVIDE ENERGY AND CAPACITY ON AN "AS AVAILABLE" BASIS

Rate:

Metering charge for single phase service:	$4.90 per month
With instrument transformers:	$8.55 per month
Metering charge for three phase service:	$10.65 per month
With instrument transformers:	$16.10 per month

1. Total capacity payment per billing period = P X Maximum 15 minute capacity for billing period, where P is defined below.

P = QCF/PCF(VTable 1)

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

where:

P	=	capacity payment in $/Kw - month
QCF	=	Qualifying Facilities Capacity Factor
PCF	=	65%
VTable 1	=	Applicable value from Table 1
CF	=	Capacity Factor which equals average 15 minute on-peak metered capacity divided by the greatest 15 minute on-peak metered capacity during the billing period.

QCF/PCF cannot be greater than 1.

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.750¢ per Kwh	1.304¢ per Kwh

Energy Sales to Qualifying Facilities:

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 electric service, etc.) that is currently on file with the Commission.

General Terms and Conditions:

1. Change of Rates: This schedule shall be reviewed annually, updated if necessary, and revised upon the Commission's approval.

2. Service under this schedule shall be on a simultaneous purchase and sale basis only.

3. 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.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

4. 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.

5. 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 five years or more.

6. Line loss considerations will be determined on a site specific basis.

7. For dispatchable units, generator outages must be pre-scheduled with Company to provide coordination with Company units.

8. A Peaking Unit is a unit not designed for continuous operation and is capable of supplying capacity and energy during periods of peak electric consumption. Generally, peaking units have a capacity factor of 20% or less.

9. For general terms and conditions covering QF's, see Rate 140.

10. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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RULE GOVERNING DISCONTINUANCE OF SERVICE FOR NONPAYMENT OF BILL Rate 101

All bills for service are due when rendered and will be considered delinquent if not paid by the due date shown on the bill. If any customer shall become delinquent in the payment of service bills, such service may be discontinued by the Company under the applicable rules of the Public Service Commission. The Company may collect a fee of $20.00 before restoring electric service which has been discontinued for nonpayment of service bills, or where a Service Extender has been installed in lieu of full disconnection.

Date Filed: May 30, 2003 **Effective Date:**

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

Case No.:

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RESIDENTIAL ELECTRIC SERVICE FOR PERMANENT EMPLOYEES
Rate 102

Available for:

Residential use only in a single family unit served by Montana-Dakota Utilities Co. to a full time permanent employee who has been continuously employed by the Company at least six months and is the principal support of the household in which he resides, or is the spouse of the principal support.

Rate:

The employee's bill shall be computed at the applicable rate, and the amount reduced by 33 1/3%.

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CONSUMER DEPOSITS Rate 106

The Company will determine whether or not a deposit shall be required of an applicant for electric service in accordance with Commission rules.

a. The amount of such deposit shall not exceed an estimated 60 day service bill.

b. The Company may accept in lieu of a cash deposit a contract signed by a guarantor, satisfactory to the Company, whereby the payment of a specified sum not to exceed the required cash deposit is guaranteed. The term of such contract shall be indeterminate, but it shall automatically terminate when the customer gives notice of service discontinuance to the Company or a change in location covered by the guarantee agreement or 30 days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance which the customer owes the Company. Upon termination of a guarantee contract, a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six-month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits shall be refunded to customers at termination provided all billings for service have been paid. Deposits will be refunded to all active customers, after the deposit has been held for 12 months, provided a prompt payment record has been established.

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NOTICE TO DISCONTINUE ELECTRIC SERVICE Rate 107

Customers desiring to have their electric service discontinued shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal call or telephone call to the Company's local business office, in communities in which an office is maintained. In other communities such notice shall be given to the Company's representative who services the community or to the nearest business office. Saturdays, Sundays and legal holidays are not considered business days.

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RECONNECTION FEE FOR SEASONAL CUSTOMERS Rate 108

A fee of $20.00 will be collected for reconnecting electric service to any customer who has disconnected electric service at the same location during the preceding twelve-month period.

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LATE PAYMENT CHARGE/RETURNED CHECK CHARGE Rate 109

Late Payment Charge:

Bills will be considered past due if not paid by the due date shown on the bill. An amount equal to 1% per month will be applied to any unpaid balance existing at the immediate subsequent billing date.

Returned Check Charge:

A charge of $10.00 will be collected by the Company for each check charged back to the Company by a bank.

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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

MONTANA-DAKOTA UTILITIES CO.

ELECTRIC SERVICE RULES and REGULATIONS

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101. Definitions

Company – Montana-Dakota Utilities Co.

Customer – Any individual, partnership, corporation firm, other organization or government agency supplied with service by the Company at one location and one point of delivery unless otherwise expressly provided in these rules or in a rate schedule.

102. Purpose
These rules are intended to define good practice, which can normally be expected, but are not intended to exclude other generally accepted standards and practices not covered herein. They are intended to ensure adequate service to the public and protect the Company from unreasonable demands.

The Company undertakes to furnish service subject to the rules and regulations of the Regulatory Commissions as supplemented by these general provisions, as now in effect or as may hereafter be lawfully established, and in accepting service from the Company, each customer agrees to comply with and be bound by said rules and regulations and the applicable rate schedules.

103. Electrical Codes and Ordinances
The Electric Service Rules and Regulations contained herein are supplementary to and do not intentionally conflict with nor supersede the latest edition of the National Electrical Code, the National Electrical Safety Code, nor such state and municipal laws and ordinances that may be in effect in the areas in which the Company furnishes electric service, except that where the requirements of these Electric Service Rules and Regulations exceed those of such codes, laws, and ordinances, these Electric Service Rules and Regulations shall apply. Existing installations, including maintenance replacements, that currently comply with prior revisions of these rules and regulations, need not be modified to comply with these rules except as may be required for safety reasons.

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104. Wiring Adequacy
Wiring codes provide minimum requirements for safety. Installation of wiring capacity greater than minimum code requirements is recommended to bring to the customer all the benefits of electric service and to protect building investment by minimizing obsolescence resulting from an inadequate wiring system.

105. Application for Electric Service
105.1 A customer desiring electric service must make application to the Company before commencing the use of the Company's service. The Company reserves the right to require a signed application or written contract for service to be furnished. All applications and contracts for service must be made in the legal name of the customer desiring the service. The Company may refuse service or terminate service to a customer who fails or refuses to furnish reasonable information requested by the Company for the establishment of a service account. Any customer who uses electric service shall be subject to the Company's rates, rules, and regulations and shall be responsible for payment of all service used.

105.2 Subject to rates, rules and regulations, the Company will continue to supply electric service until notified by the customer to discontinue the service. The customer will be responsible for payment of all service furnished through the date of discontinuance.

106. Inspection of Wiring
Where permits and inspections covering customer's wiring and installation are required by local ordinance, it is mandatory that such requirements be fulfilled before the Company will make connections to the Customer's installation. In locations where such inspections are not required by law or ordinance, an affidavit by the wiring contractor stating that the wiring has been done in compliance with the National Electrical Code will be acceptable.

107. Permits, Certificates, Affidavits
It is the responsibility of the customer to obtain all necessary permits, certificates of inspection or affidavits as required in Paragraph 106 above and to notify the Company promptly of any proposed alterations or additions to customer's load. Failure to comply with these requirements may result in delayed connection, interruption of service or damage to apparatus.

108. Consultation with the Company

108.1 The location, size and character of the customer's load and the current, voltage, frequency, phases, etc. which the Company has available at the customer's location will determine the type of service supplied to the customer.

108.2 Architects, engineers, contractors, electric dealers, wiremen and others must confer with local representatives of the Company to determine the type of service that will be available before designing or preparing specifications for new electrical installations or alterations to existing installations.

108.3 In all cases involving large installations and other cases where any doubt exists, full information as to the type of service available should be obtained from the Company.

109. Unauthorized Use of Service

109.1 Unauthorized use of service is defined as any deliberate interference that results in a loss of revenue to the company. Violators are subject to prosecution.

109.2 Types of unauthorized use of service include, but are not limited to, the following:

(a) Bypass around meter.
(b) Meter reversed.
(c) Equipment connected ahead of meter.
(d) Tampering with meter that affects the accurate registration of electric usage.
(e) Electricity being used after service has been discontinued by the Company.

109.3 In the event that there has been unauthorized use of service, customer shall be charged for:

(a) All costs associated in investigation or surveillance.
(b) Estimated charge for non-metered electricity.
(c) All time to correct situation.
(d) Any damage to Company property.

109.4 A Customer's service disconnected for unauthorized use of service shall be reconnected after the customer has furnished satisfactory evidence of compliance with Company's rules and conditions of service, and paid any charges which are due, including:

(a) All delinquent bills, if any.
(b) The amount of any Company revenue loss attributable to said tampering.
(c) Expenses incurred by the Company in replacing or repairing the meter or other equipment, costs incurred in the preparation of the bill, plus costs as outlined in Paragraph 109.3.
(d) Applicable reconnection fee.
(e) A cash deposit, the amount of which will not exceed the maximum amount determined in accordance with rules of the applicable State Public Service or Utilities Commission.

110. Unauthorized Attachments to Poles

110.1 The unauthorized attachment of any flags, banners, signs, clotheslines, antennas, etc. to Company poles is prohibited. The use of poles for placards or other advertising matter is forbidden. The Company will remove such unauthorized attachments without notice and may prosecute any such trespassers.

110.2 Customers are cautioned to locate antennas so that they are beyond falling distance from the Company's lines, either transmission or distribution. In many of the communities in which the Company operates, this provision is covered by local ordinance.

110.3 Antennas and lead-ins shall be located a safe distance from and shall never cross over or under the Company's lines or contact the Company's poles.

110.4 The Company disclaims all responsibility where such equipment contacts the Company's lines, poles or equipment.

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111. Access to Customer's Premises
The Company's representatives, when properly identified, shall have access to the customer's premises, at all reasonable times for the purpose of reading meters, making repairs, making inspections, removing the Company's property or for any other purpose incidental to the service.

112. Protection of Customer's Equipment
112.1 Continuity of Service – The Company's electric system is unusually widespread and has many interconnections with sources of power other than its own generating stations and it is subject to exposure by storms and other factors not under its control. The Company employs the latest developments in equipment and methods of operation for the purpose of maintaining adequate service. The Company will use all reasonable care to provide continuous service but does not assume responsibility for a regular and uninterrupted supply of electric service and will not be liable for any loss, injury, death or damage resulting from or caused by the interruption of the same.

112.2 Customer's Equipment – Neither by inspection or rejection, nor in any other way does the Company give any warranty, expressed or implied, as to the adequacy, safety or other characteristics of any structures, equipment, lines, appliances or devices owned, installed or maintained by the customer or leased by the customer from third parties. It is the obligation of the customer to provide such protection devices as may be necessary to safeguard the customer's equipment and installation from interruptions, variation in voltage and frequency, single-phase energization of three-phase lines, reversal of phase rotation or other abnormal conditions. (Refer to paragraph 810).

Section 200 - USE OF ELECTRIC SERVICE

201. Rate Schedules
Electric service will be billed under the rate schedule that applies to the class of service used. See Application for Electric Service Paragraph 105. Rate schedules applicable to various classes of service may be obtained from the Company upon request.

202. Resale of Energy
The Company will not supply energy for resale except as expressly covered by special contract or where such provision is a part of the rate schedule.

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203. Temporary Service
Temporary service is any service for construction work, carnivals, gravel pits, occasional lighting, etc., which is not expected to continue in use for a period long enough to justify the construction cost necessary for extending service. When temporary service is desired the customer shall, in addition to paying the scheduled rates, make deposit in advance in the amount of the Company's estimated cost of installing and furnishing such temporary service facilities together with the cost of disconnecting and removing same and the estimated billing to the customer for electric service. Final billing will reflect credit for the salvage value of materials used in providing the temporary service. Any deficiency in such advance payment shall be paid by the customer upon presentation of bill. Any amount deposited in excess of final billing by the Company will be refunded to the customer.

204. Standby Service
Where electric service is supplied as standby to a customer's generating facilities or vice versa, the customer shall provide and install at the customer's expense a suitable double-throw switch or other device, which will completely isolate the customer's power facilities from the Company's system. The service entrance shall be installed so that the phase conductors will be totally isolated from the customer's wiring before the standby unit is put into operation.

205. Parallel Service
Parallel operation of the customer's generating equipment with the Company's system shall be permitted to the extent provided in other approved rates.

206. Transformer Installations on the Customer's Premises
206.1 The Company will supply transformers to be installed on the customer's premises when requested by the customer and in accordance with the following paragraphs.

206.2 The customer shall agree to indemnify and save the Company harmless from any loss, damage, expense or liability, incurred or arising from, or out of the installation, operation, maintenance, repair or removal of its transformers, cables, conductors, apparatus and all other Company property, material or equipment placed on the customer's premises.

206.3 Company's power or distribution transformers will not be installed in the customer's building.

206.4 The Company will furnish, own and maintain conventional oil filled transformers at no cost to the customer. However, where dry type transformers, transformers containing a nonflammable insulating coolant or oil filled transformers of special voltage or design are required they shall be owned, installed and maintained by the customer at the customer's expense.

206.5 Padmounted transformers may be installed on customer's premises. The customer shall furnish a suitable concrete pad, conduit, ground rod and service conductors as noted in Figure 5. Where the customer has more than four parallel conductors, a cable junction enclosure and conduits to the transformer location may be required. The customer shall consult with the Company to determine when a cable junction enclosure is required.

206.6 Where the transformer is installed adjacent to an asphalt or concrete driveway, parking lot, or walkway, the customer shall provide conduit from the transformer location to a point beyond the driveway, parking lot, or walkway to accommodate the Company's primary voltage cable. The customer shall provide barriers and clear zones to protect transformer from damage and to allow proper cooling and access to conductor compartments. The Customer shall consult with the Company to determine the proper size conduit and protective barriers.

206.7 Refer to Figure 5 for additional information on transformer location.

207 Relocation of Facilities
If relocation of the Company's facilities located on or adjacent to the customer's premises is necessary, there may be a charge for such relocation.

Section 300 - ELECTRIC SERVICE AVAILABLE

301. Frequency
All service supplied by the Company is alternating current at a nominal frequency of 60 Hertz.

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302. Secondary Voltages (See also Section 400.)

302.1 In general, the following classes of service are normally supplied:

Phase	Wires	Nominal Voltage	Nominal Service
1	3	120/240	Single Phase Lighting & Power
3	3	120/208	Network Light & Power
3	4 Delta	120/240	Combined Light & Power
3	4 Wye	208 Grd Y/120	Combined Light & Power
3	4 Wye	480 Grd Y/277	Combined Light & Power
3	4 Delta	240/480	Combined Light & Power

Note: The Company follows the provisions of ANSI C84.1; latest revision, Electric Power Systems and Equipment – Voltage Ratings (60 Hertz)

302.2 Only one class of service voltage is provided to a single customer location.

302.3 Service at other voltages may be made available for approved loads upon special application to the Company. Supplying such service may require special construction and equipment by the customer and the Company. The details of such construction and equipment are subject to negotiation between the Company and the customer before service is supplied.

302.4 As the voltage and number of phases which will be supplied depend upon the character of the load, its size, and location, it is necessary that the customer consult with the Company regarding the type of service, which will be furnished before proceeding with the purchase of equipment or the installation of wiring. (Refer to Paragraph 108.)

302.5 The customer's wiring for single phase installations shall be such that the difference in loads on each side of the supply neutral shall not exceed 10% of the total load.

302.6 For three phase grounded wye installations, the load shall be balanced so that the difference in loads on the separate phases shall not exceed 10% of the total load.

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303. Primary Voltages (See also Section 500.)
Service may be made available at primary voltage of 2,400 volts or higher. The available primary voltage is dependent upon the local primary voltage.

Section 400 - SECONDARY VOLTAGE SERVICE
(Under 600 Volts)

401. Secondary Voltage Service Connections
The location of the service connection is subject to approval by the Company. The Company will cooperate with the customer to the fullest extent practicable in determining such location. Once established, any change by the customer may result in billing to the customer for any additional work or materials required by the Company.

402. Service Connections and Disconnections
All connections or disconnections of overhead or underground services, regardless of the voltage, will be made by the Company at the point where the Company's facilities join those of the customer. No customer or agent of the customer will be authorized to make such connections or disconnections. (Refer to Paragraphs 105, 106, and 107.)

403. Number of Service Drops
In general, one service drop will be installed for each customer location. Exceptions will be made in special cases where it is mutually advantageous to the customer and the Company.

404. Services in Raceways
Where services are installed in raceways, the installations must comply with the requirements of the latest edition of the National Electrical Code.

405. Service Entrance Requirements
405.1 The Company recommends that the service entrance for single family residences be not less than100 ampere. The service entrance shall be sized and installed in accordance with provisions of the National Electric Code, state code, and local ordinances. Bare neutral shall not be installed in metallic conduit due to the possibility of radio interference.

405.2 Ample length of service entrance conductor shall be left protruding from the service head and at padmount equipment facilities to allow for proper connection to the service drop for overhead installations and to padmount equipment terminals.

405.3 When entrances are parallel in two or more conduits, all phases shall be run in each conduit and all wires shall be of the same length.

406. Identification of Conductors

406.1 For purposes of identification, the neutral wire of each single phase entrance shall be clearly marked at the service outlet as well as at the meter location.

406.2 Where 4-wire, three phase service entrances are installed, the neutral conductor and the "wild" phase conductor (nominal 208 volts to ground) shall each be clearly marked at the service outlet, at the meter and at service equipment.

407. Overhead Service Drops

407.1 The service entrance shall preferably be through the eave and be located so the overhead service drop will be as short as practical and maintain all clearance requirements (Refer to Figure 1 and Paragraph 407.4).

407.2 In cases where proper clearances cannot be maintained by attaching the service drop directly to the building, the Customer shall install and maintain a supporting structure of sufficient mechanical strength to support the wires and of sufficient height to provide the necessary clearances.

407.3 The customer shall install the necessary facilities for firmly mounting a Company supplied service drop attachment.

407.4 Service drop conductors shall not be readily accessible and when not in excess of 750 volts, shall conform to the following general requirements (refer to the National Electrical Safety Code for possible exceptions):
Clearance over roof – Multiplex service drop conductors shall have the following minimum clearance over a roof:

10.0 feet - from the highest point of roofs or balconies over which they pass with the following exceptions:

Exception 1: The clearance shall be maintained at not less than 3.0 feet above roof or balcony not readily accessible.

Exception 2: Where a roof or a balcony is not readily accessible, and a service drop passes over a roof to terminate at a (through-the-roof) raceway or approved support located not more than 4.0 feet, measured horizontally from the edge of the roof, the clearance above the roof shall be maintained at not less than 1.5 feet for a horizontal distance of 6.0 feet from the raceway or support, and shall be maintained at not less than 3.0 feet for the remainder of the horizontal distance that the cable or conductor passes over the roof.

Note: A roof or balcony is considered readily accessible to a person, on foot, who neither exerts extraordinary physical effort nor employs special tools or devices to gain entry.

Clearance from ground – Multiplex service drop conductors shall have the following minimum clearance from ground:

18.0 feet - over roads, streets and other areas subject to truck traffic. Trucks are defined as any vehicle exceeding 8 feet in height.

18.0 feet - over driveways, parking lots and alleys. This clearance may be reduced to the following values:

(1) 17 feet - where multiplex service drops cross over or run along alleys, driveways, or parking lots.

(2) If the height of attachment to a building or other installations does not permit these requirements:

(a) 14 feet - over residential driveways for multiplex service drops limited to 150 volts to ground.

(b) 10 feet - over residential driveways for drip loops of service drops limited to 150 volts to ground.

14.0 feet - over spaces or ways accessible to pedestrians or restricted traffic only. This clearance may be reduced to the following values:
(1) If the height of attachment to a building or other installations does not permit these requirements:
(a) 12 feet - for multiplex service drops limited to 150 volts to ground.
(b) 10 feet - for drip loops of service drops limited to 150 volts to ground.

24.5 feet - over swimming pools, or within 10 feet, measured horizontally, of the pool edge. In addition, there must be 16.5 feet clearance measured in any direction from every point on a diving platform or tower.

The vertical clearance is derived using the latest edition of the NESC rule and, where necessary, adding 2 feet for vertical movement safety factor adopted by Company.

408. Secondary Voltage Underground Service

408.1 Where the customer desires an underground service, the customer must furnish and install conduit from the line side of the meter socket to a point a minimum of 18 inches below grade. (Refer to Figure 1.) Customer shall also provide necessary conduit for services under any asphalt or concrete driveway, walkway, parking lot, or other areas where it is impractical to excavate.

408.2 If a customer requests to convert from an overhead service to an underground service, the customer must provide all necessary changes to the service entrance, including relocation, and the conduit described in 408.1 above. The customer must also provide a Company approved trench ready to accept the underground service conductors including back filling, surface restoration and any future settlement or erosion. If the customer requests the Company to provide this work, the Company will charge the customer for this service.

409. Mobile Home Service

The customer shall install and maintain the metering pedestal or meter socket and meter mounting device. The customer, as the term is used in this section, is considered to be the mobile home court owner for installations in approved mobile home courts and the mobile home owner for installations on a private lot.

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Section 500 - PRIMARY VOLTAGE SERVICE
(2,400 Volts or More)

501. General
The Company offers electric service at primary voltages of 2,400 volts or higher. A customer desiring to take service at primary voltage shall furnish and own all electrical equipment from the point of delivery and shall consult the Company to assist in determining the size, type and arrangement of service entrance equipment and conductor specifications required for the Customer's particular needs.

502. Service Entrance Equipment
The service entrance equipment shall perform the following functions:

a. Isolate the load from the supply circuit by visible means.
b. Automatically break the circuit in the event of overload.
c. Permit manual opening of the circuit at full load.

503. Overcurrent Protection
The need for overcurrent protective coordination requires consultation with the Company. Overcurrent protective devices may be as follows:

a. Fuses
b. Automatic trip circuit breakers

The overcurrent protective device must have an interrupting rating, at circuit voltage, equal to or exceeding the maximum short circuit current available at the location where service is taken.

504. Disconnecting Means
504.1 The disconnect switch shall provide visible evidence that the circuit to which it is applied is open or disconnected. It shall be located on the supply side of the circuit.

504.2 Where fuses are used, the disconnect switch shall be a gang operated load break switch.

504.3 Where automatic circuit breakers are used as circuit protective equipment, the disconnect switch can be non-load break.

505. Load Balance
Loads on the three phases shall be balanced as closely as possible. The maximum unbalance permitted between individual phase loads is 10% of the total three phase load.

Section 600 – METERING

601. General
The Company will install the necessary meters to measure the electrical energy delivered under each account for a particular class of service.

602. Meter Socket Specifications
602.1 It shall be the customer's responsibility to furnish, install and maintain the meter mounting device. Company approved specifications for electric meter sockets and metering transformer enclosures are listed below:

Self-Contained Meter Sockets – Single-Phase, Three-Phase and Multiple Position Type

1. U.L. approved
2. 100 ampere minimum for overhead service installations. Lay-in connectors can be used, up to 150 Amp
3. 150 ampere minimum for underground service installations, with stud type connectors.
4. Ringless style
5. Equipped with a fifth terminal in the nine o'clock position where network metering is required
6. A lever by-pass feature is required for all commercial and industrial installations. Upon review by Company, an exemption may be provided.
7. A lever by-pass feature is recommended for all residential installations

Metering Transformer Rated Meter Socket

1. U.L. approved
2. Minimum size must provide space for test switch installation and phase shifting transformer where required
3. Ringless style
4. One piece cover

5. Socket must have six terminals for single phase, 8 terminals for three-phase, three wire and 13 terminals for all other configurations
6. Automatic by-pass feature is not acceptable
7. Consult with Company prior to purchasing any instrument rated socket

Metering Transformer Enclosure (Secondary Service)

1. Recommend a durable, weather-resistant finish and weatherproof seal
2. Must be provided with hinge-type cover and provisions to attach locking or sealing device
3. Minimum size 10" x 24" x 30" with suitable mounting brackets for current and voltage transformers.
4. Consult with Company prior to purchasing any metering transformer enclosure.

602.2 Self-contained rated meter sockets shall, where possible, be placed outdoors.

602.3 On instrument rated meter sockets, the Company will furnish and install the metering transformers. Where practical, such meter sockets shall be arranged for outdoor metering. (Refer to Figures 2 and 3.)

602.4 Where a secondary metering transformer enclosure is required, the customer shall furnish and install an enclosure. Such enclosures shall contain only the service entrance conductors and metering transformers. The metering transformers shall be installed on the line side of the customer's disconnecting device. Suitable lugs, connectors, etc. for connecting metering transformers to service mains shall be provided by the customer. (Refer to Paragraph 602.1.)

602.5 For installations having switchboards, the metering transformers may be mounted in the switchboard bus, provided they are accessible for changing and testing. Metering transformers shall be mounted on the source side of the main switch.

602.6 Meters and test switches may be mounted on a suitable panel adjacent to the metering transformer enclosure.

602.7 No device other than a Company-owned or Company-approved device shall be placed into the meter socket.

603. Meter-Switch-Fuse Wiring Sequence

For all secondary voltage metering installations the meter, entrance switch and main line fuse or breaker shall be installed in the order named with respect to power flow. All circuits downstream from the meter shall have proper overcurrent protection devices. A customer-owned main service switch shall be installed on the source side of all 480 volt, self-contained meters. This switch shall be located no closer than three feet either left or right of the meter socket, and the switch cover is sealed by Company.

604. Meter Locations

604.1 Each meter shall be located in a place of convenient access where it will not create a hazard. The location shall be agreed upon by the customer's representative and the Company. (Refer to Figure 1.)

604.2 Meters shall be located so that there is not less than 3 feet of unobstructed space, from the ground up, in front of the meter so that the center line of the meter is not less than 4 feet nor more than 5 feet above the floor, ground, or permanent platform from which the reading will be taken.

605. Outdoor Metering

605.1 Outdoor meters shall be permanently mounted on secure structures such as houses, buildings, poles, etc. All required conduit will be provided by customer. (Refer to Figures 1, 2, and 3.)

605.2 Enclosures shall not be placed over the meter socket unless approved by the Company.

606. Indoor Metering

Indoor meters for multiple dwellings, large office buildings, etc. shall be grouped and located as near the service entrance location as practicable.

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607. Wiring Diagrams
Typical wiring diagrams for various types of self-contained meters are shown on Figure 4. These are subject to change from time to time with advancement in the art of metering. Refer to Figure 4 for proper location of "wild" phase for three phase, four wire delta installations.

608. Labeling
Where two or more meter mounting devices are installed at one location, each shall be labeled so that it may be identified as to the customer served. Electrical contractors are requested and cautioned to check and identify wiring circuits carefully to avoid metering errors due to incorrect circuitry.

609. Seals
All meters and all points of access to customer wiring on the source side of the meter will be sealed by the Company. All cabinets and switch boxes, either inside or outside of the building, which contain unmetered wires shall have provision made for sealing before service will be supplied. (Refer to Paragraph 602.4.)

Section 700 - UTILIZATION EQUIPMENT

701. Interfering Loads
Whenever a Customer's utilization equipment has characteristics, which cause undue interference with the Company's service to other customers, the customer shall provide, at customer's expense, the necessary equipment to prevent or eliminate such interference. The Company may install and maintain at the customer's expense the necessary equipment to eliminate such interference if it deems it advisable. When a customer's equipment or method of operation causes such interference and the customer does not correct the condition after being so requested by the Company, the Company reserves the right to discontinue the electric service, following written notification of its intent to do so; and service will not be re-established until the conditions complained of have been corrected.

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702. Voltage Flicker and Harmonics

702.1 The Company uses IEEE Standard 141 (Latest Edition) as the guideline for the maximum allowable voltage flicker that can be caused by a customer's load as measured at the point of metering. This guideline refers to the momentary dip in voltage that may result from the customer's operation of switches, starting of motors, etc.

702.2 Customers electric load shall comply with the recommendations within Section 10 of IEEE Standard 519 (Latest Edition) "Recommended Practices & Requirements for Harmonic Control in Electric Power Systems" at the point of metering connection.

703. Power Factor

Whenever the customer's utilization equipment is of such characteristics as to produce a low power factor, the Company reserves the right to require the customer to raise such power factor, at the customer's expense, or to pay additional charges as provided in certain of the Company's rates on file with the Regulatory Commission of the state wherein the customer is located.

704. X-Ray Equipment

At the option of the Company, x-ray equipment may be separately metered and/or supplied from separate transformers.

705. Electric Welders

Electric welding apparatus shall require special arrangements with the Company to determine its ability to serve before installation is made. (Refer to Paragraph 703.)

706. Electric Motors

706.1 Motors are normally designed to operate at their rated voltage, plus or minus 10%; thus a 220 volt motor should operate satisfactorily at 208 volts or 240 volts.

706.2 To assure adequate safety to personnel and equipment, the customer shall provide and maintain protective devices in each phase to protect all motors against overloading, short circuits, ground faults and low voltage, and to protect all three-phase motors against single-phasing and phase reversal.

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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

706.3 Single-phase motors.
Motors for use at 120 volts are limited to locked rotor currents of 25 amperes if started more than 4 times per hour, and 50 amperes if started less frequently.

Motors for use at 208 or 240 volts single-phase will generally be limited to 3 h.p. and a maximum of 4 starts per hour. The Company must be consulted for single-phase motors above 3 h.p. Compensating starting equipment may be required to limit the starting current and when required, shall be furnished by the customer (Refer to paragraph 702).

706.4 The size of three-phase motors permitted will depend upon the effect that starting of the motor has upon the customer's system and the Company's other customers in the area. This effect will depend upon the magnitude of the starting current and the frequency of starting (Refer to Paragraph 702).

When necessary, the customer will be required to reduce the amount of starting current to an acceptable level by installing suitable motor-starting equipment or by using motors designed for smaller starting currents.

706.5 When more than one motor can start simultaneously, the sum of the maximum starting currents of those motors starting simultaneously and also the sum of their horsepower rating shall be furnished to the Company to determine when reduced voltage starting may be required.

707. Flashing Display Signs
The Company reserves the right to refuse service for "flashing" display signs or display lighting where such service would interfere with voltage regulation of the secondary system.

708. Fluorescent and Gaseous Tube Lighting
High power factor ballasts or transformers must be used for fluorescent, sodium vapor, neon or other gaseous tube lighting equipment. It is required that such equipment operate at a power factor of not less than 90% lagging.

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709. Electric Heat Equipment
A customer planning to install resistance type heating, heat pump, electric furnace, electrode boiler, etc. shall consult with the Company, before purchasing the equipment, so that operational modes of this equipment are determined to be acceptable for connection to the Company's distribution system. It is important that consultation is obtained prior to installation of this equipment so the Company can provide adequate capacity to efficiently serve the customer's requirements.

710. Computers and Electronic Equipment
Computers and other sensitive electronic equipment, which require high grade, uninterrupted power may, on occasion, experience problems when connected directly to the Company's distribution system. The customer should contact their supplier or consultant to ascertain the need for lightning arresters, surge suppressors, isolation transformers, standby or uninterruptible power supplies. (Refer to Paragraph 112.2.)

711. Carrier Equipment
The customer shall not impose, or cause to be imposed, any electric signal of any frequency or magnitude upon the Company's distribution system.

712. Lighting Service to Athletic Fields
All new installations shall be served at primary voltage. Loads greater than 50 Kw shall be served three phase. The customer shall furnish, install, and maintain the entire installation, including distribution transformers and a load break switch suitable for operation from the ground. The Company's Outdoor Lighting Service Rate shall apply.

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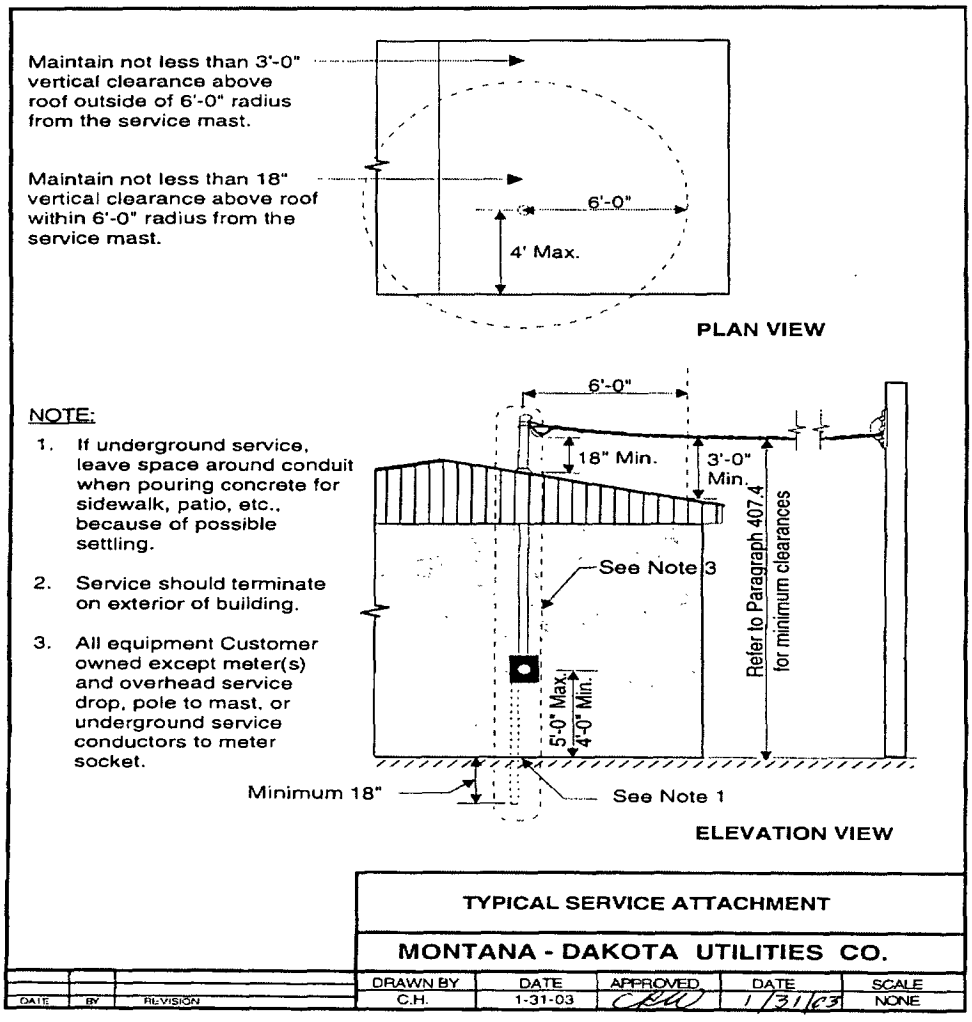


FIGURE 1

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Effective Date:

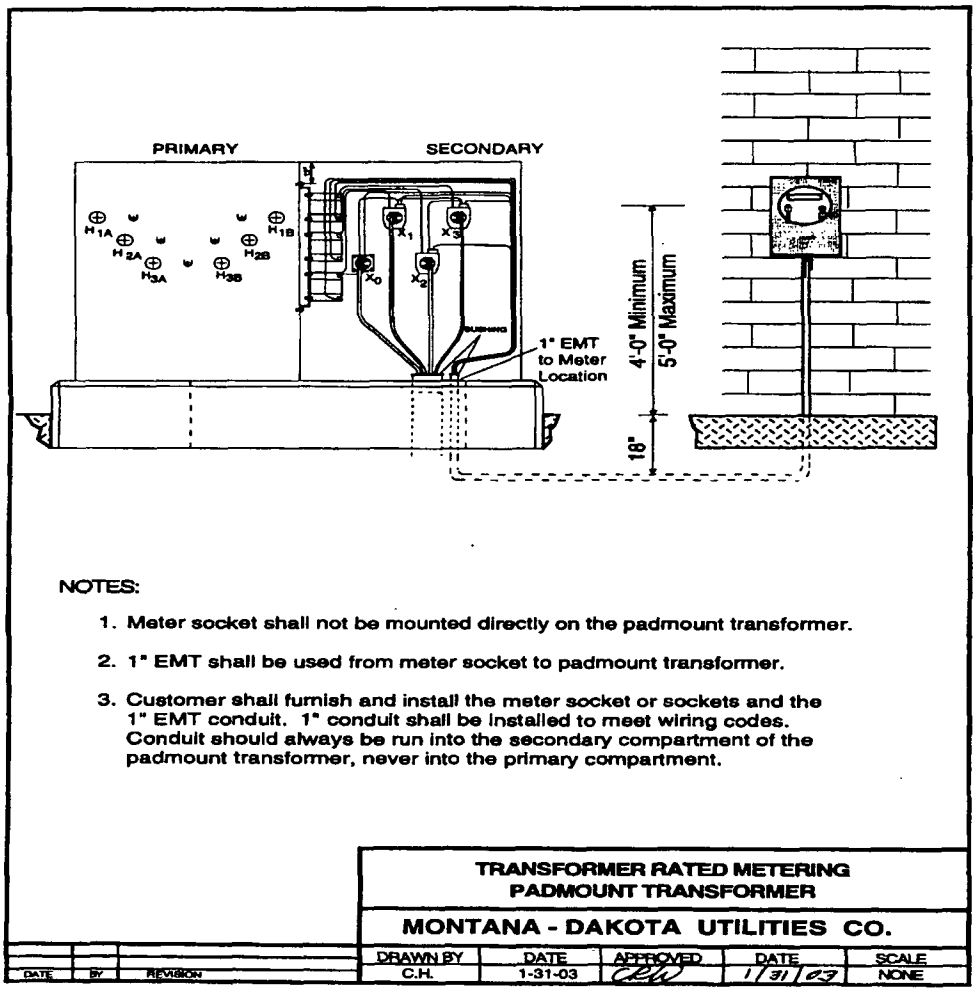
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Assistant Vice President -
Regulatory Affairs

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NOTES:

1. Meter socket shall not be mounted directly on the padmount transformer.
2. 1" EMT shall be used from meter socket to padmount transformer.
3. Customer shall furnish and install the meter socket or sockets and the 1" EMT conduit. 1" conduit shall be installed to meet wiring codes. Conduit should always be run into the secondary compartment of the padmount transformer, never into the primary compartment.

TRANSFORMER RATED METERING PADMOUNT TRANSFORMER				
MONTANA - DAKOTA UTILITIES CO.				
DRAWN BY	DATE	APPROVED	DATE	SCALE
C.H.	1-31-03		1/31/03	NONE

DATE | BY | REVISION

FIGURE 2

Date Filed: May 30, 2003

Effective Date:

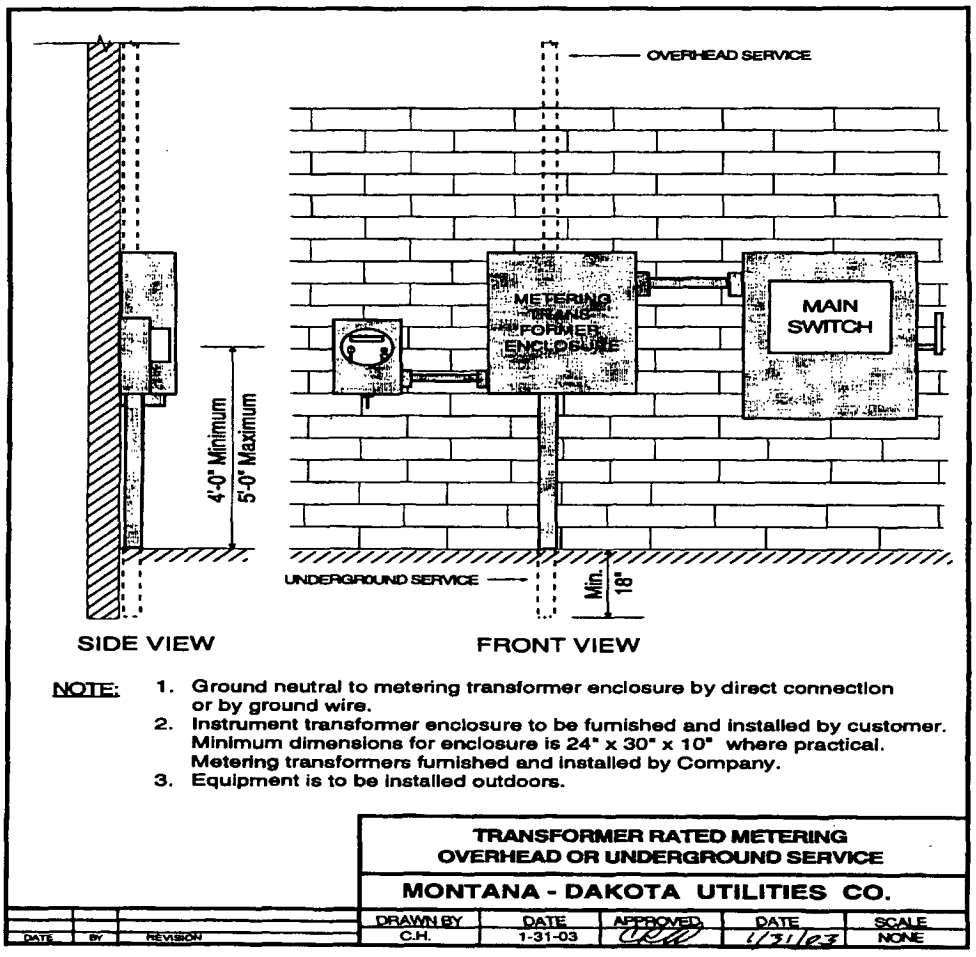
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NOTE:
1. Ground neutral to metering transformer enclosure by direct connection or by ground wire.
2. Instrument transformer enclosure to be furnished and installed by customer. Minimum dimensions for enclosure is 24" x 30" x 10" where practical. Metering transformers furnished and installed by Company.
3. Equipment is to be installed outdoors.

TRANSFORMER RATED METERING OVERHEAD OR UNDERGROUND SERVICE				
MONTANA - DAKOTA UTILITIES CO.				
DRAWN BY	DATE	APPROVED	DATE	SCALE
C.H.	1-31-03		1/31/03	NONE

DATE | BY | REVISION

FIGURE 3

Date Filed: May 30, 2003

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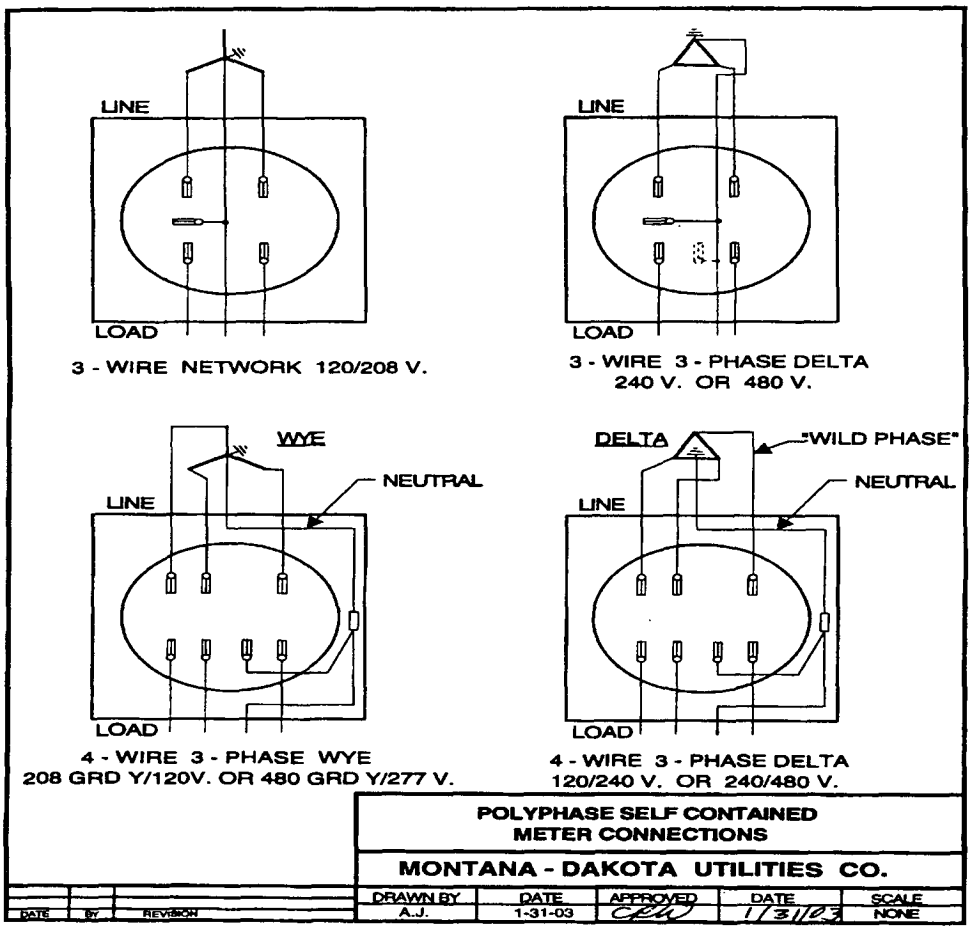


FIGURE 4

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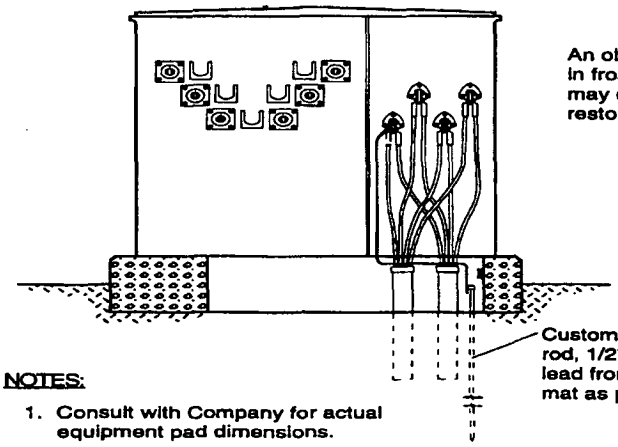
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An obstruction within 8 feet from in front of door of transformer may cause delay when restoring electric service.

Customer furnished ground rod, 1/2" x 8' minimum or lead from Customer ground mat as per NEC 250-23.

NOTES:

1. Consult with Company for actual equipment pad dimensions.
2. Transformer pad, service cable, conduit and ground rod or mat for service cable grounding are furnished by Customer.
3. Allow sufficient slack in service entrance conductor to allow for proper connection to equipment terminals.
4. Service connectors to be furnished by Company.
5. Connection to Company's equipment terminals to be made by Company.
6. When more than four conductors are installed for each phase, consult Company for transition cabinet requirements.

TRANSFORMER LOCATION

1. Minimum separation of five feet must be maintained between oil-filled padmount transformers and noncombustible or combustible structures.
2. All oil-filled padmount transformers must be installed so any flow of oil resulting from a failure of the transformer will flow away from any structure.
3. A transformer should be located away from traffic areas or protected with a suitable barrier such as concrete filled pipe provided by the Customer.
4. When locating pad, consider overhead clearance for possible transformer replacement.
5. Compact soil to avoid tilting and settling. Columns required except on firm ground.

TYPICAL PADMOUNT EQUIPMENT INSTALLATION

MONTANA - DAKOTA UTILITIES CO.

DATE	BY	REVISION	DRAWN BY	DATE	APPROVED	DATE	SCALE
			CH	1-31-03		1/31/03	NONE

FIGURE 5

Date Filed: May 30, 2003

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Assistant Vice President -
Regulatory Affairs

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Original Sheet No. 60

ELECTRIC EXTENSION POLICY Rate 112

The policy of Montana-Dakota Utilities Co. for electric extensions to provide service to customers located within its service territory is as follows:

1. A permanent extension may be constructed without a contribution if the estimated project construction cost is equal to or less than two times the estimated annual revenue (2 to 1 ratio).

2. If the estimated project construction cost is greater than two times the estimated annual revenue, the extension will be made only with a contribution, which may be refundable.

   a. Contribution -

      1) When a contribution is required of any customer, with the exception of those customers defined in 2) below, the formula for determining the amount of the initial contribution shall be the estimated construction cost less two times the estimated annual revenues.

      2) The initial contribution for developers of subdivisions shall be the estimated construction cost.

      3) Payment of the initial contribution amount shall be made prior to construction.

      4) Upon completion of construction, the contribution amount shall be adjusted to reflect actual construction costs and an additional charge or refund levied accordingly.

      5) Company may waive all contributions if it determines that the initial contribution will be soon refunded because of additional customer connections.

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b. Refund -
   1) If within a five-year period from the date initial service is established, one or more additional customers are added to the above referred to extension, Company shall recompute the contribution required by combining the estimated proposed construction cost for the new customer(s) with the construction cost to those customers already taking service. If, by so combining the construction costs, the contribution of those customers already taking service would be less, Company shall make a proportionate refund, without interest, to those customers taking service prior to commencement of service to said additional customer(s).

   2) Refunds for developers of subdivisions shall be made for each lot connected based on the following calculation: Total refundable contribution divided by the number of lots that can be served from the extension equals refund per lot. In addition, the total revenue of the subdivision will be reviewed annually to determine if adequate revenues are being generated so that the contribution formula would indicate a zero contribution. When this revenue level is reached, a refund will be made to the developer equal to the remaining contribution amount still held by the Company.

   3) No refund shall be made by Company to customer(s) or developer after a five-year period from which initial service is established, nor shall refunds be made in excess of the amount contributed.

   4) No interest will be paid by Company to customer(s) on any amount customer(s) has paid to Company as a contribution in aid of construction.

3. Project construction cost shall include all cost of the electric extension and overhead cost less the cost of customers' transformer(s), service line, and meter. The service line is considered to be the low voltage conductors between the Company owned transformer or secondary system and the customer owned service entrance equipment.

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4. Electric extension refers to any facilities which must be constructed to connect a new customer to the utility system or the addition of capacity to existing facilities.

5. Company will deliver electricity to customer at the rate approved by the North Dakota Public Service Commission.

6. Where a contribution in aid of construction is required to provide service, such extension is subject to prior execution by customer and Company of Company's standard agreement for extensions.

7. Where abnormal conditions exist, causing extraordinary costs on any part of the extension (e.g., railroad or river crossing, land clearing, special permits, etc.), a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.

8. This rule shall not be construed as prohibiting the Company from making a contract with a customer in a different manner, if the contract provides a more favorable method of extension to the customer. Such determination to be made on the basis of specific extension characteristics.

9. Temporary loads, such as gravel pit operations, carnivals, etc., shall follow the Company rules for temporary services.

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METHOD OF COMPUTING INITIAL OR FINAL BILLS FOR ELECTRIC SERVICE FOR LESS THAN A FULL MONTHLY BILLING PERIOD Rate 113

Customers meters are read as nearly as practicable at thirty-day intervals. When service is begun or terminated at any location between regular meter reading dates, bills will be prorated on a daily basis, whenever the billing period is less than 27 calendar days or more than 35 calendar days. The minimum monthly bill, base rate, kilowatt hour blocks and demand charge provisions in all rate schedules will be prorated.

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RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

1. Residential Electric Service is available to any residential customer for domestic purposes only. All normal sized equipment used for domestic lighting, heating, cooking and power, and used strictly for household purposes, may be supplied through one meter.

   a. Residential service is defined as service for domestic general household purposes in space occupied as living quarters, designed for occupancy by one family. Typical service would include the following: separately metered units, such as single private residences, single apartments, mobile homes and sorority and fraternity houses (this is not an all-inclusive list). In addition, auxiliary buildings on the same premise as the living quarters, used for residential purposes, may be served on the residential rate.

   b. Motors and other equipment which interfere with service to neighboring customers, all motors larger than 5 horsepower and temporary or seasonal loads totaling more than 25 kilo-watts (Kw) will not be permitted on the Residential Electric Service Rate without prior Company approval.

   c. Only single phase service is available under the Residential Electric Service Rate.

2. Three phase service shall be served under the appropriate General Electric Service Rate.

3. General Electric Service is defined as service provided to nonresidential services, such as a business enterprise in space occupied and operated for nonresidential purposes. Typical service would include stores, offices, shops, restaurants, boarding houses, hotels, service garages, wholesale houses, filling stations, barber shops, beauty parlors, apartment houses with master metering exemptions, common areas of shopping malls or apartments (such as halls or basements), churches, elevators, schools and facilities located away from the home site (this is not an all-inclusive list).

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2nd Revised Sheet No. 62.1
Canceling 1st Revised Sheet No. 62.1

RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

4. If separate metering is not practical for a single unit (one premise) that is using electricity for both domestic purposes and for conducting business (or for nonresidential purposes), the customer will be billed under the predominate use policy. Under this policy, the customer's combined service is billed under the rate (Residential or General Electric Service) applicable to the type of service which constitutes 50% or more of his total connected load.

5. Other classes of service furnished by the Company shall be defined in applicable rate schedules or in rules and regulations pertaining thereto. Service to customers for which no specific rate schedule is applicable shall be billed on the appropriate General Electric Service Rate.

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TAX CLAUSE Rate 130

In addition to the charges provided for in the electric tariffs of the Company there shall be charged pro rata amounts which on an annual basis shall be sufficient to yield to the Company the full amount of any excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality or other political subdivision for the privilege of conducting its utility operations therein.

The charges to be added to the customers' service bills under this clause shall be limited to the customers within the corporate limits of the municipality or other political subdivision imposing the tax.

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

A. NEW METERS

A sampling of 5% will be tested at full load and at light load. If any meter is found to be off more than ±1%, the entire lot will be tested or rejected.

B. RESIDENTIAL WATTHOUR METERS IN SERVICE

1. A random selection of meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979, 1980 to 1989, etc., will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 96% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 96% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of four years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

C. COMMERCIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 98% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 98% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

D. INDUSTRIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 99% of the meters shall be not more than ±2% in error at both light load and full load, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

4. Whenever it is found that less than 99% of the tested meters fail to meet these requirements, the entire vintage class will be tested and adjusted or, if more economic, replaced within two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

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RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

1. These rules apply to electric service to:

   a. Any new commercial or residential building for which the physical labor involved in the erection of such building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

   b. Any substantially remodeled commercial or residential building for which the physical labor involved with the remodeling of the said building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

2. This rule does not apply to hotels, motels, dormitories, nursing homes, homes for the elderly, facilities of a similar nature, or to low-income rental housing for which the cost of electricity is included in the rent, and for which the amount of the rental payment is based upon the tenant's ability to pay. Such buildings and facilities may be served by a master-meter.

3. Electric service to each unit or facility in a new or substantially remodeled building which is subject to this rule shall be provided in accordance with the applicable rate schedule for such service in the area in which the building is located.

4. Electric service to buildings which are subject to this rule shall be on an individually-metered basis, unless the owner or builder of such building presents the Company with written evidence that the North Dakota Public Service Commission has approved master-metering of electric service to the building on the basis that the owners or contractors costs of purchasing and installing facilities for separate metering together with the Company costs of purchasing and installing separate meters exceed the long-term benefits resulting therefrom.

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RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

5. All other rules and regulations of the Company which govern electrical service in North Dakota and which do not conflict with the provisions of this rule shall apply to electric service provided to new and existing buildings which are subject to this rule. The customer is responsible for ascertaining and complying with all applicable rules and regulations of any governmental authority having jurisdiction over the subject matter of this rule.

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SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

General Rules for Generation:

1. The interconnection between the utility and the qualifying facility will be limited to the service voltage and phases available at the qualifying facility. If different voltages or phases are required, the necessary changes will be provided by the qualifying facility.

2. The power factor and frequency of the qualifying facility shall be such as to not adversely affect the utility system. If corrective devices are required, they will be provided by the qualifying facility.

3. Fault protection equipment shall be provided by the qualifying facility. The utility and qualifying facility shall coordinate protective devices in order to limit damage to each system.

4. The qualifying facility's interconnection shall meet the requirements of local, state and federal codes.

5. The owner of the qualifying facility shall submit equipment specifications as requested by the utility prior to owner's installation of such equipment to assure compatibility and coordination with the utility system.

6. The owner of a qualifying facility will be requested to curtail, interrupt or reduce deliveries of electric energy, in order that the utility may construct, install, maintain, repair, replace, remove or inspect any of its equipment or any part of its system, or if it determines that curtailment, interruption or reduction of delivery is necessary because of safety, emergencies, forced outages or operating conditions on its system. Except in case of emergency, in order to minimize operating problems, the utility and qualifying facility shall give the other reasonable prior notice of any curtailment, interruption or reduction of delivery and its probable duration.

7. The Company reserves the right for periodic inspection of safety devices which are part of the interconnection. This does not affect the responsibility of the qualifying facility to assure the operating safety of the equipment on its side of the interconnection point.

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SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

8. The Company reserves the right to disconnect any facility that has interconnected without utility authorization.

9. The Company has the right to disconnect and lock-out a qualifying facility's generating equipment with due notice whenever it has been determined that harmonics are being produced or other factors are present which would interfere with communications or otherwise cause degradation of service to other customers. If, in the judgment of the utility, an unsafe condition is created on the utility system by the operation of the qualifying facility the utility shall have the right to disconnect the facility until the cause of such condition is eliminated.

10. In the event of a utility system outage or interruption of service, a qualifying facility's generator shall be capable of automatically disconnecting itself to prevent the utility's line from being energized. Also, a qualifying facility's system shall not be capable of energizing the utility's line when that line is de-energized.

11. A manually operated generator disconnect switch, provided by the owner of a qualifying facility, shall be accessible to utility personnel at all times. Such a switch would be used, whether or not the owner is present to remove the qualifying facility's generator from the line in an emergency situation as determined by utility system conditions.

12. All necessary rights-of-way and easements to install, operate, maintain, replace and remove utility facilities, including adequate access rights are to be furnished by the owner of the qualifying facility on owner's property.

13. The metering shall be adequate to measure energy, or energy and capacity, from the qualifying facility to the utility, from the utility to the qualifying facility, and, if necessary, adequate to determine the time at which energy is transferred from one party to another.

14. If the qualifying facility is located at a site outside of Company service territory and energy is delivered to Company through facilities owned by another utility, energy payments will be adjusted reflecting losses occurring between point of metering and point of delivery.

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SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

15. In the event the qualifying facility desires wheeling by the Company of its output, arrangements will be made subject to negotiation.

16. A Metering Charge will be assessed the qualifying facility for installation by the Company of additional metering equipment plus operation and maintenance costs.

17. An Interconnection Charge will be assessed for any additional facilities (exclusive of the items included in Metering Charge) or changes in existing facilities to permit interconnection with the Company. Payment shall be a one-time payment.

18. The owner of a qualifying facility will indemnify and save the utility harmless from all loss on account of injury, death or damage to property caused by the qualifying facility unless the injury, death or damage is the direct result of the negligence of the utility.

19. Qualifying facilities shall be required to execute a contract that specifies a one or five-year minimum term depending upon applicable rate schedule and describes the responsibilities, liabilities, ownership of equipment, and location.

20. The owner of a qualifying facility shall obtain and maintain general liability insurance in an amount established by negotiation between the owner of a qualifying facility and the Company.

21. Qualifying facilities with generating capacity greater than 1000 Kw, or operating as a base loaded unit regardless of size, will require individual negotiation.

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1st Revised Sheet No. 2
Canceling Vol. 1 Original Sheet No. 2

COMMUNITIES SERVED

ELECTRIC SERVICE
**Designates ~~Division~~ Region Office*

~~Bismarck Division~~Dakota Heartland Region
~~*Bismarck, ND~~

Almont	Glen Ullin	Mandan
Beulah	Golden Valley	McKenzie
Bismarck*	Hague	Napoleon
Braddock	Hazelton	New Leipzig
Burnstad	Hazen	New Salem
Carson	Heil	Steele
Center	Judson	Sterling
Dawson	Kintyre	Strasburg
Driscoll	Leith	Tappen
Elgin	Linton	Zap

~~Dickinson Division~~Badlands Region
~~*Dickinson, ND~~

Beach	Gladstone	Rhame
Belfield	Halliday	Regent
Bentley	Hebron	Richardton
Bowman	Killdeer	Sentinel Butte
Burt	Marmath	South Heart
Dickinson*	Mott	Taylor
Dodge	New England	Werner
Dunn Center		

~~Glendive Division~~
~~*~~Glendive~~,MT~~

Cartwright
East Fairview

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

COMMUNITIES SERVED

ELECTRIC SERVICE

~~Mobridge Division~~Dakota Heartland Region
~~*Mobridge, SD~~

Ashley	Gascoyne	Monango
Bucyrus	Haynes	Reeder
Buffalo Springs	Hettinger	Scranton
Ellendale	Kulm	Selfridge
Forbes	Lehr	Ventura
Fredonia	Merricourt	Wishek
Fullerton	Zeeland	

~~Williston Division~~Badlands Region
~~*Williston, ND~~

Alamo	Flaxton	Rawson
Alexander	Grenora	Ray
Ambrose	Hamlet	Ross
Appam	Hanks	Sherwood
Arnegard	Kenaston	Springbrook
Aurelia	Kenmare	Stanley
Battleview	Larson	Temple
Bowbells	Lignite	Tioga
Carpio	Loraine	Tolley
Columbus	McGregor	Watford City
Corinth	Mohall	Wheelock
Corteau	Noonon	White Earth
Coulee	Norma	Wildrose
Crosby	Northgate	Williston*
Donnybrook	Portal	Zahl
Epping	Powers Lake	

Montana-Dakota Utilities Co.
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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4TH Revised Sheet No. 3.1
Canceling 3RD Revised Sheet No. 3.1

RESIDENTIAL ELECTRIC SERVICE Rate 10

Availability:

In all communities served for single-phase residential electric service for domestic purposes only.

Rate:

Base Rate: ~~$3.50~~$17.00 per month

Energy Charge~~:~~ October – May:
First ~~450~~ 750 Kwh per month ~~7.022¢~~6.307¢ per Kwh
~~Next 300 Kwh per month 6.622¢ per Kwh~~
Over 750 Kwh per month ~~6.022¢~~3.431¢ per Kwh

Energy Charge June – September: 6.307¢ per Kwh

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

~~1. Underground Service - Where provided, an additional charge of $1.50 per month for ninety-six monthly periods, totaling $144, will be added to the above rate.~~

Montana-Dakota Utilities Co.
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State of North Dakota
Electric Rate Schedule

RESIDENTIAL ELECTRIC SERVICE Rate 10

~~2. Water Heating or Space Heating - Shall be provided where the customer has an approved installation for either water heating or space heating or both.~~

~~a. Specifications for an approved water heating installation under this rate:~~

~~1.The water heating installation shall not be used to supplement any other system of providing hot water service.~~

~~2. The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for a nominal voltage of 208, 240 or 277 volt single phase service.~~

~~b. Specifications for an approved space heating installation under this rate:~~

~~1. Electric space heating and air-conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3.~~ The foregoing schedule is subject to Rates 101 ~~-~~ 133~~0~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
5th Revised Sheet No. 4
Canceling 4th Revised Sheet No. 4

~~SPECIAL RESIDENTIAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 11 (Formerly Designated Rate 53)~~

~~Availability:~~

~~In all communities served for single-phase residential electric service customers who operate Company approved interruptible electric space heating equipment so arranged to allow remote operation by the Company. The customer's primary source of space heating shall be the electric portion of a dual fuel heating system. The customer shall be responsible for providing a secondary source of space heating. Customers taking dual fuel space heating service under this rate will also be eligible to receive controlled electric water heating service hereunder. Heat pump space heating equipment can only be served under this rate if a Company approved automatic transfer switch is installed to ensure energy used for non-heating (cooling) purposes is provided and metered under the applicable firm service rate and the heat pump is interrupted under the same criteria as defined for space heating equipment. The customer must also receive electric service from the Company under another rate.~~

~~Type of Service:~~

~~Service shall be provided through a separate meter serving space heating and water heating facilities with no provision for connecting other loads thereto. The customer's dual fuel system controls, circulating fans, pumps, heat pumps and any alternate fuel related equipment shall be served as firm load. Heat pump space heating equipment may be served under this rate only if it can be controlled by the Company and a Company approved automatic transfer switch is used to ensure non-heating (cooling) energy is served under the applicable firm service rate. Unless otherwise specified by the Company, the point of delivery and service voltage for this service shall be the same as for customer's other electric service.~~

~~Rate:~~

~~Base Rate: $6.15 per month~~
~~Energy Charge: 3.265¢ per Kwh~~

~~Minimum Bill:~~

~~Base rate.~~

Date Filed:

Effective Date:

Issued By:

Case No.:

Montana-Dakota Utilities Co.
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400 N 4th Street
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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
5th Revised Sheet No. 4.1
Canceling 4th Revised Sheet No. 4.1

~~SPECIAL RESIDENTIAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 11 (Formerly Designated Rate 53)~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Contract Terms:**~~

~~Customer agrees to contract for service under the Special Residential Electric Dual Fuel Space Heating Service Rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special Residential Electric Dual Fuel Space Heating Service Rate or of returning to the regular Residential Electric Service Rate or Optional Time-of-Day Residential Electric Service Rate.~~

~~**Special Terms and Conditions:**~~

~~1. Electric space heating and water heating equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, single phase, shall be separately metered and separately circuited, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of customer's switch or circuit breaker by Company. The customer must wire~~

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
5th Revised Sheet No. 4.2
Canceling 4th Revised Sheet No. 4.2

~~**SPECIAL RESIDENTIAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 11 (Formerly Designated Rate 53)**~~

~~the trip and close circuits into a connection point designated by Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system. If using a heat pump under this rate, the customer must install a Company approved automatic transfer switch to ensure energy used for non-heating (cooling) purposes is served under the applicable firm service rate.~~

~~4.The Company recommends that the installed capacity of electric water heating equipment be sufficient to provide the required volume of hot water giving consideration to the interruptions to be experienced as hereinafter discussed, to permit maximum utilization of the rate for the benefit of the customer.~~

~~5. Natural gas shall not be used in the secondary heating system.~~

~~6. During the heating season, interruption of space heating equipment will occur when the outside air temperature is below 0°F, between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.~~

~~7. Electric water heating equipment will experience interruptions between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.~~

~~8. The Company shall not be liable for loss or damage caused by interruption of service.~~

~~9. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 5
Canceling 3rd Revised Sheet No. 5

~~**SPECIAL RESIDENTIAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 13 (Formerly Designated Rate 55)**~~

~~**Availability:**~~

~~In all communities served for single-phase residential electric service customers who operate Company approved thermal energy storage facilities for the purpose of utilizing off-peak electric energy for space conditioning. The customer must also receive electric service from the Company under another rate.~~

~~**Type of Service:**~~

~~Service shall be provided through a separate meter serving only the space conditioning facilities with no provision for connecting other loads thereto. Unless otherwise specified by the Company, the point of delivery and the service voltage for this service shall be the same as for the customer's other electric service.~~

~~**Rate:**~~

~~Base Rate: $5.50~~

~~Energy Rate: 2.972¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday.~~

~~For all Kwh usage outside of the above designated hours, an energy charge of 11.133¢ per Kwh will apply.~~

~~**Minimum Bill:**~~

~~Base Rate.~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 5.1
Canceling 3rd Revised Sheet No. 25.1

~~**SPECIAL RESIDENTIAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 13 (Formerly Designated Rate 55)**~~

~~**Contract Terms:**~~

~~Customer agrees to contract for service under the Special Residential Electric Thermal Energy Storage Service rate for a minimum period of one year. At the end of a one-year period, the customer shall have the option of remaining under the Special Residential Electric Thermal Energy Storage Service rate or of returning to the regular Residential Electric Service rate or Optional Time-of-Day Residential Electric Service rate.~~

~~**Special Terms and Conditions:**~~

~~1.Specifications for an approved space conditioning installation under this rate:~~

~~a. Electric space conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts single phase, shall be separately metered and separately circuited and shall be permanently installed.~~

~~b. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for space conditioning to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~c. Under this rate, at the customers option, a load control device can be installed to automatically turn off and on the electricity during the on and off-peak periods respectively. For this service, a monthly charge of $0.50 will be imposed to cover the cost of the load control device.~~

~~2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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State of North Dakota
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NDPSC Volume 3
4th Revised Sheet No. 7.1
Canceling 3rd Revised Sheet No. 7.1

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Availability:

In all communities served for single-phase residential electric service. The customer's wiring must be so arranged that all service can be measured through one meter.

Rate:

Base Rate: ~~$5.50~~$22.00 per month

On-Peak Energy: ~~13.034¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9 a.m.~~12 p.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~:~~:

October-May	10.170¢ per Kwh
June-September	14.170¢ per Kwh

Off-Peak Energy: ~~2.755¢~~3.431¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at the Off-Peak rate.~~

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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State of North Dakota
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OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day Residential Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Residential Electric Service rate or of returning to the regular Residential Electric Service rate.

~~Special~~ General Terms and Conditions:

~~1. Underground Service - Where provided, an additional charge of $1.50 per month for ninety-six monthly periods, totaling $144, will be added to the above rate.~~

~~2. Water Heating or Space Heating - Shall be provided where the customer has an approved installation for either water heating or space heating or both.~~

~~a. Specifications for an approved water heating installation under this rate:~~

~~1. The water heating installation shall not be used to supplement any other system of providing hot water service.~~

~~2. The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for a nominal voltage of 208, 240 or 277 volt single phase service.~~

~~b. Specifications for an approved space heating installation under this rate:~~

~~1. Electric space heating and air-conditioning equipment shall be designed to operate at 208, 240 or 277 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

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State of North Dakota
Electric Rate Schedule

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3.~~ The foregoing schedule is subject to Rates 101~~–130~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
4th Revised Sheet No. 10.1
Canceling 3rd Revised Sheet No. 5.1

SMALL GENERAL ELECTRIC SERVICE Rate 20

Availability:

In all communities served for all types of general electric service with billing demands ~~of 50 Kilowatts or less~~that do not warrant the installation of a demand meter except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be so arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

Base Rate: ~~$12.00~~$35.00 per month

~~Demand Charge:~~
~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.25 per Kw~~

Energy Charge~~:~~ October – May:
First ~~2,000~~750 Kwh per month ~~7.646¢~~6.307¢ per Kwh
~~Next 8,000 Kwh per month 5.746¢ per Kwh~~
Over ~~10,000~~750 Kwh per month ~~5.246¢~~3.431¢ per Kwh

Energy Charge June – September: 6.307¢ per Kwh

Minimum Bill:

Base Rate. ~~plus Demand Charge.~~

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

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SMALL GENERAL ELECTRIC SERVICE Rate 20

~~**Determination of Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~**Special** **General** **Terms and Conditions:**~~

1. Customers or their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or

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SMALL GENERAL ELECTRIC SERVICE Rate 20

connected load will not exceed 20 Kw, and

a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3. ~~2.~~ The foregoing schedule is subject to Rates ~~130~~ 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
5th Revised Sheet No. 11
Canceling 4th Revised Sheet No. 11

~~SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22 (Formerly Designated Rate 54)~~

~~Availability:~~

~~In all communities served for small and large general electric service customers as defined in the availability section of Small General Electric Service Rate 20 and Large General Electric Service Rate 30 who operate Company approved interruptible electric space heating equipment so arranged to allow remote operation by the Company. The customer's primary source of space heating shall be the electric portion of a dual fuel heating system. The customer shall be responsible for providing a secondary source of space heating. Customers taking dual fuel space heating service under this rate will also be eligible to receive controlled electric water heating service hereunder. Heat pump space heating equipment can only be served under this rate if a Company approved automatic transfer switch is installed to ensure energy used for non-heating (cooling) purposes is provided and metered under the applicable firm service rate and the heat pump is interrupted under the same criteria as defined for space heating equipment. Domestic electric water heating may be served under the provisions of this Rate Schedule. The customer must also receive electric service from the Company under another rate.~~

~~Type of Service:~~

~~Service shall be provided through a separate meter serving space heating and water heating facilities with no provision for connecting other loads thereto. The customer's dual fuel system controls, circulating fans and pumps and all other alternate fuel related equipment shall be served as firm load. Heat pump space heating equipment may be served under this rate only if it can be controlled by the Company and a Company approved automatic transfer switch is used to ensure non-heating (cooling) energy is served under the applicable firm service rate. Unless otherwise specified by the Company, the point of delivery and service voltage for this service shall be the same as for the customer's other electric service.~~

~~Rate:~~

~~Base Rate:~~

~~Single Phase $ 7.65~~
~~Three Phase $12.70~~

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Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
5th Revised Sheet No. 11.1
Canceling 4th Revised Sheet No. 11.1

~~SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22 (Formerly Designated Rate 54)~~

~~Energy charge for Service at Primary Voltage: 3.112¢ per Kwh~~
~~Energy charge for Service at Secondary Voltage: 3.279¢ per Kwh~~

~~Minimum Bill:~~

~~Base rate.~~

~~Payment:~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~Fuel Clause:~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~Power Factor Clause:~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilowatt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~Primary Service:~~

~~Primary service shall be defined as those customers providing their own transformers, related equipment, and distribution facilities downstream of the meter satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

~~Contract Terms:~~

~~Customer agrees to contract for service under the Special General Electric Dual Fuel Space Heating Service Rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special General Electric Dual Fuel Space Heating Service Rate or of returning to~~

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State of North Dakota
Electric Rate Schedule

~~SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22 (Formerly Designated Rate 54)~~

~~the applicable regular General Electric Service Rate or applicable Optional Time-of-Day General Electric Service Rate.~~

~~Special Terms and Conditions:~~

1. ~~Electric space heating equipment shall be designed to operate at a nominal voltage of 208, 240, 277, or 480 volts, shall be separately metered and separately circuited, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

2. ~~All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

3. ~~The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of customer's switch or circuit breaker by Company. Customer must wire the trip and close circuits into a connection point designated by Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system. If using a heat pump under this rate, the customer must install a Company approved automatic transfer switch to ensure energy used for non-heating (cooling) purposes is served under the applicable firm service rate.~~

4. ~~The Company recommends that the installed capacity of electric water heating equipment be sufficient to provide the required volume of hot water giving consideration to the interruptions to be experienced as hereinafter discussed, to permit maximum utilization of the rate for the benefit of the customer.~~

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NDPSC Volume 3
5th Revised Sheet No. 11.3
Canceling 4th Revised Sheet No. 11.3

~~SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22 (Formerly Designated Rate 54)~~

~~5. Natural gas shall not be used in the secondary heating system.~~

~~6. During the heating season, interruption will occur when the outside air temperature is below 0° F, between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.~~

~~7. Electric water heating equipment will experience interruptions between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.~~

~~8. The Company shall not be liable for loss or damage caused by interruption of service.~~

~~9. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 12
Canceling 3rd Revised Sheet No. 12

~~SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23 (Formerly Designated Rate 57)~~

~~Availability:~~

~~In all communities served for general electric service customers who operate Company approved thermal energy storage facilities for the purpose of utilizing off-peak electric energy for space conditioning. The customer must also receive electric service from the Company under another rate.~~

~~Type of Service:~~

~~Service shall be provided through a separate meter serving only the space conditioning facilities with no provision for connecting other loads thereto. Unless otherwise specified by the Company, the point of delivery and the service voltage for this service shall be the same as for the customer's other electric service.~~

~~Rate:~~

~~Base Rate:~~

~~Single Phase ——— $ 7.80~~
~~Three Phase ——— $10.50~~

~~Energy Charge for Service at Primary Voltage:~~

~~3.146¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday.~~

~~For all Kwh usage outside of the above designated hours, an energy rate of 9.646¢ per Kwh will apply.~~

~~Energy Charge for Service at Secondary Voltage:~~

~~3.184¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday.~~

~~For all Kwh usage outside of the above designated hours, an energy rate of 10.122¢ per Kwh will apply.~~

~~Minimum Bill:~~

~~Base Rate.~~

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A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

~~**SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23 (Formerly Designated Rate 57)**~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Primary Service:**~~

~~Primary service shall be defined as those customers providing their own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

~~**Contract Terms:**~~

~~Customer agrees to contract for service under the Special General Electric Thermal Energy Storage Service rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special General Electric Thermal Energy Storage Service rate or of returning to the applicable regular General Electric Service rate or the applicable Optional Time-of-Day General Electric Service rate.~~

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 12.2
Canceling 3rd Revised Sheet No. 12.2

~~**SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23 (Formerly Designated Rate 57)**~~

~~**Special Terms and Conditions:**~~

~~1. Specifications for an approved space conditioning installation under this rate:~~

~~a. Electric space conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, shall be separately metered and separately circuited and shall be permanently installed.~~

~~b. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for space conditioning to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~c. Under this rate, at the customers option, a load control device can be installed to automatically turn off and on the electricity during the on and off-peak periods respectively. For this service, a monthly charge of $0.50 will be imposed to cover the cost of the load control device.~~

~~2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
5th Revised Sheet No. 14.1
Canceling 4th Revised Sheet No. 14.1

IRRIGATION POWER SERVICE Rate 25

Availability:

For irrigation power service.~~where facilities therefore are located adjacent to the Company's three-phase lines for power and incidental lighting service provided the Company has sufficient available capacity.~~

Rate:

Base Rate: $10.00 per month

Demand Charge:

October – May	$3.060 per Kw
June – September	$6.060 per Kw

~~$2.00 per month per horsepower of connected load.~~

Energy Charge:

~~3.011¢~~3.484¢ per Kwh.

Minimum ~~Seasonal Charge~~Bill:

~~$19.03 per horsepower of connected load, based on the maximum horsepower connected during the season, but not less than $190.30. If the total seasonal bill through the month of August is less than $19.03 per horsepower of connected load, one-half of the deficiency will be billed in September and the balance in October.~~Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

IRRIGATION POWER SERVICE Rate 25

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

~~**Determination of Connected Load:**~~

~~The Company shall determine the connected horsepower by nameplate rating of the motors, or at its option by testing under conditions of maximum operating load.~~

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~**Special** **General** **Terms and Conditions:**~~

1. ~~Individual motors having a rating in excess of 10 horsepower must be three-phase. All wiring and other facilities beyond the point of metering shall be owned, operated, and maintained by the customer.~~

2. ~~Service shall be available during the irrigation season defined as the months of April, May, June, July, and August. The irrigation season, as previously defined, may be extended not more than 60 days, in which case the monthly demand charges shall apply and the Minimum Seasonal Charge shall be increased proportionately.~~

~~3.~~ The foregoing schedule is subject to Rates 101~~-130~~ 133 and any ~~-~~amendments or alterations thereto or additional rules and regulations ~~-~~promulgated by the Company under the laws of the state.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 15.3
Canceling 3rd Revised Sheet No. 15.3

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter~~of 50 Kilowatts or less~~ except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

Base Rate: $37.00 per month
~~Single Phase $13.50~~
~~Three Phase $14.00~~

~~Demand Charge for Service at Primary Voltage:~~
~~On-Peak Demand Charge:~~
~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.00 per Kw~~

~~Off-Peak Demand Charge:~~
~~In excess of the greater of 10 Kw or of the on-peak demand $1.90 per Kw~~

~~Demand Charge for Service at Secondary Voltage:~~
~~On-Peak Demand Charge:~~
~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.25 per Kw~~

~~Off-Peak Demand Charge:~~
~~In excess of the greater of 10 Kw or of the on-peak demand $2.00 per Kw~~

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

On-Peak Energy ~~Charge~~: ~~for Service at Primary Voltage:On-Peak Energy Charge:9.391¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 pa.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~.~~:

October – May	10.170¢ per Kwh
June – September	14.170¢ per Kwh

Off-Peak Energy ~~Charge~~: ~~2.530¢~~3.431¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

~~Energy Charge for Service at Secondary Voltage:~~

~~On-Peak Energy Charge:~~

~~9.889¢ per Kwh for all Kwh's used during peak hours designated as 9 a.m. to 9 p.m. local time, Monday through Friday.~~

~~Off-Peak Energy Charge:~~

~~2.666¢ per Kwh for all Kwh's not covered by the On-Peak rating period. All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

Minimum Bill:

Base Rate~~ plus Demand Charge.~~

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

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Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 15.3
Canceling 3rd Revised Sheet No. 15.3

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~**Determination of On-Peak Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Determination of Off-Peak Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the off-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Primary Service:**~~

~~Primary service shall be defined as those customer's providing their own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

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State of North Dakota
Electric Rate Schedule

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day Small General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Small General Electric Service rate or of returning to the regular Small General Electric Service rate.

~~Special~~ General Terms and Conditions:

1. Customers and their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

~~2~~3. The foregoing schedule is subject to Rates 101-133 ~~130~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 16
Canceling 3rd Revised Sheet No. 16

~~FEED GRINDING SERVICE Rate 27 (Closed)~~

~~Availability:~~

~~For customers doing a custom feed grinding business for the operation of feed grinding equipment. No operation will be allowed between the hours of one-half hour before sunset and 10:00 o'clock p.m. under this schedule. No other load shall be included under this schedule.~~

~~The rate is restricted to feed grinding customers who were served under this rate prior to January 27, 1987. Any new feed grinding service will be served under the applicable general electric service rate.~~

~~Rate:~~

~~First~~	~~2,000 Kwh per month~~	~~7.922¢ per Kwh~~
~~Over~~	~~2,000 Kwh per month~~	~~5.922¢ per Kwh~~

~~Minimum Bill:~~

~~$1.70 per horsepower for first 5 horsepower of connected load; 35¢ per horsepower of connected load in excess of 5 horsepower; but not less than $17.25.~~

~~Payment:~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~Power Factor Clause:~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~Fuel Clause:~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 16.1
Canceling 3rd Revised Sheet No. 16.1

~~**FEED GRINDING SERVICE Rate 27 (Closed)**~~

~~**Special Terms and Conditions:**~~

~~The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 18.1
Canceling 3rd Revised Sheet No. 18.1

~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

Availability:

In all communities served for all types of demand metered general electric service ~~exceeding 50 Kilowatts of billing demand~~ except outside lighting, stand-by, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

For Primary Service:

Base Rate: ~~$15.00~~$90.00 per month

Demand Charge: ~~$5.25 per Kw of billing demand.~~
October – May $5.254 per Kw
June – September $8.254 per Kw

Energy Charge: 3.424¢ per Kwh
~~First 2,000 Kwh per month 6.275¢ per Kwh~~
~~Next 8,000 Kwh per month 4.975¢ per Kwh~~
~~Over 10,000 Kwh per month 4.375¢ per Kwh~~

For Secondary Service:

Base Rate: $35.00 per month

Demand Charge:
October – May $ 8.224 per Kw
June – September $11.224 per Kw

Energy Charge: 3.505¢ per Kwh

Minimum Bill:

Base Rate. ~~plus Demand Charge.~~

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be ~~the greater of~~ the maximum 15 minute measured demand in the current month ~~or 50 Kw~~. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 18.1
Canceling 3rd Revised Sheet No. 18.1

~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

~~Special~~ General Terms and Conditions:

1. Customers or their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

~~2.~~3. The foregoing schedule is subject to Rates 101~~-~~-133~~0~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 19.2
Canceling 3rd Revised Sheet No. 19.2

OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

Availability:

In all communities served for all types of demand metered general electric service ~~exceeding 50 Kilowatts of billing demand~~ except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

For Primary Service:

Base Rate: ~~$17.00~~$92.00 per month

On-Peak Demand: ~~Charge for Service at Primary Voltage~~
October - May ~~On-Peak Demand Charge:~~ ~~$5.00~~$4.344 per Kw ~~of billing demand~~

~~Off-Peak Demand Charge:~~
~~$1.90 per Kw in excess of the on-peak billing demand~~

~~Demand Charge for Service at Secondary Voltage~~June - September:
~~On-Peak Demand Charge~~: ~~$5.25~~$7.344 per Kw ~~of billing demand~~

~~Off-Peak Demand Charge:~~
~~$2.00 per Kw in excess of the on-peak billing demand~~

On-Peak Energy: ~~Charge for Service at Primary Voltage: On-Peak Energy Charge: 8.355¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 pa.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~:~~:

October – May	3.575¢ per Kwh
June – September	5.575¢ per Kwh

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 19.2
Canceling 3rd Revised Sheet No. 19.2

OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

Off-Peak Energy ~~Charge~~: ~~2.836¢~~3.424¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

For Secondary Service:
Base Rate: $37.00 per month

Demand Charge October – May:
On-Peak: $7.457 per Kw

Demand Charge June – September:
On-Peak: $10.457 per Kw

Energy Charge ~~for Service at Secondary Voltage~~:
On-Peak ~~Energy Charge~~:
~~8.798¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 ap.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~.~~:
October – May: 3.919¢ per Kwh
June – September: 5.919¢ per Kwh

Off-Peak ~~Energy Charge~~:
~~2.989¢~~3.505¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

Minimum Bill:
Base Rate. ~~plus Demand Charge.~~

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

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400 N 4th Street
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State of North Dakota
Electric Rate Schedule

OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Determination of On-Peak Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

~~**Determination of Off-Peak Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the off-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Primary Service:**~~

~~Primary service shall be defined as those customer's providing their own transformers, related equipment, and distribution facilities downstream of the~~

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Electric Rate Schedule

OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

~~meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day ~~Large~~ General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day ~~Large~~ General Electric Service rate or of returning to the regular ~~Large~~ General Electric Service rate.

~~Special~~ General Terms and Conditions:

1. Customers and their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

~~2~~3. The foregoing schedule is subject to Rates 101~~-~~1330 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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State of North Dakota
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NDPSC Volume 3
Original Sheet No. 20

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

Availability:

In all communities served for general service customers for space heating service, where the customer also takes service under General Electric Service Rate 30 or General Electric Time-Of-Day Service Rate 31. Only space heating load is allowed on this rate schedule.

Rate:

Base Rate: $10.00 per month

Energy Charge:

For Primary Service	3.424¢ per Kwh
For Secondary Service	3.505¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

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State of North Dakota
Electric Rate Schedule

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
2nd Revised Sheet No. 22.2
Canceling 1st Revised Sheet No. 22.2

FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Availability:

In all communities served for all types of general electric service which meets one of the following qualifications:

a. New Customers - An applicant with total expected demand of 200 Kw per month and usage of 750,000 Kwh per year is eligible for service under this rate if it can meet any one of the following requirements: (i) its activities are largely or entirely different than that of the previous customer; (ii) that non-seasonal business has not been conducted at the premise for at least three billing periods prior to the application; (iii) that seasonal business has not been conducted at the premise for at least thirteen billing periods prior to the application; or (iv) the facility is newly constructed.

b. Existing Customers and Existing In-state Customers of Competing Suppliers - An existing customer, or an existing in-state customer of a competing supplier with increased demand of 200 Kw per month and increased usage of 750,000 Kwh per year is eligible for service under this rate. Only the expanded portion of the facility will be eligible for the negotiated rate. In addition, the new load must be supplied from a separately metered circuit with separate metering equipment to be installed at the customer's expense. Average usage at the original facility must be at least as great as that which occurred in the previous 12 month period.

Rate:

Base Rate: ~~$15.00~~$92.00 per month

Demand Charge: ~~$5.25 per Kw of billing demand~~To Be Negotiated
Energy Charge: ~~Customer shall pay a negotiated rate not more than the ceiling or less than the floor as specified below~~

~~Ceiling~~ ~~Floor~~

~~4.519¢ per Kwh~~ ~~2.598¢ per Kwh~~
Otherwise applicable energy charge for General Service Rate 30.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Minimum Bill:
Base Rate plus Demand Charge.

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:
Bills are subject to a credit for the wholesale sales margin credit adjustment as Provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Right to Discontinue Service:
The Company reserves the right to refuse applicants who have not previously signed a contract for service under this rate if it determines either system capacity or system energy supply is projected to be insufficient, or if service reliability is expected to be at jeopardy.

Determination of Billing Demand:
The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

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FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

~~Special~~ General Terms and Conditions:

1. The customer and the Company shall execute a contract for service to be effective under this rate for a period of five years from the date of service commencement.

2. The negotiated ~~energy~~ demand charge shall be increased according to the differential between the negotiated rate and the ceiling as portrayed by the following schedule.

Years	Differential Percent Decrease
1-3	0%
4	25%
5	50%

At the end of the fifth year, the negotiated agreement hereunder expires.

3. Upon expiration of the contract, the customer shall be served under the otherwise applicable rate schedule.

4. Customers and their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

5. The foregoing schedule is subject to Rates 101 ~~through~~ 133 and any amendments or alternations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Canceling 3rd Revised Sheet No. 24

INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Availability:

In all communities served for power to customers having a demand of ~~200~~ 500 Kw or more for its interruptible load. Electric energy for the interruptible load shall be supplied through a separately metered circuit at the same voltage and phase utilized to serve the balance of the customer's electrical load so arranged to allow remote operation by the Company.

Type of Service:

Service under this rate shall be taken by the customer at whatever primary voltage is available at the point of delivery but not less than 2,400 volts. In the event that it is necessary to build a substation on the Company's transmission line to serve the customer, the cost of building the substation shall be a matter of negotiation between the Company and the customer.

Rate:

Base Rate:	Specified in the electric service agreement with the Company.
Demand Charge:	~~$1.70~~ $5.254 per Kw of billing demand
Energy Charge:	~~3.111¢~~3.424¢ per Kwh

Minimum Bill:

Base Rate plus the Demand Charge (~~200~~ 500 Kw minimum).

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or ~~200~~ 500 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and monthly Base Rate payments to the Company. The monthly Base Rate payments are determined on a customer by customer basis and shall include, but are not limited to, any additional costs incurred by Company for facilities, such as substations, electric lines, meters, switching devices, and circuit breakers that are necessary to provide service under this rate.

2. All equipment associated with the interruptible load must be of such voltage and electrical characteristics that it can be separately metered and served from the circuit provided for the interruptible portion of the customer's load. If the equipment to be served is such that this is impossible, the customer must either make special arrangements with the Company or furnish the necessary equipment suitable for connection and metering to the circuit for the interruptible portion of the load.

3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of the customer's switch or circuit breaker by Company. Customer must wire the trip

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and close circuits into a connection point designated by the Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system.

4. The duration and frequency of interruptions shall be at the sole discretion of the Company.

5. The Company shall not be liable for any loss or damage caused by or resulting from any interruption of service.

6. The foregoing schedule is subject to Rates 101–1303 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Canceling 3rd Revised Sheet No. 25

~~**SMALL MUNICIPAL ELECTRIC SERVICE**~~
~~**Rate 40 (CLOSED)**~~

~~**Availability:**~~

~~For all lighting and power requirements with billing demands of 50 kilowatts or less for public buildings or locations supported by public tax levies, and for which the city is liable for payment, in all municipalities served where the Company is operating under a municipal franchise or permit, and the municipality has a standard contract for operation of a street lighting system and/or a municipal pumping system with the Company.~~

~~This rate is restricted to small municipal electric service customers who were served under this rate prior to January 27, 1987. Any new small municipal general electric service customer may take service under another applicable rate.~~

~~**Rate:**~~

~~Base Rate: $12.00~~

~~Demand Charge:~~

~~First~~	~~10 Kw or less of billing demand~~	~~No charge~~
~~Over~~	~~10 Kw per month of billing demand~~	~~$5.25 per Kw~~

~~Energy Charge:~~

~~First~~	~~2,000 Kwh per month~~	~~5.314¢ per Kwh~~
~~Next~~	~~8,000 Kwh per month~~	~~3.814¢ per Kwh~~
~~Over~~	~~10,000 Kwh per month~~	~~3.314¢ per Kwh~~

~~**Minimum Bill:**~~

~~Base Rate plus Demand Charge.~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

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~~**SMALL MUNICIPAL ELECTRIC SERVICE**~~
~~**Rate 40 (CLOSED)**~~

~~**Determination of Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Special Terms and Conditions:**~~

~~The foregoing schedule is subject to Rule No. 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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Canceling 3rd Revised Sheet No. 26.1

~~STREET~~ MUNICIPAL LIGHTING SERVICE Rate 41

Availability:

For ~~street~~ municipal lighting purposes including streets, alleys and other public grounds ~~to either company-owned or municipally-owned street lighting systems~~. Service will be provided all night, every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

Rate:

For Primary Service: ~~6.862¢~~5.221¢ per Kwh computed according to the total rated capacity of lamps in use.

For Secondary Service: ~~6.862¢~~5.627¢ per Kwh computed according to the total rated capacity of the lamps in use.

Special discount:

~~For contracts of less than three years~~	~~None~~
For contracts of ~~three~~ ten years or more	10% ~~times the total number of years of the contract~~
~~Maximum discount~~	~~10%~~

Minimum Bill:

As provided in contract.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities down-stream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

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~~STREET~~ MUNICIPAL LIGHTING SERVICE Rate 41

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. The Company will maintain the facilities and change the light bulbs when notified by the municipality that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of employees of the municipality. In case of vandalism, malicious mischief, or willful negligence the Company will charge the municipality for the cost of repair and replacement.

~~2. The rate charged to municipally-owned street lighting systems shall be the above tariffed rate less .344¢ per Kwh.~~

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. In municipally-owned street lighting systems, an additional charge will be made to cover lamp replacements, materials and labor whenever such services are supplied by the Company.

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

5. The foregoing schedule is subject to Rates 101 ~~130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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MUNICIPAL PUMPING SERVICE Rate 48

Availability:

For ~~M~~municipal pumping purposes ~~only and~~ provided the municipality uses electricity exclusively for all its pumping requirements and purchases all such electricity from the Company. The municipality must sign a contract for a minimum period of one year.

Rate:

For Primary Service:

Base Rate: ~~$13.00~~$12.00 per month

Demand Charge:

~~On~~ Cconnected loads of 10 Kw or less will be billed based on~~,~~ ~~a demand charge of $2.25 per Kw of~~ connected load~~;~~. ~~on~~ cConnected loads in excess of 10 Kw~~, demand charge of $2.25 per Kw of demand~~ will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter ~~during~~ in the current month ~~covered by the billing period but in no event less than $22.50~~or 10 Kw.

October – May:	$1.150 per Kw
June – September:	$4.150 per Kw

Energy Charge: ~~4.368¢~~3.461¢ per Kwh

For Secondary Service:

Base Rate: $10.00 per month

Demand Charge:

Connected loads of 10 Kw or less will be billed based on connected load. Connected loads in excess of 10 Kw will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter in the current month or 10 Kw.

October – May:	$3.060 per Kw
June – September:	$6.060 per Kw

Energy Charge: 3.484¢ per Kwh

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MUNICIPAL PUMPING SERVICE Rate 48

Special discount:

~~For contracts of less than three years~~	~~None~~
For contracts of ~~three~~ ten years or more	10% ~~times the total number of years of the contract~~
~~Maximum Discount~~	~~10%~~

Minimum Bill:

Base Rate plus Demand Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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MUNICIPAL PUMPING SERVICE Rate 48

~~Special~~ General Terms and Conditions:

1. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

2. The foregoing schedule is subject to Rates 101 ~~130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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~~**GENERAL ELECTRIC WATER HEATING SERVICE**~~
~~**Rate 50 (CLOSED)**~~

~~**Availability:**~~

~~In all communities served. The customer must also receive electric service from the Company under another rate.~~

~~This rate is restricted to general electric service customers who were served under this rate prior to July 1, 1977 or under Rate 51 prior to January 27, 1987. Any residential customer or new general service customer may take water heating service under another applicable rate.~~

~~**Rate:**~~

~~Base Rate: $2.00~~

~~Energy Charge: 5.118¢ per Kwh~~

~~**Minimum Bill:**~~

~~Base Rate.~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Special Terms and Conditions:**~~

~~1. To qualify for service under this schedule, the installation must consist of a separate circuit of approved conduit or metal armored cable construction so that this service may be separately metered.~~

~~2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

Availability:

~~Company-owned~~For all outdoor lighting including flood lights ~~units~~ and metallic vapor yard lights in all communities served.

Rate:

~~7.752¢~~5.627¢ per Kwh computed according to the total rated capacity of the units in use.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Credit Adjustment:

Bills are subject to a credit for the wholesale sales margin credit adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dusk~~t~~ to dawn.

2. The light may be mounted on existing poles owned or controlled by the Company. The Company will furnish a 35 foot pole(s) for flood lights and a 30 foot pole(s) for yard light(s) at the customer's request at a separate rental rate if a special setting is required. If the customer chooses, the light may be installed on a pole owned by the customer or other mounting point suitable for installation of the light. The conductors will be extended 100 feet per unit free of charge, but the customer shall pay for the extra cost of extensions of more than 100 feet per unit.

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~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

3. To the rate stated herein, bulb replacement and ownership costs for the units shall be added. The customer should consult with the Company for such costs.

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

   Metallic vapor ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

5. The Company will maintain the facilities and change the light bulbs when notified by the customer that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of customer. In case of vandalism, malicious mischief, or willful negligence, the Company will charge the customer for the cost of repair and replacement.

6. Customer will be served only by contract and for a minimum period of two years.

7. The foregoing schedule is subject to Rates 101 ~~130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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~~**GENERAL ELECTRIC SPACE HEATING SERVICE**~~
~~**Rate 56 (CLOSED)**~~

~~**Availability:**~~

~~In all communities served for any general electric service customer for space heating, where the customer also takes service under another rate.~~
~~Air-conditioning and water heating may also be taken in conjunction with space heating under this rate, but no other load will be allowed on this rate.~~

~~This rate is restricted to general electric service customers who were served under this rate prior to January 27, 1987. Any residential customer or new general electric service customer may take space heating service under another applicable rate.~~

~~**Rate:**~~

~~Base Rate: $2.00~~

~~Energy Charge: 5.850¢ per Kwh~~

~~**Minimum Bill:**~~

~~Base Rate.~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Special Terms and Conditions:**~~

~~1. Electric space heating and air-conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, shall be separately metered and separately circuited, shall be permanently installed, and the electric heating equipment shall be the primary source of space heating.~~

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~~**GENERAL ELECTRIC SPACE HEATING SERVICE**~~
~~**Rate 56 (CLOSED)**~~

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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MARGIN CREDIT ADJUSTMENT Rate 57

Applicability:

This schedule is applicable to the electric energy delivered to all North Dakota retail customers served under Company electric rate schedules. There shall be adjusted from the net monthly bill computed according to the applicable electric retail rate schedule, a credit based on the allocated Wholesale Sales Margins earned by the Company for a defined 12-month period that are applicable to the Company's North Dakota jurisdiction.

Wholesale Sales Margin Credit Adjustment:

The Wholesale Sales Margin Credit Adjustment ("Margin Credit Adjustment' or "MCA") is computed by dividing the Company's actual Wholesale Sales margins for a defined 12-month period, as allocated to the Company's North Dakota retail electric jurisdiction ("Margin Credit Amount"), by the total actual North Dakota jurisdictional retail energy sales for the same defined 12-month period. The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the defined 12-month period as herein defined.

This credit adjustment shall be calculated annually and shall be based on the Wholesale Sales Margins earned by the Company for the most immediately available 12-month period during which the Company made wholesale transactions. The Company shall file with the Commission at least thirty days prior to making an adjustment, a Notice setting forth the Margin Credit Adjustment or MCA calculated for the most recent 12-month period. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of the month following the Notice period, unless otherwise ordered by the Commission.

The MCA will be credited by use of an "equal-cents-per-Kwh" rate structure.

True-up:

The difference, if any, between the jurisdictional total annual Wholesale Sales Margins earned by the Company and credited to North Dakota retail customers during a 12-month period and the Wholesale Sales Margins credited to North Dakota retail customers during that 12-month period through the MCA, shall be deferred and used to adjust subsequent MCA credits. For example, if the amount credited to North Dakota retail customers under the MCA is less than the

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MARGIN CREDIT ADJUSTMENT Rate 57

retail customer portion of the allocated jurisdictional Wholesale Sales Margins earned by the Company during the same time period, the subsequent MCA calculation shall be modified to include the amount under-credited. If the actual amount credited to the North Dakota retail customers under the MCA is more than the Wholesale Sales Margin earned by the Company and allocated to North Dakota retail customers, the subsequent MCA calculation shall be reduced by the amount previously over-credited. Any such differences shall accrue interest while deferred.

Adjustments:

Montana-Dakota may file an adjustment to the MCA to reflect changes in the wholesale sales markets and resulting Wholesale Sales Margins when the amount of the change in the MCA is at least 25 percent more or less than the currently effective MCA.

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Canceling 2nd Revised Sheet No. 42

FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .001¢ (one thousandth of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be ~~1.554~~1.303¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent four month period plus unrecovered (or less over-recovered) prior cumulative energy costs:

1. The cost of fossil and other fuels, including but not limited to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fuel consumed in jointly owned generating stations as recorded in Account 151.

2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:

   a. Energy that is purchased on an economic dispatch basis;

   b. Energy purchased from a renewable energy source, including but not limited to hydropower, wood, windpower, and biomass;

3. The actual identifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above, less;

4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent four month period as herein defined.

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FUEL CLAUSE Rate 58

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent four month period for which actual cost data is available. The company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent four month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

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Canceling 17th Revised Sheet No. 44

OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production 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 (QF) as defined under 18 CFR, Part 292.

Rate:

Metering charge for single phase service:	$ 1.25 per month
With instrument transformers:	$ 5.00 per month
Metering charge for three phase service:	$ 5.10 per month
With instrument transformers:	$10.75 per month

Energy delivered to and accepted by Company by a QF shall be paid for by Company in accordance with one of the following two options, elected by the QF:

1. Simultaneous Purchase and Sale:

   Energy sales to QF - 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 electric service, etc.) that is currently on file with the Commission.

   Capacity and energy purchases by Company:

Energy Payment	= 1.462¢ per Kwh
Capacity Payment	= $0 per Kw

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

2. Net Billing:

   Energy generated will be compensated on a net billing basis. Company will install a meter to measure the energy generated by the QF. The Company will also install a meter to measure the energy consumed by the QF. Metered generation will be subtracted from the metered consumption for the billing period.

   If metered generation is less than metered consumption, the QF will be billed the applicable retail rate. If metered generation is greater than the metered consumption, the QF will be paid for each Kwh an amount equal to:

   1.462¢ per Kwh

~~Special~~ General Terms and Conditions:

1. Change of Rates: This schedule 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 at least one year but less than five years.

5. In order to qualify for the net billing option, the generating equipment and the load of the facility must be located at the same "physical site". "Physical site" shall mean on the same tract of land and the generator output must be physically connected to the load service entrance.

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

6. For general terms and conditions covering QF's, see Rate 140.

7. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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17th Revised Sheet No. 45
Canceling 16th Revised Sheet No. 45

PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production facilities for the purpose of generating 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 1000 Kw or less, that operate as a peaking facility (defined below), and are Qualifying Facilities (QF) as defined under 18 CFR, Part 292.

I. FACILITIES CAPABLE OF PROVIDING DISPATCHABLE CAPACITY AT THE TIME OF COMPANY'S SUMMER PEAK

Rate:

Metering charge for single phase service:	$4.90 per month
With instrument transformers:	$8.55 per month
Metering charge for three phase service:	$10.65 per month
With instrument transformers:	$16.10 per month

1. Capacity delivered to the Company:

QF has the option of one of two methods of payment for capacity:

a. Actual avoided costs at the time of delivery, or

b. Levelized payment for term of contract based on Table 1 below.

TABLE 1
Contract Length (YR.)

	5	10	15	20	25	30	35
$/Kw-mo	5.120	6.335	7.176	7.589	7.953	8.166	8.297

Total capacity payment per month = The applicable contract length capacity payment from Table 1 times the maximum 1 hour capacity, as demonstrated by an annual capability test.

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PARALLEL GENERATION PEAKING FACILITY PURCHASE Rate 96 TIME DIFFERENTIATED

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.860¢ per Kwh	1.337¢ per Kwh

Peak Periods: The On-Peak Period is defined as those hours between 9 a.m. and 9 p.m. Central time, Monday through Friday in Central time zones, and between 8 a.m. and 8 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 the Company's system operating characteristics.

II. FACILITIES WHICH ARE NOT DISPATCHABLE AND PROVIDE ENERGY AND CAPACITY ON AN "AS AVAILABLE" BASIS

Rate:

Metering charge for single phase service:	$4.90 per month
With instrument transformers:	$8.55 per month
Metering charge for three phase service:	$10.65 per month
With instrument transformers:	$16.10 per month

1. Total capacity payment per billing period = P X Maximum 15 minute capacity for billing period, where P is defined below.

P = QCF/PCF(VTable 1)

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where:

P	=	capacity payment in $/Kw - month
QCF	=	Qualifying Facilities Capacity Factor
PCF	=	65%
VTable 1	=	Applicable value from Table 1
CF	=	Capacity Factor which equals average 15 minute on-peak metered capacity divided by the greatest 15 minute on-peak metered capacity during the billing period.

QCF/PCF cannot be greater than 1.

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.750¢ per Kwh	1.304¢ per Kwh

Energy Sales to Qualifying Facilities:

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 electric service, etc.) that is currently on file with the Commission.

~~Special~~ General Terms and Conditions:

1. Change of Rates: This schedule shall be reviewed annually, updated if necessary, and revised upon the Commission's approval.

2. Service under this schedule shall be on a simultaneous purchase and sale basis only.

3. 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.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

4. 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.

5. 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 five years or more.

6. Line loss considerations will be determined on a site specific basis.

7. For dispatchable units, generator outages must be pre-scheduled with Company to provide coordination with Company units.

8. A Peaking Unit is a unit not designed for continuous operation and is capable of supplying capacity and energy during periods of peak electric consumption. Generally, peaking units have a capacity factor of 20% or less.

9. For general terms and conditions covering QF's, see Rate 140.

10. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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NDPSC Volume 3
1st Revised Sheet No. 50
Canceling 101-N-2

RULE GOVERNING DISCONTINUANCE OF SERVICE FOR NONPAYMENT OF BILL Rate 101

All bills for service are due when rendered and will be considered delinquent if not paid by the due date shown on the bill. If any customer shall become delinquent in the payment of service bills, such service may be discontinued by the Company under the applicable rules of the Public Service Commission. The Company may collect a fee of ~~$12.00~~$20.00 before restoring electric service which has been discontinued for nonpayment of service bills, or where a Service Extender has been installed in lieu of full disconnection.

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1st Revised Sheet No. 51
Canceling 102-N-1

~~RATE FOR~~ RESIDENTIAL ELECTRIC SERVICE FOR PERMANENT EMPLOYEES ~~OF MONTANA-DAKOTA UTILITIES CO., A DIVISION OF MDU RESOURCES GROUP, INC. AND WHOLLY-OWNED SUBSIDIARIES~~ Rate 102

Available for:

Residential use only in a single family unit served by Montana-Dakota Utilities Co. to a full time permanent employee who has been continuously employed by the Company at least six months and is the principal support of the household in which he resides, or is the spouse of the principal support.

Rate:

The employee's bill shall be computed at the applicable rate, and the amount reduced by 33 1/3%.

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Canceling 106

CONSUMER DEPOSITS Rate 106

The Company will determine whether or not a deposit shall be required of an applicant for electric service in accordance with Commission rules.

a. The amount of such deposit shall not exceed an estimated 60 day service bill.

b. The Company may accept in lieu of a cash deposit a contract signed by a guarantor, satisfactory to the Company, whereby the payment of a specified sum not to exceed the required cash deposit is guaranteed. The term of such contract shall be indeterminate, but it shall automatically terminate when the customer gives notice of service discontinuance to the Company or a change in location covered by the guarantee agreement or 30 days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance which the customer owes the Company. Upon termination of a guarantee contract, a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six-month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits shall be refunded to customers at termination provided all billings for service have been paid. Deposits will be refunded to all active customers, after the deposit has been held for 12 months, provided a prompt payment record has been established.

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Canceling 107-N

NOTICE TO DISCONTINUE ELECTRIC SERVICE Rate 107

Customers desiring to have their electric service discontinued shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal call or telephone call to the Company's local business office, in communities in which an office is maintained. In other communities such notice shall be given to the Company's representative who services the community or to the nearest business office. Saturdays, Sundays and legal holidays are not considered business days.

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Canceling 108-N

RECONNECTION FEE FOR SEASONAL CUSTOMERS Rate 108

A fee of $20~~12~~.00 will be collected for reconnecting electric service to any customer who has disconnected electric service at the same location during the preceding twelve-month period.

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2nd Revised Sheet No. 56
Canceling 1st Revised Sheet No. 56

LATE PAYMENT CHARGE/RETURNED CHECK CHARGE Rate 109

Late Payment Charge:

Bills will be considered past due if not paid by the due date shown on the bill. An amount equal to 1% per month will be applied to any unpaid balance existing at the immediate subsequent billing date.

Returned Check Charge:

A charge of $10.00 will be collected by the Company for each check charged back to the Company by a bank.

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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

MONTANA-DAKOTA UTILITIES CO.

ELECTRIC SERVICE RULES and REGULATIONS

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101. ~~Company and Customer~~Definitions

Company~~OMPANY~~ – Montana-Dakota Utilities Co.

Customer – Any individual, partnership, corporation firm, other organization or government agency supplied with service by the Company at one location and one point of delivery unless otherwise expressly provided in these rules or in a rate schedule. ~~These rules are issued on behalf of Montana-Dakota Utilities Co., hereinafter referred to as the "Company." The term "Customer" includes both a present consumer and an applicant for the Company's service.~~

102. Purpose
These rules are intended to define good practice which can normally be expected, but are not intended to exclude other generally accepted standards and practices not covered herein. They are intended to ensure adequate service to the public and protect the Company from unreasonable demands.

The Company undertakes to furnish service subject to the rules and regulations of the Regulatory Commissions ~~within its service territory and~~ as supplemented by these general provisions, as now in effect or as may hereafter be lawfully established, and in accepting service from the Company, each customer agrees to comply with and be bound by said rules and regulations and the applicable rate schedules.
~~102.1 The purpose of these rules is to acquaint architects, engineers, contractors, electrical dealers, wiremen and others with the Company's requirements pertaining to the installation of services, meters, wiring, motors and other appliances to be supplied with electric service from the electric distribution system of the Company.~~

~~102.2 The practices outlined herein are dictated by many years of operating experience and, with reasonable interpretation and special inquiry in unusual cases, they are considered a trustworthy guide. These rules will be subject to revision and addition from time to time in keeping with new developments and accepted good practice.~~

103. Electrical Codes and Ordinances
The Electric Service Rules and Regulations contained herein are supplementary to and do not intentionally conflict with nor supersede the latest edition of the National Electrical

Code, the National Electrical Safety Code, nor such state and municipal laws and ordinances that may be in effect in the areas in which the Company furnishes electric service, except that where the requirements of these Electric Service Rules and Regulations exceed those of such codes, laws, and ordinances, these Electric Service Rules and Regulations shall apply. Existing installations, including maintenance replacements, that currently comply with prior revisions of these rules and regulations, need not be modified to comply with these rules except as may be required for safety reasons.

104. Wiring Adequacy

~~The Company recommends the services of a reliable and experienced electrical contractor be obtained for any new wiring or alteration of existing wiring. The familiarity of the contractor with national and local wiring codes, and his knowledge of the Customer's present and future needs, should result in a safe and satisfactory installation.~~

~~NOTE:~~ Wiring codes provide minimum requirements for safety. Installation of wiring capacity greater than minimum code requirements is recommended to bring to the customer all the benefits of electric service and to protect building investment by minimizing obsolescence resulting from an inadequate wiring system.

105. Application for Electric Service

105.1 A customer desiring electric service must make application to the Company before commencing the use of the Company's service. The Company reserves the right to require a signed application or written contract for service to be furnished. All applications and contracts for service must be made in the legal name of the customer desiring the service. The Company may refuse service or terminate service to a customer who fails or refuses to furnish reasonable information requested by the Company for the establishment of a service account. Any customer who uses electric service shall be subject to the Company's rates, rules, and regulations and shall be responsible for payment of all service used.

105.2 Subject to rates, rules and regulations, the Company will continue to supply electric service until notified by the customer to discontinue the service. The customer will be responsible for payment of all service furnished through the date of discontinuance.

~~Application for original or additional service may be made at the Company's offices by mail, by telephone or by personal call. The following is required:~~

- ~~Customer's name~~
- ~~Exact address of premises~~
- ~~Type of service required~~
- ~~Date service is required~~
- ~~Character of the load~~
- ~~(Note any special requirements)~~
- ~~Customer's deposit (when required)~~

~~The above shall be supplied to the Company as far as possible in advance of the Customer's requirements for service.~~

106. Inspection of Wiring

Where permits and inspections covering customer's wiring and installation are required by local ordinance, it is mandatory that such requirements be fulfilled before the Company will make connections to the Customer's installation. In locations where such inspections are not required by law or ordinance, an affidavit by the wiring contractor stating that the wiring has been done in compliance with the National Electrical Code will be acceptable.

107. Permits, Certificates, Affidavits

It is the responsibility of the customer to obtain all necessary permits, certificates of inspection or affidavits as required in Paragraph 106 above and to notify the Company promptly of any proposed alterations or additions to customer's load. Failure to comply with these requirements may result in delayed connection, interruption of service or damage to apparatus.

~~108. Connections~~

~~Service connections will be made and a meter or meters will be installed by the Company following Customer's compliance with Paragraphs 105, 106, and 107 above, and payment of the prescribed Customer's deposit. (Refer to Paragraph 402.)~~

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~~109~~108. Consultation with the Company

~~109.1~~108.1 The location, size and character of the customer's load and the current, voltage, frequency, phases, etc. which the Company has available at the customer's location will determine the type of service supplied to the customer.

~~109.2~~108.2 Architects, engineers, contractors, electric dealers, wiremen and others must confer with local representatives of the Company to determine the type of service that will be available before designing or preparing specifications for new electrical installations or alterations to existing installations.

~~109.3 Consultation with the Company before purchase and installation of apparatus may save the Customer unnecessary expense by avoiding purchase of equipment that is incompatible with the service available from the Company's facilities.~~

~~109.4~~108.3 In all cases involving large installations and other cases where any doubt exists, full information as to the type of service available should be obtained from the Company.

~~110~~109. Unauthorized Use of Service

~~110.1~~109.1 Unauthorized use of service is defined as any deliberate interference~~, such as tampering with a Company meter, registration, connections, equipment, seals, procedures or records,~~ that results in a loss of revenue to the company. ~~Unauthorized use of service is also defined as reconnection of service that has been terminated, without the Company's consent.~~ Violators are subject to prosecution.

~~110.2~~109.2 Types of unauthorized use of service include, but are not limited to, the following:

(a) Bypass around meter.
(b) Meter reversed.
(c) Equipment connected ahead of meter.
(d) Tampering with meter that affects the accurate registration of electric usage.
(e) Electricity being used after service has been discontinued by the Company.

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~~110.3~~109.3 In the event that there has been unauthorized use of service, customer shall be charged for:

(a) ~~Time, material, and transportation~~ All costs ~~used~~ associated in investigation or surveillance.
(b) Estimated charge for non-metered electricity.
(c) ~~On-premise~~All time to correct situation.
(d) Any damage to Company property.

~~110.4~~109.4 A Customer's service disconnected for ~~any of the reasons outlined in Paragraph 110.2~~ unauthorized use of service shall be reconnected after the customer has furnished satisfactory evidence of compliance with Company's rules and conditions of service, and paid any charges which are due, including:

(a) All delinquent bills, if any.
(b) The amount of any Company revenue loss attributable to said tampering.
(c) Expenses incurred by the Company in replacing or repairing the meter or other equipment, costs incurred in the preparation of the bill, plus costs as outlined in Paragraph ~~110.3~~109.3.
(d) Applicable reconnection fee.
(e) A cash deposit, the amount of which will not exceed the maximum amount determined in accordance with rules of the applicable State Public Service or Utilities Commission.

~~111~~110. Unauthorized Attachments to Poles

~~111.1~~110.1. The unauthorized attachment of any flags, banners, signs, clotheslines, antennas, etc. to Company poles is prohibited. The use of poles for placards or other advertising matter is forbidden. The Company will remove such unauthorized attachments without notice and may prosecute any such trespassers.

~~111.2~~110.2. Customers are cautioned to locate antennas so that they are beyond falling distance from the Company's lines, either transmission or distribution. In many of the communities in which the Company operates, this provision is covered by local ordinance.

~~111.3~~110.3. Antennas and lead-ins shall be located a safe distance from and shall never cross over or under the Company's lines or contact the Company's poles.

~~111.4~~110.4. The Company disclaims all responsibility where such equipment contacts the Company's lines, poles or equipment.

~~112~~111. Access to Customer's Premises
The Company's ~~authorized agents and employees~~ representatives, when properly identified, shall have access to the customer's premises, at all reasonable times ~~hours, to the premises of the Customer~~ for the purpose of reading meters, making repairs, making inspections, removing the Company's property or for any other purpose incidental to the service. ~~inspecting, testing, adjusting and otherwise caring for, replacing or removing meters or other Company property which may be on the Customer's premises.~~

~~113~~112. Protection of Customer's Equipment
112.1 Continuity of Service - ~~It is the primary goal of the Company to furnish satisfactory electric service consistent with fair and reasonable rates. However, as the~~ The Company's electric system is unusually widespread and has many interconnections with sources of power other than its own generating stations, ~~and~~ it is subject to exposure by storms and other factors not under its control. ~~Although the~~ The Company employs the latest developments in equipment and methods of operation for the purpose of maintaining adequate service, ~~it cannot guarantee service to be free from interruptions, variation in voltage and frequency, single phase energization of three phase lines, reversal of phase rotation or other abnormal conditions, and it cannot assume liability for damage to Customer's equipment resulting therefrom. Therefore it is the obligation of the Customer to provide such protective devices as may be necessary to safeguard his equipment and installation. (Refer to Paragraph 711.)~~ The Company will use all reasonable care to provide continuous service but does not assume responsibility for a regular and uninterrupted supply of electric service and will not be liable for any loss, injury, death or damage resulting from or caused by the interruption of the same.

112.2 Customer's Equipment – Neither by inspection or rejection, nor in any other way does the Company give any warranty, expressed or implied, as to the adequacy, safety

or other characteristics of any structures, equipment, lines, appliances or devices owned, installed or maintained by the customer or leased by the customer from third parties. It is the obligation of the customer to provide such protection devices as may be necessary to safeguard the customer's equipment and installation from interruptions, variation in voltage and frequency, single-phase energization of three-phase lines, reversal of phase rotation or other abnormal conditions. (Refer to paragraph 810).

~~114. Regulatory Commission Authority~~
~~The Regulatory Commissions of Montana, North Dakota, South Dakota and Wyoming, with which these Rules and Regulations have been filed, prescribe standards for electric service to which the Company is subject. The Rules and Regulations set forth herein are supplementary to and do not intentionally conflict with the Commissions' standards for electric service, the National Electrical Code, state codes or local laws or ordinances.~~

Section 200 - USE OF ELECTRIC SERVICE

201. Rate Schedules

~~201.1~~ Electric service will be billed under the rate schedule that applies to the class of service used. See Application for Electric Service Paragraph 105. Rate schedules applicable to various classes of service may be obtained from the Company upon request.

~~201.2 Rate schedules applicable to various classes of service may be obtained from the Company upon request. Only single phase service will be supplied under a residential rate schedule. Temporary use, seasonal use and standby service may be subject to special rate provisions and charges. Information is available at the offices of the Company.~~

202. Resale of Energy

The Company will not supply energy for resale except as expressly covered by special contract or where such provision is a part of the rate schedule.

203. Temporary Service

Temporary service is any service for construction work, carnivals, gravel pits, occasional lighting, etc., which is not expected to continue in use for a period long enough to justify the construction cost necessary for extending service. When temporary service is

desired the customer shall, in addition to paying the scheduled rates, make deposit in advance in the amount of the Company's estimated cost of installing and furnishing such temporary service facilities together with the cost of disconnecting and removing same and the estimated billing to the customer for electric service. Final billing will reflect credit for the salvage value of materials used in providing the temporary service. Any deficiency in such advance payment shall be paid by the customer upon presentation of bill. Any amount deposited in excess of final billing by the Company will be refunded to the customer.

204. Standby Service

Where electric service is supplied as standby to a customer's generating facilities or vice versa, the customer shall provide and install at ~~his~~ the customer's expense a suitable double-throw switch or other device which will completely isolate the customer's power facilities from the Company's system. The service entrance shall be installed so that the phase conductors will be totally isolated from the customer's wiring before the standby unit is put into operation.

205. Parallel Service

Parallel operation of the customer's generating equipment with the Company's system shall be permitted to the extent provided in other approved rates.

206. Transformer Installations on the Customer's Premises

206.1 The Company ~~may~~ will supply transformers to be installed ~~in the Customer's building or~~ on the customer's premises when requested by the customer and in accordance with the following paragraphs.

206.2 The customer shall agree to indemnify and save the Company harmless from any loss, damage, expense or liability, incurred or arising from, or out of the installation, operation, maintenance, repair or removal of its transformers, cables, conductors, apparatus and all other Company property, material or equipment placed on the customer's premises. ~~or in the customer's building.~~

206.3 Company's power or distribution transformers ~~with primary voltage of 2400 volts or higher~~ will not be installed in the customer's building ~~unless a vault suitable for the purpose is provided by the Customer. Transformer vault construction must comply~~

~~with the requirements of the latest edition of the National Electrical Code and current supplements thereto~~.

206.4 The Company will furnish, own and maintain conventional oil filled transformers at no cost to the customer. However, where dry type transformers, transformers containing a nonflammable insulating coolant or oil filled transformers of special voltage or design are required they shall be owned, installed and maintained by the customer at ~~his~~ the customer's expense.

206.5 Padmounted transformers may be installed on customer's premises. The customer shall furnish a suitable concrete pad, conduit, ground rod and service conductors as noted in Figure ~~8~~56. Where the customer has more than four parallel conductors, a cable junction enclosure and conduits to the transformer location may be required. The customer shall consult with the Company to determine when a cable junction enclosure is required.

206.6 Where the transformer is installed adjacent to an asphalt or concrete driveway, parking lot, or walkway, the customer shall provide conduit from the transformer location to a point beyond the driveway, parking lot, or walkway to accommodate the Company's primary voltage cable. The customer shall provide barriers and clear zones to protect transformer from damage and to allow proper cooling and access to conductor compartments. The Customer shall consult with the Company to determine the proper size conduit and protective barriers.

206.7 Refer to Figure ~~8~~5 for additional information on transformer location.

207. Relocation of Facilities
If relocation of the Company's facilities located on or adjacent to the customer's premises is necessary, there may be a charge for such relocation.

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A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

Section 300 - ELECTRIC SERVICE AVAILABLE

301. Frequency
All service supplied by the Company is alternating current at a nominal frequency of 60 Hertz.

302. Secondary Voltages (See also Section 400.)
302.1 In general, the following classes of service are normally supplied:

Phase	Wires	Nominal Voltage	Nominal Service
1	3	120/240	Single Phase Lighting & Power
3	3	120/208	Network Light & Power
3	4 Delta	120/240	Combined Light & Power
3	4 Wye	208 Grd Y/120	Combined Light & Power
3	4 Wye	480 Grd Y/277	Combined Light & Power
3	4 Delta	240/480	Combined Light & Power
~~3~~	~~3 Delta~~	~~480~~	~~Combined Light & Power~~

Note: The Company follows the provisions of ANSI C84.1; latest revision, Electric Power Systems and Equipment – Voltage Ratings (60 Hertz)

302.2 Only one class of service voltage is provided to a single customer location.

~~302.2~~302.3 Service at other voltages may be made available for approved loads upon special application to the Company. Supplying such service may require special construction and equipment by the customer and the Company. The details of such construction and equipment are subject to negotiation between the Company and the customer before service is supplied.

~~302.3~~302.4 As the voltage and number of phases which will be supplied depend upon the character of the load, its size, and location, it is necessary that the customer consult with the Company regarding the type of service which will be furnished before

proceeding with the purchase of equipment or the installation of wiring. (Refer to Paragraph ~~109~~108.)

~~302.4~~302.5 The customer's wiring for single phase installations shall be such that the difference in loads on each side of the supply neutral shall not exceed 10% of the total load.

~~302.5~~302.6 For three phase grounded wye installations, the load shall be balanced so that the difference in loads on the separate phases shall not exceed 10% of the total load.

303. Primary Voltages (See also Section 500.)
Service may be made available at primary voltage of 2,400 volts or higher. The available primary voltage is dependent upon the local primary voltage.~~Since the available primary voltage is not the same in all communities, or localities within the communities, the Customer must consult the Company when such service may be required.~~

Section 400 - SECONDARY VOLTAGE SERVICE
(Under 600 Volts)

401. Secondary Voltage Service Connections
The location of the service connection is subject to approval by the Company. ~~It is essential, in order to avoid errors, that the architect, contractor, wireman or others consult with the Company to determine the preferred location.~~ The Company will cooperate with the customer to the fullest extent practicable in determining such location. Once established, any change by the customer may result in billing to the customer for any additional work or materials required by the Company.

402. Service Connections and Disconnections
All connections or disconnections of overhead or underground services, regardless of the voltage, will be made by the Company at the point where the Company's facilities join those of the customer. No customer or agent of the customer will be authorized to make such connections or disconnections. (Refer to Paragraphs 105, 106, and 107 ~~and 108~~.)

403. Number of Service Drops
In general, one service drop will be installed for each customer location. Exceptions will be made in special cases where it is mutually advantageous to the customer and the Company.

404. Services in Raceways
Where services are installed in raceways, the installations must comply with the requirements of the latest edition of the National Electrical Code.

405. Service Entrance Requirements
405.1 The Company recommends that the service entrance for single family residences be not less than ~~three conductor No. 2 AWG Copper (~~100 ampere ~~switch) or its equivalent. The service entrance should be as much larger as is required to permit a load addition of 100%. All service entrance conductors shall be of the stranded type.~~ The service entrance shall be sized and installed in accordance with provisions of the National Electric Code, state code, and local ordinances. Bare neutral shall not be installed in metallic conduit due to the possibility of radio interference.

~~The Company should always be consulted regarding services to multiple dwellings, commercial or industrial buildings. A special note should be made that no more than six service switches may operate on one service entrance without a switch ahead of the meters.~~

405.2 Ample length of service entrance conductor shall be left protruding from the service head and at padmount equipment facilities to allow for proper connection to the service drop for overhead installations and to padmount equipment terminals.

405.3 When entrances are parallel in two or more conduits, all phases shall be run in each conduit and all wires shall be of the same length.

~~405.4 The service entrance conductors between the Company's service attachment and the meter device shall be in accordance with provisions of the National Electrical Code, state code and local ordinances. The conductors shall be run~~

~~continuously without a splice from the wire attachment to the meter device and from the meter device to the service switch.~~

406. Identification of Conductors

406.1 For purposes of identification, the neutral wire of each single phase entrance shall be clearly marked at the service outlet as well as at the meter location.

406.2 Where 4-wire, three phase service entrances are installed, the neutral conductor and the "wild" phase conductor (nominal 208 volts to ground) shall each be clearly marked at the service outlet, at the meter and at service equipment.

~~407. Conductor Switching and Fusing~~

~~All ungrounded conductors shall be properly insulated, and protected by circuit breakers or switches and fuses.~~

~~408. Neutral Grounding~~

~~The neutral conductor of the Customer's wiring shall be grounded in accordance with provisions of the National Electrical Code, state code and local ordinances.~~

~~409~~407. Overhead Service Drops

~~409.1~~407.1 The service entrance shall preferably be through the eave~~shall~~ and be located so the overhead service drop will be as short as practical and maintain all clearance requirements (Refer to Figure 1 and Paragraph 407.4). ~~from the Company's line will allow conductors to maintain a clearance of not less than three feet from windows, doors, porches, fire escapes or similar locations. Conductors running above the top level of a window are considered out of reach from that window.~~

~~409.2~~407.2 In cases where ~~the contours of the building are such that~~ proper clearances cannot be maintained by attaching the service drop directly to the building, the Customer shall install and maintain a supporting structure of sufficient mechanical strength to support the wires and of sufficient height to provide the necessary clearances.

407.3 The customer shall install the necessary facilities for firmly mounting a Company supplied service drop attachment.

~~409.3 On buildings constructed of wood, the service entrance shall be run to a point where the service attachment can be made to a studding. If this is not possible, a firm means for mounting the service attachment shall be provided.~~

~~409.4 On buildings constructed of materials other than wood, the customer shall install the necessary facilities for mounting the service drop attachment. The Company will supply the attachment for the customer to install at the time the building is being constructed.~~

~~409.5 The service entrance head must be located above the point of attachment of the service drop to the building. The point of attachment shall be established so that the drip loop is not less than 10 feet above finished grade and shall be at a height to permit the minimum clearance requirements listed in Paragraph 409.7 (Refer to Figure 2.)~~

~~409.6 The service entrance head shall be installed to permit the service drop wires to be attached to the building at a location to maintain clearance over railroads, highways, streets, driveways, roofs, communication or signal wires, and away from windows, awnings and other obstructions on the building.~~

~~409.7~~407.4 Service drop conductors shall not be readily accessible and when not in excess of ~~600~~ 750 volts, shall conform to the following general requirements (~~R~~refer to the National Electrical Safety Code for possible exceptions):
Clearance over roof – Multiplex service drop conductors shall have the following minimum clearance over a roof:

10.0 feet - from the highest point of roofs or balconies over which they pass with the following exceptions:

Exception 1: The clearance shall be maintained at not less than 3.0 feet above roof or balcony not readily accessible.

Exception 2: Where a roof or a balcony is not readily accessible, and a service drop passes over a roof to terminate at a (through-the-roof) raceway or approved support located not more than 4.0 feet, measured horizontally from the edge of the roof, the clearance above

the roof shall be maintained at not less than 1.5 feet for a horizontal distance of 6.0 feet from the raceway or support, and shall be maintained at not less than 3.0 feet for the remainder of the horizontal distance that the cable or conductor passes over the roof.

Note: A roof or balcony is considered readily accessible to a person, on foot, who neither exerts extraordinary physical effort nor employs special tools or devices to gain entry.

Clearance from ground – Multiplex service drop conductors shall have the following minimum clearance from ground:

18.0 feet - over roads, streets and other areas subject to truck traffic. Trucks are defined as any vehicle exceeding 8 feet in height.

18.0 feet - over driveways, parking lots and alleys. This clearance may be reduced to the following values:
(1) 17 feet - where multiplex service drops cross over or run along alleys, driveways, or parking lots.
(2) If the height of attachment to a building or other installations does not permit these requirements:
(a) 14 feet - over residential driveways for multiplex service drops limited to 150 volts to ground.
(b) 10 feet - over residential driveways for drip loops of service drops limited to 150 volts to ground.

14.0 feet - over spaces or ways accessible to pedestrians or restricted traffic only. This clearance may be reduced to the following values:
(1) If the height of attachment to a building or other installations does not permit these requirements:
(a) 12 feet - for multiplex service drops limited to 150 volts to ground.
(b) 10 feet - for drip loops of service drops limited to 150 volts to ground.

24.5 feet - over swimming pools, or within 10 feet, measured horizontally, of the pool edge. In addition, there must be 16.5 feet clearance measured in any direction from every point on a diving platform or tower.

~~Clearance over roof - Conductors shall have a clearance of not less than 8 feet from the highest point of roofs over which they pass with the following exceptions:~~

~~a. Where the voltage between conductors does not exceed 300 volts and the roof is not readily accessible the clearance may be not less than 3 feet. A roof is considered readily accessible if the means of access is through a doorway, ramp, stairway, or permanently mounted ladder.~~

~~b. Service drop conductors of 300 volts or less which do not pass over other than a maximum of 4 feet of the overhang portion of the roof for the purpose of terminating at a (through-the-roof) service raceway or approved support may be maintained at a minimum of 18 inches from any portion of the roof over which they pass.~~

~~Clearance from ground - Service drop conductors shall have the following minimum clearance from ground:~~

~~15 feet - above spaces or ways accessible to pedestrians only. This clearance may be reduced to the following values:~~
~~(a) 12 feet for service conductors less than 300 volts to ground~~
~~(b)10 feet for drip loops of triplex (or quadruplex) service conductors less than 150 volts to ground and the portion of the associated service drop span located within 15 feet of the service entrance to buildings.~~

~~15 feet - over residential driveways and commercial areas not subject to truck traffic. This clearance may be reduced to 12 feet for:~~
~~(a) triplex (or quadruplex) conductors less than 750 volts to ground~~
~~(b) open supply line conductors less than 300 volts to ground.~~

~~18 feet - over commercial areas, parking lots, agricultural or other areas subject to truck traffic.~~
~~18 feet - over public streets, alleys, roads and driveways on other than residential property.~~

~~18 feet - over swimming pools, or within 10 feet, measured horizontally, of the pool edge. In addition, there must be 14 feet clearance measured in any direction from every point on a diving platform or tower. Both requirements apply to triplex (or quadruplex) less than 750 volts to ground.~~

~~NOTE: These clearances comply with the 1984 Edition of the National Electrical Safety Code. Refer to the latest edition of this publication for current clearance requirements.~~The vertical clearance is derived using the latest edition of the NESC rule and, where necessary, adding 2 feet for vertical movement safety factor adopted by Company.

~~409.8 A farm yard service pole shall be installed on farm installations by the Company for the Customer's convenience in installing service to each of several buildings on the farm. The Customer shall be responsible for installation of all materials. Transformer poles shall not be used for service poles.~~

~~410~~408. Secondary Voltage Underground Service

~~410.1~~408.1 Where the customer desires an underground service, ~~he~~ the customer must furnish and install conduit from the line side of the meter socket to a point a minimum of ~~12~~ 18 inches below grade. (Refer to Figure 1.) Customer shall also provide necessary conduit for services under any asphalt or concrete driveway, walkway, ~~or~~ parking lot~~.~~, ~~Where a Customer plans to convert from an overhead to an underground service, he must provide all necessary changes to his service entrance, including relocation, and be responsible for permits and extraordinary charges such as concrete or asphalt work, landscaping damage, unforeseen underground obstructions, frozen ground, etc. To avoid extraordinary charges the Customer may provide the trench.~~ or other areas where it is impractical to excavate.

408.2 If a customer requests to convert from an overhead service to an underground service, the customer must provide all necessary changes to the service entrance, including relocation, and the conduit described in 408.1 above. The customer must also provide a Company approved trench ready to accept the underground service conductors including back filling, surface restoration and any future settlement or erosion. If the customer requests the Company to provide this work, the Company will charge the customer for this service.

~~410.2 If an owner requests underground service from an existing overhead line and desires to own the underground service, he may do so and not be charged the Company's underground service charge. (Refer to Figures 1 and 3.)~~

~~411~~409. Mobile Home Service

The ~~Company will connect from and after April 7, 1983 its service conductors to a Company approved but~~ customer ~~owned~~ shall install and maintain the metering pedestal or meter socket and meter mounting device. The customer, as the term is used in this section, is considered to be the mobile home court owner for installations in approved mobile home courts and the mobile home owner for installations on a private lot.

Section 500 - PRIMARY VOLTAGE SERVICE
(2,400 Volts or More)

501. General

The Company offers electric service at primary voltages of 2,400 volts or higher. A customer desiring to take service at primary voltage shall furnish and own all electrical equipment ~~the conductors~~ from the point of delivery and shall consult the Company to assist in determining the size, type and arrangement of service entrance equipment and conductor specifications required for the Customer's particular needs. ~~It is recommended that the Customer consult the Company concerning advantages of certain filed rates which allow a discount when the Customer owns the conductor, transformers and other equipment on the Customer's side of the primary metering point.~~

502. Service Entrance Equipment

The service entrance equipment shall perform the following functions:

a. Isolate the load from the supply circuit by visible means.
b. Automatically break the circuit in the event of overload.
c. Permit manual opening of the circuit at full load.

503. Overcurrent Protection

The need for overcurrent protective coordination requires consultation with the Company. Overcurrent protective devices may be as follows:

a. Fuses
b. Automatic trip circuit breakers

The ~~automatic~~ overcurrent protective device must have an interrupting rating, at circuit voltage, equal to or exceeding the maximum short circuit current available at the location where service is taken. ~~The Company should be consulted as to the proper specifications for such equipment since maximum short circuit currents are subject to change through upgrading of the Company's distribution system.~~

~~504. Isolating Switches~~
~~The isolating switch shall provide visible evidence that the circuit to which it is applied is open or disconnected. It shall be so located in the circuit that it disconnects all service equipment from the source of supply. Where automatic circuit breakers are used as circuit protective equipment they shall be accompanied by isolating switches located in the supply side of the circuit.~~

~~505. Load Break Switches~~
~~Isolating switches (Paragraph 504) are not considered to possess load-break capability. They shall be accompanied by a switch capable of interrupting the full load on the circuit.~~

~~506~~504. Disconnecting Means
504.1 The disconnect switch shall provide visible evidence that the circuit to which it is applied is open or disconnected. It shall be located on the supply side of the circuit.
504.2 Where fuses are used, the disconnect switch shall be a gang operated load break switch.
504.3 Where automatic circuit breakers are used as circuit protective equipment, the disconnect switch can be non-load break.

~~504.2 506.1 If a customer's service consists of only one circuit only one set of devices is required as itemized in Paragraph 502, above.~~
~~506.2 If the customer's service consists of more than one but less than seven circuits, one set of devices is required for each circuit as itemized in Paragraph 502, above. A master isolating switch shall be installed at the source side and ahead of all circuits and their devices. In no case will more than six circuits be supplied from a single installation.~~

~~507~~505. Load Balance
Loads on the three phases shall be balanced as closely as possible. The maximum unbalance permitted between individual phase loads is 10% of the total three phase load.

Section 600 – METERING

601. General
The Company will install the necessary meters to measure the electrical energy delivered under each account for a particular class of service.

602. ~~Meter Installations~~ Meter Socket Specifications
602.1 ~~The Company will furnish all meters required for billing purposes.~~
It shall be the customer's responsibility to furnish, install and maintain the meter mounting device. Company approved specifications for electric meter sockets and metering transformer enclosures are listed below:

Self-Contained Meter Sockets – Single-Phase, Three-Phase and Multiple Position Type

1. U.L. approved
2. 100 ampere minimum for overhead service installations. Lay-in connectors can be used, up to 150 Amp
3. 150 ampere minimum for underground service installations, with stud type connectors.
4. ~~Connections to be stud type~~
5. ~~Recommend fittings to be compression type~~
6. ~~Recommend~~ Ringless style
7. Equipped with a fifth terminal in the nine o'clock position where network metering is required
8. ~~Recommend~~ A ~~manual~~ lever by-pass feature ~~where power cannot be interrupted because of computers, alarm systems, etc.~~ is required for all commercial and industrial installations. Upon review by Company, an exemption may be provided.
9. ~~Automatic bypass feature is not acceptable~~ A lever by-pass feature is recommended for all residential installations

~~Current~~ Metering Transformer Rated Meter Socket~~, Single Phase~~

1. U.L. approved
2. Minimum size must provide space for test switch installation and phase shifting transformer where required
3. ~~Recommend~~ Ringless style
4. ~~Recommend~~ One piece cover
5. Socket must have six terminals for single phase, 8 terminals for three-phase, three wire and 13 terminals for all other configurations
6. Automatic by-pass feature is not acceptable
7. Consult with Company prior to purchasing any instrument rated socket

~~Current Transformer Rated Meter Socket, Three Phase~~

~~1. U.L. approved~~
~~2. Minimum size must provide space for test switch installation~~
~~3. Recommend ringless~~
~~4. Recommend one piece cover~~
~~5. For three phase, three wire, the socket must be equipped with 8 terminals, all others must be equipped with 13 terminals~~
~~6. Automatic by-pass feature is not acceptable~~
~~7. Consult with Company prior to purchasing any instrument rated socket~~

~~Current and Voltage~~ Metering Transformer Enclosure (Secondary Service)

1. Recommend a durable, weather-resistant finish and weatherproof seal
2. Must be provided with hinge-type cover and provisions to attach locking or sealing device
3. Minimum size 10" x 24" x 30" with suitable mounting brackets for current and voltage transformers.
4. Consult with Company prior to purchasing any metering transformer enclosure.

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602.2 Self-contained rated meter sockets ~~type meters with capacities up to 200 amperes and under 300 volts for single or two-family residences, farms and small commercial establishments~~ shall, where possible, be placed out-~~of~~-doors.

602.3 On instrument rated meter sockets ~~On large capacity installations over 200 amperes and under 600 volts~~, the Company will furnish and install the ~~current~~metering ~~-~~transformers ~~when required~~. Where practical, such ~~installations~~ meter sockets shall be arranged for outdoor metering. (Refer to Figures 2 and 3 4.)

602.4 Where ~~it is determined that~~ a secondary metering transformer enclosure is required, the customer shall furnish and install ~~a sealable steel~~ an enclosure. Such enclosures shall contain only the service entrance conductors and metering transformers. ~~Customer's distribution circuits shall not be taken through the metering transformer enclosure.~~ The metering transformers shall be installed on the line side of the customer's disconnecting device. Suitable lugs, connectors, etc. for connecting metering transformers to service mains shall be provided by the customer. ~~The Company will furnish and own the current transformers and voltage transformers where required.~~ (Refer to Paragraph 602.1 ~~Figure 5~~.)

~~The Company shall always be consulted as to whether a metering transformer enclosure will be used, and for minimum steel enclosure sizing.~~

602.5 For ~~larger~~ installations having switchboards, the metering transformers may be mounted in the switchboard bus, provided they are accessible for changing and testing. Metering transformers shall be mounted on the source side of the main switch.

602.6 Meters and test switches may be mounted on a suitable panel adjacent to the metering transformer enclosure.

602.7 No device other than a Company-owned or Company-approved device shall be placed into the meter socket.

603. Meter-Switch-Fuse Wiring Sequence

For all secondary voltage metering installations the meter, entrance switch and main line fuse or breaker shall be installed in the order named with respect to power flow. ~~When more than six meters are served by one entrance a Customer owned main service switch shall be installed on the source side of the meters. (Refer to Figure 6.)~~All circuits downstream from the meter shall have proper overcurrent protection devices. ~~Also, a~~ A ~~customer~~ customer-owned main service switch shall be installed on the source side of all 480 volt, self-contained meters. This switch shall be located no closer than three feet either left or right of the meter socket, and the switch cover is sealed by Company.

604. Meter Locations

604.1 Each meter shall be located in ~~compliance with the National Electrical Code and local ordinances in~~ a place of convenient access ~~and~~ where it will not create a hazard. The location shall be agreed upon by the customer's representative and the Company. (Refer to Figure 1.)

604.2 Meters shall be located so that there is not less than 3 feet of unobstructed space, from the ground up, in front of the meter ~~and~~ so that the center line of the meter is not less than 4 feet nor more than 5 feet above the floor, ground, or permanent platform from which the reading will be taken.

605. Outdoor Metering

605.1 Outdoor meters shall be permanently mounted on secure structures such as houses, buildings, poles, etc. ~~in easily accessible locations and where they do not create a hazard.~~ All required conduit will be provided by customer. (Refer to Figures 1, 2, and 34.)

605.2 Enclosures shall not be placed over the meter socket unless approved by the Company.

606. Indoor Metering

~~606.1~~ Indoor meters for multiple dwellings, large office buildings, etc. shall be grouped and located as near the service entrance location as practicable. ~~(Refer to Figure 6.)~~

~~606.2 Meter panels shall be furnished and installed by the Customer in a~~

~~clean, dry location free from vibration.~~

607. Wiring Diagrams

Typical wiring diagrams for various types of self-contained meters are shown on Figure ~~7~~54. These are subject to change from time to time with advancement in the art of metering. Refer to Figure ~~7~~54 for proper location of "wild" phase for three phase, four wire delta installations.

608. Labeling

Where two or more meter mounting devices are installed at one location, each shall be labeled so that it may be identified as to the customer served. Electrical contractors are requested and cautioned to check and identify wiring circuits carefully to avoid metering errors due to incorrect circuitry.

609. Seals

~~609.1~~All meters and all points of access to customer wiring on the source side of the meter will be sealed by the Company. All cabinets and switch boxes, either inside or outside of the building, which contain unmetered wires shall have provision made for sealing before service will be supplied. (Refer to Paragraph 602.4.)

~~609.2 The breaking of Company seals and/or tampering with meters and unmetered wiring by unauthorized persons is prohibited by law. (Refer to Paragraph 110.)~~

Section 700 - UTILIZATION EQUIPMENT

701. Interfering Loads

Whenever a Customer's utilization equipment has characteristics which cause undue interference with the Company's service to other customers, the customer shall provide, at ~~his~~ customer's expense, the necessary equipment to prevent or eliminate such interference. The Company may install and maintain at the customer's expense the necessary equipment to eliminate such interference if it deems it advisable. When a customer's equipment or method of operation causes such interference and the customer does not correct the condition after being so requested by the Company, the Company reserves the right to discontinue the electric service, following written

notification of its intent to do so; and service will not be re-established until the conditions complained of have been corrected.

702. Voltage Flicker and Harmonics

702.1 The Company uses IEEE Standard 141-~~1993~~ (Latest Edition) as the guideline for the maximum allowable voltage flicker that can be caused by a customer's load as measured at the point of metering. This guideline refers to the momentary dip in voltage that may result from the customer's operation of switches, starting of motors, etc.

702.2 Customers electric load shall comply with the recommendations within Section 10 of IEEE Standard 519-~~1992~~ (Latest Edition) "Recommended Practices & Requirements for Harmonic Control in Electric Power Systems" at the point of metering connection.

~~702~~703. Power Factor
Whenever the customer's utilization equipment is of such characteristics as to produce a low power factor, the Company reserves the right to require the customer to raise such power factor, at the customer's expense, or to pay additional charges as provided in certain of the Company's rates on file with the ~~State Public Service or Utilities~~ Regulatory Commission of the state wherein the customer is located.

~~703. Water Heaters~~
~~Water heaters shall be equipped with thermostatically controlled non-inductive heating elements designed for 240 volt single phase service.~~

~~704. Motion Picture Apparatus~~
~~Motion picture apparatus, photo lamps and rectifiers requiring more than 15 amperes shall be suitable only for 208 or 240 volts supply.~~

~~705~~704. X-Ray Equipment
~~X-ray equipment requiring more than 15 amperes shall be connected for 208 or 240 volts supply.~~ At the option of the Company, ~~such~~ x-ray equipment may be separately metered and/or supplied from separate transformers.

~~706~~705. Electric Welders

Electric welding apparatus shall require special arrangements with the Company to determine its ability to serve before installation is made. (Refer to Paragraph ~~702~~703.)

~~707~~706. Electric Motors

~~707.1~~706.1 ~~Motors have standard voltage ratings of 115/230 volts for single phase and 220/440 volts for three phase.~~ Motors are normally designed to operate at their rated voltage, plus or minus 10%; thus a 220 volt ~~three phase~~ motor ~~will~~ should operate satisfactorily at 208 volts or 240 volts.

~~707.2~~706.2 To assure adequate safety to personnel and equipment, the customer shall provide and maintain protective devices in each phase to protect all motors against overloading, short circuits, ground faults and low voltage, and to protect all three-phase motors against single-phasing and phase reversal. ~~All three phase motors connected to the Company's lines should beequipped with low-voltage and single phase protection to insure that such motors will be disconnected from the line or the starting equipment returned to the "off" position in case of failure of normal voltage supply.~~

~~707.3 Reverse phase relays are recommended for equipment such as elevator motors, cranes, etc. to protect the installation in case of phase reversal. The Company makes every effort to prevent change in phase rotation of its three phase system, but it cannot guarantee against such occurrence.~~

~~707.4~~706.3 Single-phase motors.

Motors for use at 120 volts are limited to locked rotor currents of 25 amperes if started more than 4 times per hour, and 50 amperes if started less frequently~~, infrequently started motors may be operated at 120 volts provided the locked rotor current of such motors does not exceed 45 amperes. Frequently started motors may be operated at 120 volts provided the locked rotor current of such motors does not exceed 25 amperes~~.

Motors for use at 208 or 240 volts single-phase will generally be limited to 3 h.p. and a maximum of 4 starts per hour. The Company must be consulted for single-phase motors above 3 h.p. ~~up to and including 7 1/2 h.p. may be operated at 208 or 240 volts except that when the nameplate rating is higher than 5 h.p.,~~ Compensating starting equipment may be required to limit the starting current and when required, shall be furnished by the customer (Refer to paragraph 702). ~~Such cases shall be referred to the Company for~~

~~approval. (In locations where three phase service is not available, single phase motors larger than 7 1/2 h.p. may be operated with approval of the Company.)~~

~~707.5~~ 706.4 The size of three-phase motors permitted will depend upon the effect that starting of the motor has upon the customer's system and the Company's other customers in the area. This effect will depend upon the magnitude of the starting current and the frequency of starting (Refer to Paragraph 702).

When necessary, the customer will be required to reduce the amount of starting current to an acceptable level by installing suitable motor-starting equipment or by using motors designed for smaller starting currents. ~~In general, three phase motors up to and including 10 h.p. nameplate rating, operating at 208, 240, or 480 volts, may be equipped for across line starting. Motors larger than 10 h.p. may use across line starting in some instances, depending on frequency of starting, motor location, etc. Such cases shall be referred to the Company for approval. Reduced voltage starting equipment, when required, shall be furnished by the Customer.~~

~~For motors above 50 h.p., the Company shall be consulted for determination of permissible locked rotor current.~~

706.5 When ~~a single piece of motor driven apparatus has~~ more than one motor can start simultaneously, the sum of the maximum starting currents of those motors starting simultaneously and also the sum of their horsepower rating shall be furnished to the Company to determine when reduced voltage starting may be required.

~~707.6 Locked rotor currents are obtainable from motor manufacturers.~~
~~Where frequent starting of motors may interfere with service to other customers supplied from the same secondary or primary lines, the Company reserves the right to limit locked rotor currents.~~

~~708~~707. Flashing Display Signs

The Company reserves the right to refuse service for "flashing" display signs or display lighting where such service would interfere with voltage regulation of the secondary system.

~~709~~708. Fluorescent and Gaseous Tube Lighting

High power factor ballasts or transformers must be used for fluorescent, ~~mercury~~ sodium vapor, neon or other gaseous tube lighting equipment. It is required that such equipment operate at a power factor of not less than 90% lagging.

~~7~~10709. Electric Heat Equipment

A customer planning to install resistance type heating, heat pump, electric furnace, electrode boiler, etc. shall consult with the Company, ~~preferably~~ before purchasing the equipment, so that operational modes of this equipment are determined to be acceptable for connection to the Company's distribution system. It is important that consultation is obtained prior to installation of this equipment so the Company can provide adequate ~~equipment and conductor~~ capacity to efficiently serve the customer's requirements. ~~Consultation shall be required only for permanently installed electric heat equipment and where it is the Customer's primary heat source.~~

~~7~~11710. Computers and Electronic Equipment

Computers and other sensitive electronic equipment which require high grade, uninterrupted power may, on occasion, experience problems when connected directly to the Company's distribution system. The customer should contact their supplier or consultant ~~check with an electric dealer, wireman, contractor, engineer, or architect~~ to ascertain the need for lightning arresters, surge suppressors, isolation transformers, standby or uninterruptible power supplies. (Refer to Paragraph ~~11~~3112.2.)

~~7~~12711. Carrier Equipment

The customer shall not impose, or cause to be imposed, any electric signal of any frequency or magnitude upon the Company's distribution system.

~~7~~13712. Lighting Service to Athletic Fields

All new installations shall be served at primary voltage. Loads greater than 50 Kw shall be served three phase. The customer shall furnish, install, and maintain the entire installation, including distribution transformers and a load break switch suitable for operation from the ground. ~~Metering will be accomplished by an elapsed time meter, furnished by the Company, connected at an appropriate location on the customer's 120/240 volt distribution system~~. The Company's Outdoor Lighting~~General~~ Service Rate shall apply~~ies with the exception that there will be no demand charge or discount for primary service~~.

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NDPSC Volume 3
Original Sheet No. 58.33
Canceling 110-N-4 Sheet No. ____

ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

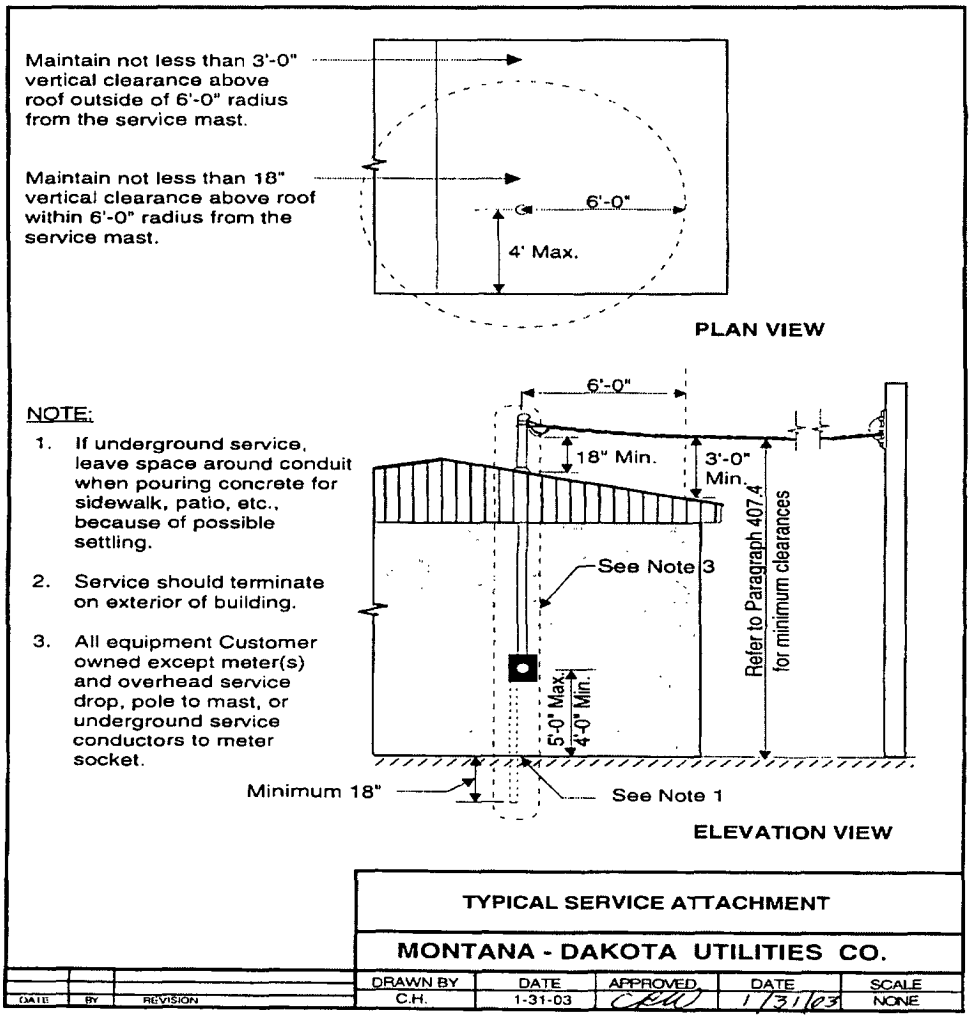


FIGURE 1

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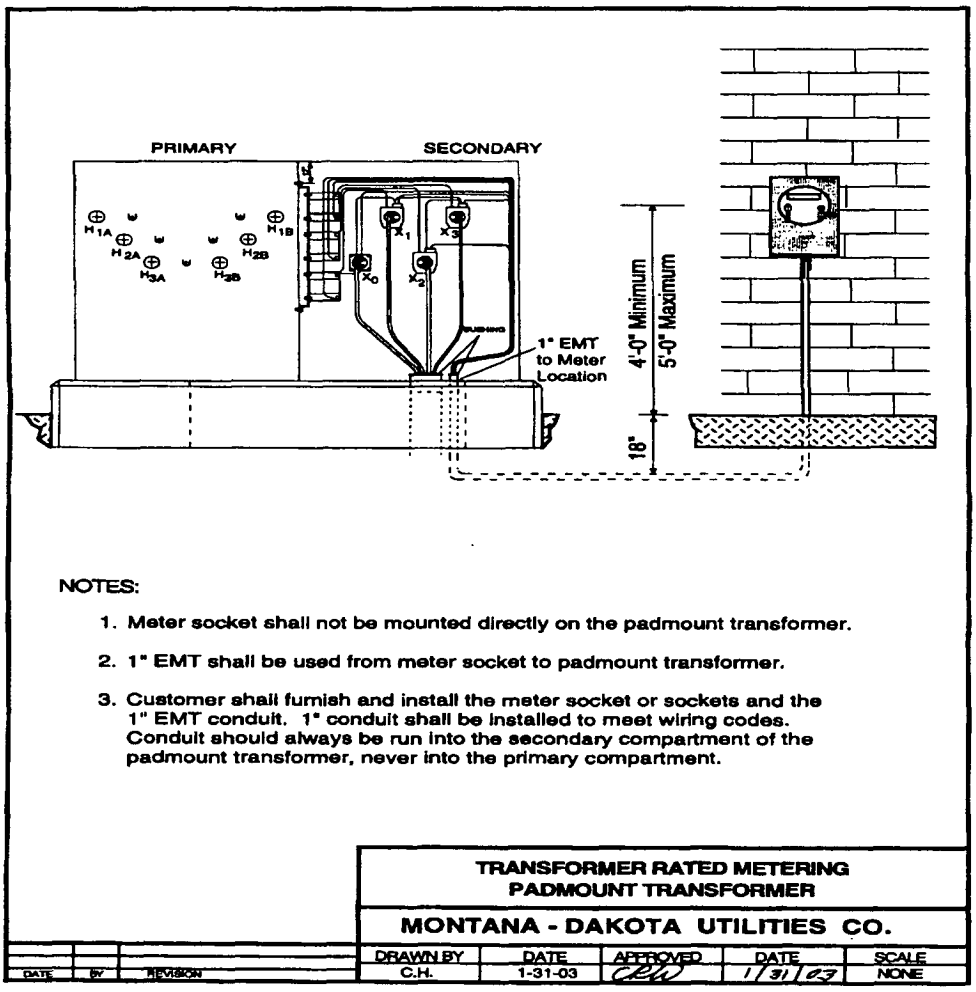
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NDPSC Volume 3
Original Sheet No. 58.34
Canceling 110-N-4 Sheet No. ____

ELECTRIC SERVICE RULES AND REGULATIONS Rate 110



NOTES:

1. Meter socket shall not be mounted directly on the padmount transformer.
2. 1" EMT shall be used from meter socket to padmount transformer.
3. Customer shall furnish and install the meter socket or sockets and the 1" EMT conduit. 1" conduit shall be installed to meet wiring codes. Conduit should always be run into the secondary compartment of the padmount transformer, never into the primary compartment.

TRANSFORMER RATED METERING PADMOUNT TRANSFORMER				
MONTANA - DAKOTA UTILITIES CO.				
DRAWN BY	DATE	APPROVED	DATE	SCALE
C.H.	1-31-03	[signature]	1/31/03	NONE

DATE	BY	REVISION

FIGURE 2

Date Filed: **Effective Date:**

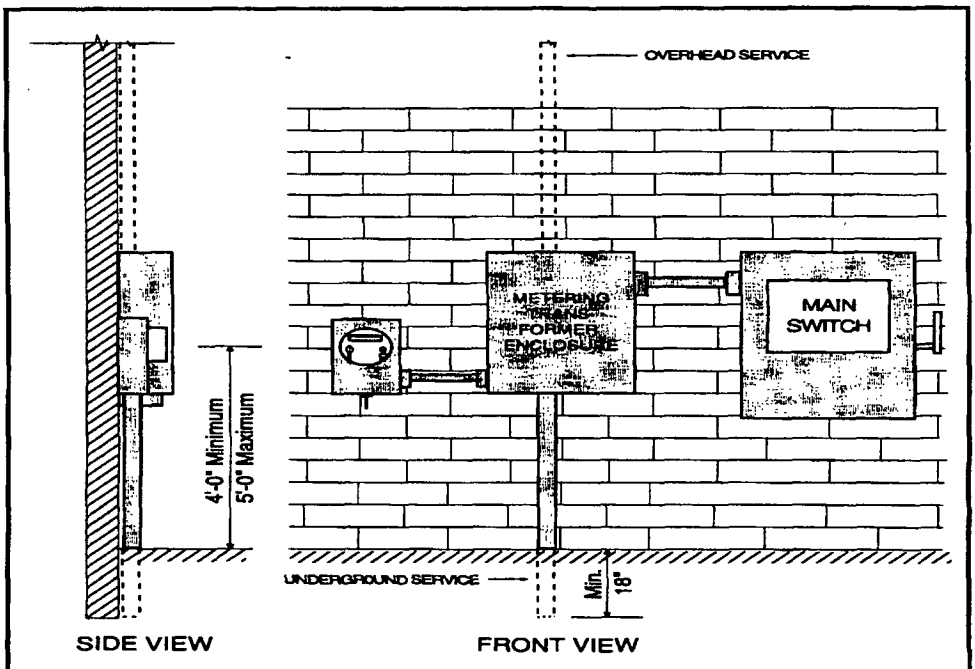
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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110



NOTE:
1. Ground neutral to metering transformer enclosure by direct connection or by ground wire.
2. Instrument transformer enclosure to be furnished and installed by customer. Minimum dimensions for enclosure is 24" x 30" x 10" where practical. Metering transformers furnished and installed by Company.
3. Equipment is to be installed outdoors.

TRANSFORMER RATED METERING OVERHEAD OR UNDERGROUND SERVICE				
MONTANA - DAKOTA UTILITIES CO.				
DRAWN BY	DATE	APPROVED	DATE	SCALE
C.H.	1-31-03		1/31/03	NONE

DATE	BY	REVISION

FIGURE 3

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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

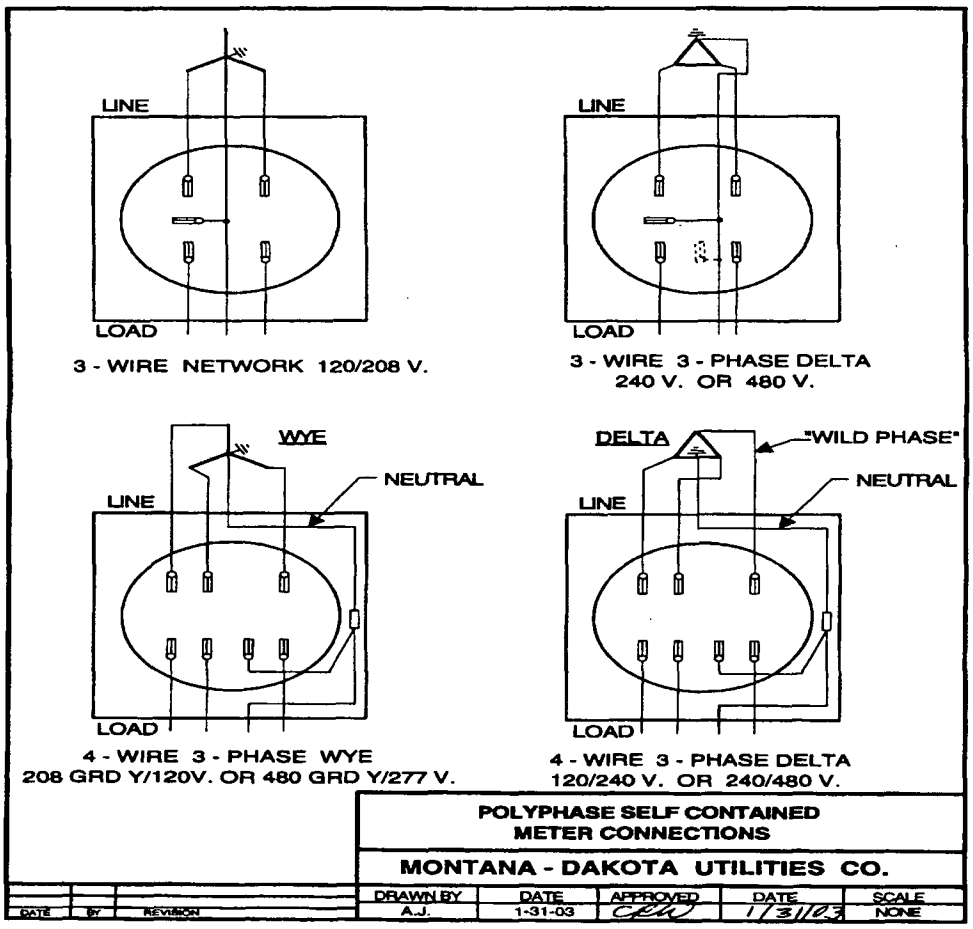


FIGURE 4

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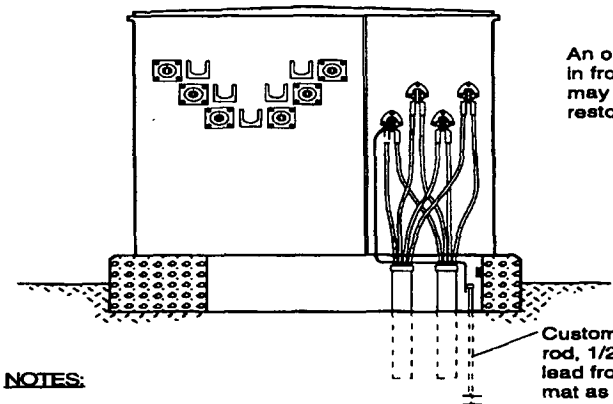
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NDPSC Volume 3
Original Sheet No. 58.37
Canceling 110-N-4 Sheet No. ____

ELECTRIC SERVICE RULES AND REGULATIONS Rate 110



An obstruction within 8 feet from in front of door of transformer may cause delay when restoring electric service.

Customer furnished ground rod, 1/2" x 8' minimum or lead from Customer ground mat as per NEC 250-23.

NOTES:

1. Consult with Company for actual equipment pad dimensions.
2. Transformer pad, service cable, conduit and ground rod or mat for service cable grounding are furnished by Customer.
3. Allow sufficient slack in service entrance conductor to allow for proper connection to equipment terminals.
4. Service connectors to be furnished by Company.
5. Connection to Company's equipment terminals to be made by Company.
6. When more than four conductors are installed for each phase, consult Company for transition cabinet requirements.

TRANSFORMER LOCATION

1. Minimum separation of five feet must be maintained between oil-filled padmount transformers and noncombustible or combustible structures.
2. All oil-filled padmount transformers must be installed so any flow of oil resulting from a failure of the transformer will flow away from any structure.
3. A transformer should be located away from traffic areas or protected with a suitable barrier such as concrete filled pipe provided by the Customer.
4. When locating pad, consider overhead clearance for possible transformer replacement.
5. Compact soil to avoid tilting and settling. Columns required except on firm ground.

TYPICAL PADMOUNT EQUIPMENT INSTALLATION

MONTANA - DAKOTA UTILITIES CO.

DATE	BY	REVISION	DRAWN BY	DATE	APPROVED	DATE	SCALE
			CH	1-31-03		1/31/03	NONE

FIGURE 5

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1st Revised Sheet No. 59
Canceling 111-N-3

~~**RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111**~~

~~The Company will make underground residential distribution facilities available to serve residential customers according to the following rules and regulations and subject to the rates filed with the North Dakota Public Service Commission:~~

1. ~~Where the developer requests it, underground distribution and services will be provided in new subdivisions having 25 or more homes on contiguous lots available to the extension. The developer/owner(s) will furnish such easement rights as the Company may require for the installation, operation, and maintenance of the underground distribution, and will furnish a copy of a recorded plat or map showing the location of the area for which underground service is being requested. The service cable will be owned by the Company terminating at the meter socket located on the house, except the customer will furnish and install the conduit from the line side of the meter to a point a minimum of 12" below the ground. At the Company's option, it may extend its underground residential distribution in new areas to fewer than 25 customers.~~

2. ~~When the property owner(s) requests it, underground residential distribution and services will be provided to replace existing overhead distribution to a group of owner(s) cooperating with one another, providing a minimum of 25 homes on contiguous lots are available to the conversion or extension thereof. The owner group shall, prior to the installation of the underground distribution system, secure such easement rights as the Company may require for the installation, operation, and maintenance of the underground distribution. The owner(s) will provide all necessary changes in the service entrances, including relocation, to convert to underground service at no cost to the Company. This will include the installation of the conduit from the line side of the meter socket to a point a minimum of 12" below the ground. The owner(s) will reimburse the Company for the cost of removal of the existing overhead distribution multiplied by the fractional life remaining, plus the total installed cost (including material), based on present day costs, of the facilities to be removed multiplied by the fractional life remaining, less the salvage value of all materials removed based on present day new values multiplied by the fractional life remaining.~~

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RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111

~~3. At the property owner's request, underground services from an existing overhead distribution system will be made available to residential customers. The customer will furnish and install the conduct from the line side of the meter socket to a point a minimum of 12" below the ground. When the owner(s) desire(s) to covert from overhead to underground service, he must provide all necessary changes in his service entrance, including relocation. If an owner requests underground service from an existing overhead line and desires to own the underground service, he may do so and not be charged the Company's underground service charge.~~

~~4. These rules will apply to multiple occupancy dwellings of less than three units. If in an area served by overhead distribution the Company finds it expedient to serve an apartment building of three units or more, by underground primary service, the occupants of the apartment building will not be charged the underground service rate. Occupants of two-units apartment buildings will be charged the rate for underground service.~~

~~5. Residential underground distribution will be provided in new trailer courts or in existing trailer courts where the Company does not now own the distribution facilities if 25 or more trailer homes will be served therefrom. The Company's facilities will terminate at the line side of the meter pedestal or socket, which will be installed and owned by the customer. At the Company's option it may provide underground residential distribution to fewer than 25 customers in trailer courts.~~

~~6. In general, the underground residential distribution will be served from overhead distribution feeder lines.~~

~~7. Where abnormal conditions causing extraordinary costs on any part of the extension exist, a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.~~

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Canceling 111-N-3

RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111

~~8. The Company has on file with the North Dakota Public Service Commission rates for service provided by underground distribution, which include an additional monthly charge for underground electric residential service for 96 monthly billing periods. If the customer desires, he may make an advance payment of $144, instead of being billed for 96 months under the special terms for underground service.~~

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NDPSC Volume 3
1st Revised Sheet No. 60
Canceling Original 112

ELECTRIC EXTENSION POLICY Rate 112

The policy of Montana-Dakota Utilities Co. for electric extensions to provide service to customers located within its service territory is as follows:

1. A permanent extension may be constructed without a contribution if the estimated project construction cost is equal to or less than two times the estimated annual revenue (2 to 1 ratio).

2. If the estimated project construction cost is greater than two times the estimated annual revenue, the extension will be made only with a contribution, which may be refundable.

   a. Contribution -

      1) When a contribution is required of any customer, with the exception of those customers defined in 2) below, the formula for determining the amount of the initial contribution shall be the estimated construction cost less two times the estimated annual revenues.

      2) The initial contribution for developers of subdivisions shall be the estimated construction cost.

      3) Payment of the initial contribution amount shall be made prior to construction.

      4) Upon completion of construction, the contribution amount shall be adjusted to reflect actual construction costs and an additional charge or refund levied accordingly.

      5) Company may waive all contributions if it determines that the initial contribution will be soon refunded because of additional customer connections.

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ELECTRIC EXTENSION POLICY Rate 112

b. Refund -
   1) If within a five-year period from the date initial service is established, one or more additional customers are added to the above referred to extension, Company shall recompute the contribution required by combining the estimated proposed construction cost for the new customer(s) with the construction cost to those customers already taking service. If, by so combining the construction costs, the contribution of those customers already taking service would be less, Company shall make a proportionate refund, without interest, to those customers taking service prior to commencement of service to said additional customer(s).

   2) Refunds for developers of subdivisions shall be made for each lot connected based on the following calculation: Total refundable contribution divided by the number of lots that can be served from the extension equals refund per lot. In addition, the total revenue of the subdivision will be reviewed annually to determine if adequate revenues are being generated so that the contribution formula would indicate a zero contribution. When this revenue level is reached, a refund will be made to the developer equal to the remaining contribution amount still held by the Company.

   3) No refund shall be made by Company to customer(s) or developer after a five-year period from which initial service is established, nor shall refunds be made in excess of the amount contributed.

   4) No interest will be paid by Company to customer(s) on any amount customer(s) has paid to Company as a contribution in aid of construction.

3. Project construction cost shall include all cost of the electric extension and overhead cost less the cost of customers' transformer(s), service line, and meter. The service line is considered to be the low voltage conductors between the Company owned transformer or secondary system and the customer owned service entrance equipment.

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ELECTRIC EXTENSION POLICY Rate 112

4. Electric extension refers to any facilities which must be constructed to connect a new customer to the utility system or the addition of capacity to existing facilities.

5. Company will deliver electricity to customer at the rate approved by the North Dakota Public Service Commission.

6. Where a contribution in aid of construction is required to provide service, such extension is subject to prior execution by customer and Company of Company's standard agreement for extensions.

7. Where abnormal conditions exist, causing extraordinary costs on any part of the extension (e.g., railroad or river crossing, land clearing, special permits, etc.), a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.

8. This rule shall not be construed as prohibiting the Company from making a contract with a customer in a different manner, if the contract provides a more favorable method of extension to the customer. Such determination to be made on the basis of specific extension characteristics.

9. Temporary loads, such as gravel pit operations, carnivals, etc., shall follow the Company rules for temporary services.

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1st Revised Sheet No. 61
Canceling 113-N-1

METHOD OF COMPUTING INITIAL OR FINAL BILLS FOR ELECTRIC SERVICE FOR LESS THAN A FULL MONTHLY BILLING PERIOD Rate 113

Customers meters are read as nearly as practicable at thirty-day intervals. When service is begun or terminated at any location between regular meter reading dates, bills will be prorated on a daily basis, whenever the billing period is less than 27 calendar days or more than 35 calendar days. The minimum monthly bill, base rate, kilowatt hour blocks and demand charge provisions in all rate schedules will be prorated.

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2nd Revised Sheet No. 62
Canceling 1st Revised Sheet No. 62

RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

1. Residential Electric Service is available to any residential customer for domestic purposes only. All normal sized equipment used for domestic lighting, heating, cooking and power, and used strictly for household purposes, may be supplied through one meter.

   a. Residential service is defined as service for domestic general household purposes in space occupied as living quarters, designed for occupancy by one family. Typical service would include the following: separately metered units, such as single private residences, single apartments, mobile homes and sorority and fraternity houses (this is not an all-inclusive list). In addition, auxiliary buildings on the same premise as the living quarters, used for residential purposes, may be served on the residential rate.

   b. Motors and other equipment which interfere with service to neighboring customers, all motors larger than 5 horsepower and temporary or seasonal loads totaling more than 25 kilo-watts (Kw) will not be permitted on the Residential Electric Service Rate without prior Company approval.

   c. Only single phase service is available under the Residential Electric Service Rate.

2. Three phase service shall be served under the appropriate General Electric Service Rate.

3. General Electric Service is defined as service provided to nonresidential services, such as a business enterprise in space occupied and operated for nonresidential purposes. Typical service would include stores, offices, shops, restaurants, boarding houses, hotels, service garages, wholesale houses, filling stations, barber shops, beauty parlors, apartment houses with master metering exemptions, common areas of shopping malls or apartments (such as halls or basements), churches, elevators, schools and facilities located away from the home site (this is not an all-inclusive list).

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RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

4. If separate metering is not practical for a single unit (one premise) that is using electricity for both domestic purposes and for conducting business (or for nonresidential purposes), the customer will be billed under the predominate use policy. Under this policy, the customer's combined service is billed under the rate (Residential or General Electric Service) applicable to the type of service which constitutes 50% or more of his total connected load.

5. Other classes of service furnished by the Company shall be defined in applicable rate schedules or in rules and regulations pertaining thereto. Service to customers for which no specific rate schedule is applicable shall be billed on the appropriate General Electric Service Rate.

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NDPSC Volume 3
1st Revised Sheet No. 67
Canceling 130-N

TAX CLAUSE Rate 130

In addition to the charges provided for in the electric tariffs of the Company there shall be charged pro rata amounts which on an annual basis shall be sufficient to yield to the Company the full amount of any excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality or other political subdivision for the privilege of conducting its utility operations therein.

The charges to be added to the customers' service bills under this clause shall be limited to the customers within the corporate limits of the municipality or other political subdivision imposing the tax.

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NDPSC Volume 3
Substitute 3rd Revised Sheet No. 68
Canceling 2nd Revised Sheet No. 68

SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

A. NEW METERS

A sampling of 5% will be tested at full load and at light load. If any meter is found to be off more than ±1%, the entire lot will be tested or rejected.

B. RESIDENTIAL WATTHOUR METERS IN SERVICE

1. A random selection of meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979, 1980 to 1989, etc., will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 96% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 96% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of four years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

C. COMMERCIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 98% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 98% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

D. INDUSTRIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 99% of the meters shall be not more than ±2% in error at both light load and full load, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

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NDPSC Volume 3
Substitute 3rd Revised Sheet No. 68.2
Canceling 2nd Revised Sheet No. 68.2

SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

4. Whenever it is found that less than 99% of the tested meters fail to meet these requirements, the entire vintage class will be tested and adjusted or, if more economic, replaced within two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
1st Revised Sheet No. 70
Canceling 133-N

RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

1. These rules apply to electric service to:

   a. Any new commercial or residential building for which the physical labor involved in the erection of such building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

   b. Any substantially remodeled commercial or residential building for which the physical labor involved with the remodeling of the said building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

2. This rule does not apply to hotels, motels, dormitories, nursing homes, homes for the elderly, facilities of a similar nature, or to low-income rental housing for which the cost of electricity is included in the rent, and for which the amount of the rental payment is based upon the tenant's ability to pay. Such buildings and facilities may be served by a master-meter.

3. Electric service to each unit or facility in a new or substantially remodeled building which is subject to this rule shall be provided in accordance with the applicable rate schedule for such service in the area in which the building is located.

4. Electric service to buildings which are subject to this rule shall be on an individually-metered basis, unless the owner or builder of such building presents the Company with written evidence that the North Dakota Public Service Commission has approved master-metering of electric service to the building on the basis that the owners or contractors costs of purchasing and installing facilities for separate metering together with the Company costs of purchasing and installing separate meters exceed the long-term benefits resulting therefrom.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
1st Revised Sheet No. 70.1
Canceling 133-N

RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

5. All other rules and regulations of the Company which govern electrical service in North Dakota and which do not conflict with the provisions of this rule shall apply to electric service provided to new and existing buildings which are subject to this rule. The customer is responsible for ascertaining and complying with all applicable rules and regulations of any governmental authority having jurisdiction over the subject matter of this rule.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
3rd Revised Sheet No. 74
Canceling 2nd Revised Sheet No. 74

SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

General Rules for Generation:

1. The interconnection between the utility and the qualifying facility will be limited to the service voltage and phases available at the qualifying facility. If different voltages or phases are required, the necessary changes will be provided by the qualifying facility.

2. The power factor and frequency of the qualifying facility shall be such as to not adversely affect the utility system. If corrective devices are required, they will be provided by the qualifying facility.

3. Fault protection equipment shall be provided by the qualifying facility. The utility and qualifying facility shall coordinate protective devices in order to limit damage to each system.

4. The qualifying facility's interconnection shall meet the requirements of local, state and federal codes.

5. The owner of the qualifying facility shall submit equipment specifications as requested by the utility prior to owner's installation of such equipment to assure compatibility and coordination with the utility system.

6. The owner of a qualifying facility will be requested to curtail, interrupt or reduce deliveries of electric energy, in order that the utility may construct, install, maintain, repair, replace, remove or inspect any of its equipment or any part of its system, or if it determines that curtailment, interruption or reduction of delivery is necessary because of safety, emergencies, forced outages or operating conditions on its system. Except in case of emergency, in order to minimize operating problems, the utility and qualifying facility shall give the other reasonable prior notice of any curtailment, interruption or reduction of delivery and its probable duration.

7. The Company reserves the right for periodic inspection of safety devices which are part of the interconnection. This does not affect the responsibility of the qualifying facility to assure the operating safety of the equipment on its side of the interconnection point.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

8. The Company reserves the right to disconnect any facility that has interconnected without utility authorization.

9. The Company has the right to disconnect and lock-out a qualifying facility's generating equipment with due notice whenever it has been determined that harmonics are being produced or other factors are present which would interfere with communications or otherwise cause degradation of service to other customers. If, in the judgment of the utility, an unsafe condition is created on the utility system by the operation of the qualifying facility the utility shall have the right to disconnect the facility until the cause of such condition is eliminated.

10. In the event of a utility system outage or interruption of service, a qualifying facility's generator shall be capable of automatically disconnecting itself to prevent the utility's line from being energized. Also, a qualifying facility's system shall not be capable of energizing the utility's line when that line is de-energized.

11. A manually operated generator disconnect switch, provided by the owner of a qualifying facility, shall be accessible to utility personnel at all times. Such a switch would be used, whether or not the owner is present to remove the qualifying facility's generator from the line in an emergency situation as determined by utility system conditions.

12. All necessary rights-of-way and easements to install, operate, maintain, replace and remove utility facilities, including adequate access rights are to be furnished by the owner of the qualifying facility on owner's property.

13. The metering shall be adequate to measure energy, or energy and capacity, from the qualifying facility to the utility, from the utility to the qualifying facility, and, if necessary, adequate to determine the time at which energy is transferred from one party to another.

14. If the qualifying facility is located at a site outside of Company service territory and energy is delivered to Company through facilities owned by another utility, energy payments will be adjusted reflecting losses occurring between point of metering and point of delivery.

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

15. In the event the qualifying facility desires wheeling by the Company of its output, arrangements will be made subject to negotiation.

16. A Metering Charge will be assessed the qualifying facility for installation by the Company of additional metering equipment plus operation and maintenance costs.

17. An Interconnection Charge will be assessed for any additional facilities (exclusive of the items included in Metering Charge) or changes in existing facilities to permit interconnection with the Company. Payment shall be a one-time payment.

18. The owner of a qualifying facility will indemnify and save the utility harmless from all loss on account of injury, death or damage to property caused by the qualifying facility unless the injury, death or damage is the direct result of the negligence of the utility.

19. Qualifying facilities shall be required to execute a contract that specifies a one or five-year minimum term depending upon applicable rate schedule and describes the responsibilities, liabilities, ownership of equipment, and location.

20. The owner of a qualifying facility shall obtain and maintain general liability insurance in an amount established by negotiation between the owner of a qualifying facility and the Company.

21. Qualifying facilities with generating capacity greater than 1000 Kw, or operating as a base loaded unit regardless of size, will require individual negotiation.

MONTANA-DAKOTA UTILITIES CO.
CASE NO. PU-399-03-___
TESTIMONY AND EXHIBITS

In the Matter of the Notice of
Montana-Dakota Utilities Co.
For an Electric Rate Change

2 PU-399-03-296 Pages: 210
Testimony and Exhibits
by Montana-Dakota Utilities Co., a Division of MDU Re
05/30/2003 CC: Comm Legal Illona, Pat. Jerry Mike .

Exhibit No. __ (CWF-1)

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

Before the Public Service Commission of North Dakota

Case No. PU-399-03-___

Direct Testimony
of
C. Wayne Fox

Q. Please state your name and business address.

A. My name is C. Wayne Fox and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

Q. By whom are you employed and it what capacity?

A. I am the President of Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

Q. What are your duties and responsibilities with Montana-Dakota?

A. I have executive responsibility for the development, coordination and implementation of Company strategies and policies relative to all areas of operations.

Q. Would you please outline your educational and professional background?

A. In 1964, I received a Bachelor of Science degree in Electrical Engineering from Chicago Technical College, Chicago, Illinois. I received a Master of Arts degree in Business Administration from the University of Illinois, Springfield, Illinois, in 1975. Upon graduating from college in 1964, I joined the Illinois Commerce Commission, the state body regulating public utilities in Illinois, as an electrical engineer. Upon

termination of my employment with the Illinois Commerce Commission in June 1980, I was serving as Manager of the Public Utilities Division. In that capacity, my duties included testifying in formal cases before the Commission, formulating and coordinating Commission policies on technical and administrative matters, processing formal and informal cases, and advising the Commission on matters related to the regulation of public utilities operating in the state of Illinois.

In June 1980, I joined Montana-Dakota as Assistant Treasurer - Regulatory Affairs, retaining that position until May 1982 when I was elected Assistant Vice President - Regulatory Affairs. In May 1985, I was promoted to Vice President - Regulatory Affairs. In May 1987, my duties were expanded to include the Company's purchasing and general services activities. At that time, my title was changed to Vice President - Regulatory Affairs and General Services. I assumed my present position in August 2000.

I also have been involved with the activities of the Electric Power Research Institute, the Edison Electric Institute and the American Gas Association.

Q. Have you testified before this Commission and other state regulatory bodies?

A. Yes. I have previously sponsored testimony before this Commission, the Montana Public Service Commission, the Wyoming

Public Service Commission, the Minnesota Public Utilities Commission and the South Dakota Public Utilities Commission.

In addition, during my tenure with the Illinois Commerce Commission, I testified in a number of cases before that Commission.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an overview of our North Dakota electric operations, explain our request for an electric rate increase and discuss the policies and reasons underlying the major aspects of the request. I will also identify the Company witnesses in this proceeding.

Q. Would you provide a summary of Montana-Dakota's electric operations in North Dakota?

A. Montana-Dakota's electric system consists of generation, transmission, distribution and general plant facilities and serves approximately 71,000 customers in 114 communities in North Dakota. The Company's North Dakota electric service area is divided into two operating regions with regional offices located in Bismarck and Dickinson. In addition, there are a number of district offices located in communities throughout the state. As of December 31, 2002, the Company had 606 full and part time employees who live and work throughout our North Dakota electric and gas service area.

Q. Mr. Fox, did you authorize the filing of the rate application in this proceeding?

A. Yes, I did.

Q. Why has Montana-Dakota filed this application for an electric rate increase?

A. Montana-Dakota is requesting an increase in its general electric rates at this time because our current rates do not reflect the cost of providing electric service to our North Dakota customers.

Q. What is the amount of the increase requested?

A. As will be fully explained by other Company witnesses, the Company is requesting a net electric rate increase of $7,788,565 (a 9.1 percent increase over current rates) based on a projected 2003 test year including the reductions associated with the Company's proposed mechanism for sharing wholesale sales margins with its customers. The sharing mechanism, which will be discussed in greater detail by the Company's witnesses, would share the actual net margins earned by the Company from wholesale sales transactions with its customers.

Q. How will the requested increase affect the various classes of customers?

A. The proposed percentage change in rates by customer class is as follows:

Class	% Change
Residential	16.9%
Small General	8.7%
Large General	2.3%
Lighting	-15.2%
Pumping	1.9%
Overall	9.1%

Q. What are the primary reasons that Montana-Dakota needs an increase at this time?

A. The primary reasons are increased operating expenses (operation and maintenance costs, depreciation, insurance and taxes other than income taxes) and the addition of a new generating station that is required to meet the increased needs of our customers.

Q. When was the last electric general rate increase for Montana-Dakota?

A. Montana-Dakota's electric rates were last increased in February, 1987.

Q. Have the electric general rates changed since that time?

A. Yes. In Case No. PU-399-01-186, the electric general rates were decreased by $798,000, or about 1%, as a result of the Commission's order issued on April 24, 2002. The lower rates were effective May 8, 2002.

Q. Would you please explain how Montana-Dakota has been able to maintain its electric rates at 1987 levels?

A. From 1987 through March 2003 the Consumer Price Index (CPI) has risen 59.6 percent. In spite of this, we have been able to hold the line on our electric rates by finding ways of operating our business more efficiently and taking advantage of new technologies where it makes economic sense to do so. Exhibit No. __(CWF-2) shows the relationship of the CPI to our electric rates for the period 1987 through March 2003. The exhibit reflects the proposed increase for March 2003 and shows that

even with the increase, the change from the 1987 level is only 8.1 percent as opposed to the 59.6 percent change in the CPI for the same period, representing the fact that our electric rates have "beat" the rate of inflation by over 50% for this period. This means, of course, that our rates even with the increase, are significantly lower than the 1987 rates adjusted for inflation.

Q. What are some examples of how you operated more efficiently and taken advantage of new technology?

A. In operating more efficiently and taking advantage of new technology we have:

- created a customer service center in Bismarck representing a one-stop-shop for our customers,
- installed computers in our servicemen's trucks allowing them to receive orders electronically resulting in significant time and labor savings,
- implemented a new customer information system,
- moved to a semi-automated meter reading system,
- used joint trenching wherever possible, and
- at one point, froze wages at all levels.

One measure of our improved efficiency is the number of customers served per employee. In 1994 one employee served 248 customers and in 2002 one employee served 370 customers. This information is shown graphically on Exhibit No. - ___ (CWF-3). We

continue to look for opportunities to reduce costs and increase efficiencies, however, we now find ourselves in a position where, despite our best efforts, we must seek rate relief.

Q. Is Montana-Dakota proposing changes in its rate structure in this proceeding?

A. Yes. The proposed changes in the rate structure, which will be fully described by other company witnesses, are intended to move towards the cost of providing service for each customer class and to reflect the changes in the Company's seasonal load profile.

Q. Will you please identify the other witnesses who will testify on behalf of Montana-Dakota in this proceeding?

A. Yes. In addition to me, Mr. Bruce T. Imsdahl, Executive Vice President for Montana-Dakota will testify regarding new generation and other power supply-related issues. Mr. Hoa Nguyen, Power Supply Coordinator for the Company, will testify regarding power supply costs and the addition of new resources pursuant to the Company's Integrated Resource Plan (IRP). Mr. Richard A. Espeland, Vice President, Human Resources for MDU Resources Group, Inc. will testify regarding the Company's compensation plans including the Company's Supplemental Income Security Plan. Mr. Craig A. Keller, Vice President, Controller and Chief Accounting Officer for Montana-Dakota will testify regarding the capital structure and overall debt and preferred equity costs. Mr. Larry A. Crowley, Senior Regulatory Consultant with H. Zinder & Associates will

testify regarding the total revenue requirements necessary for Montana-Dakota's North Dakota electric operations and the Company's proposed sharing mechanism of wholesale sales margins with our customers. Mr. J. Stephen Gaske, President of H. Zinder & Associates will testify regarding the appropriate cost of common equity and overall cost of capital for Montana-Dakota's electric operations, the results of a class cost of service study and the Company's proposed rate design and tariff proposals.

Q. Mr. Fox, are the rates requested in this proceeding just and reasonable?

A. Yes. In my opinion, the proposed rates are just and reasonable because they are reflective of the total costs being incurred by Montana-Dakota in providing electric service to its customers. The proposed rates will provide Montana-Dakota the opportunity to earn a fair and reasonable return on its North Dakota electric operations.

Q. Does this complete your direct testimony?

A. Yes, it does.

MONTANA-DAKOTA UTILITIES CO.
CHANGE IN THE CPI VS.
CHANGE IN ELECTRIC RATES
1988-2003

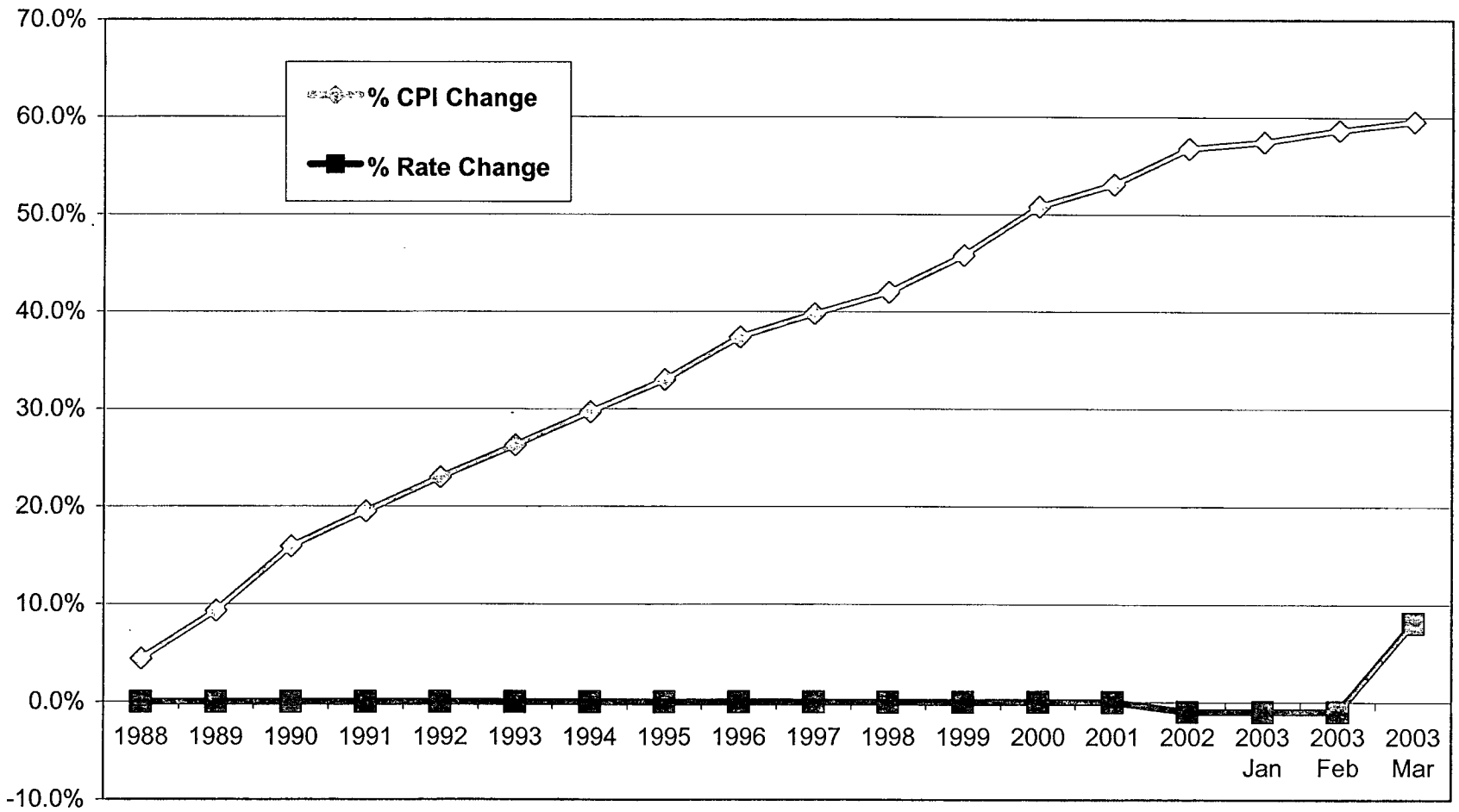


Exhibit No. __(CWF-2)

Customers Per Employee

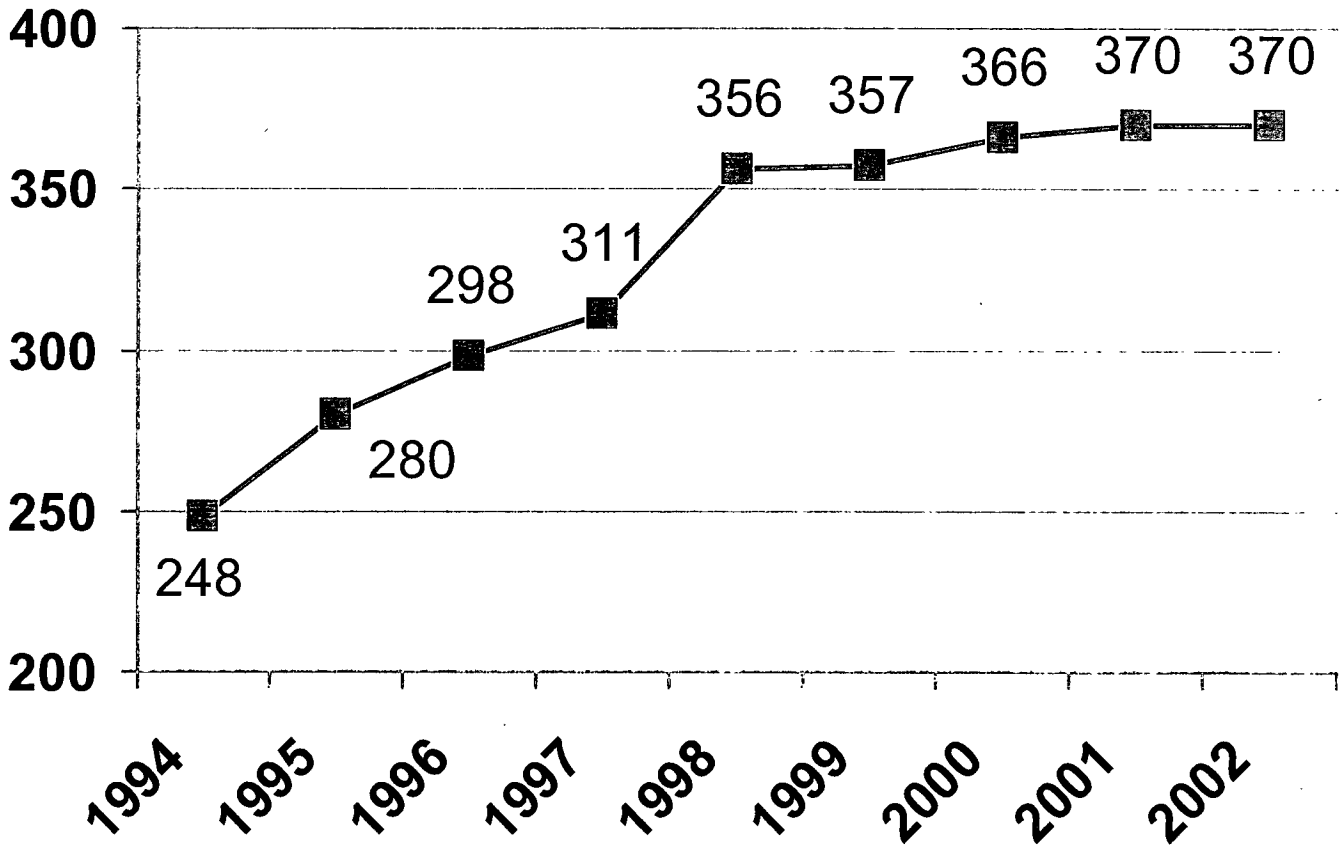


Exhibit No. __(CWF-3)

Exhibit No. __ (BTI-1)

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

Before the Public Service Commission of North Dakota

Case No. PU-399-03-___

Direct Testimony
of
Bruce T. Imsdahl

Q. Please state your name and business address.

A. My name is Bruce T. Imsdahl and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

Q. By whom are you employed and in what capacity?

A. I am Executive Vice President of Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. Prior to being named Executive Vice President in February 2003, I was Vice President Energy Supply.

Q. Please describe your duties and responsibilities with Montana-Dakota.

A. In the position of Executive Vice President I currently have executive responsibility for the development, coordination, and implementation of all energy supply functions including electric generation, electric transmission, natural gas and propane acquisition, natural gas transportation and storage, electronic communications, and environmental affairs. In addition, Mr. C. Wayne Fox, President of Montana-Dakota, has announced his plans to retire in July 2003 at which time I will be assuming the leadership position for our utility operations.

Q. Please outline your educational and professional background.

A. In 1970, I received a Bachelor of Science degree in Mechanical Engineering from North Dakota State University, Fargo, North Dakota. In 1990, I was granted a certificate of attainment from the Joseph M. Krazt Graduate School of Business in Management Program for Executives from the University of Pittsburgh, Pittsburgh, Pennsylvania. Upon graduating from college in 1970, I began my career with Montana-Dakota as a results engineer at the Lewis & Clark electric generating station. In 1973, I took an engineering position at the corporate office and was responsible for the engineering at five of our electric generating stations. In 1979, I transferred to the Lewis & Clark Station as the Plant Superindent, where I was responsible for all engineering, operations, and maintenance of the plant. In 1983, I transferred to the R. M. Heskett Station as the Plant Manager, where I was again responsible for all engineering, operations and maintenance of the plant. In 1985, I transferred to the corporate office as Generation Manager, where I became responsible for all the electric generating plants that Montana-Dakota owned and operated and the company's Environmental Department. In 1989, I became Vice President - Power Supply and, in November 1992, I was named Vice President - Energy Supply assuming responsibility for natural gas supply as well as the electric power supply. In February 2003, I was named Executive Vice President.

I am a Registered Professional Engineer in North Dakota and Montana. I also have been involved with the activities of the Electric Power Research Institute, the Edison Electric Institute, the University of North Dakota Energy & Environmental Research Center, and the American Gas Association.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe Montana-Dakota's interconnected electric system and how it operates, to describe the roles that the Mid-continent Area Power Pool (MAPP) and the Midwest Independent Transmission System Operator, Inc. (Midwest ISO or MISO) play in our system operations, and to explain the rationale for authorizing the construction of the new generation that is necessary to meet our system load obligations.

Q. Please describe Montana-Dakota's interconnected electric system.

A. Through its interconnected electric system Montana-Dakota serves retail customers in portions of North Dakota, Montana, and South Dakota. The interconnected system consists of seven on-line generating stations that have an aggregate summer net capability of 434.2 megawatts (MW). In addition, Montana-Dakota has contracted to purchase 66.4 MW of participation power from Basin Electric Power Cooperative. The power is purchased from Basin Electric's Antelope Valley Station, Unit II (AVS-II). This purchase power agreement will expire on October 31, 2006.

The electric transmission system consists of a number of owned substations and transmission lines of varying voltage levels and also includes contractual arrangements for joint ownership and/or use of the transmission facilities of other entities such as the Western Area Power Administration (WAPA) and Basin Electric. The transmission system moves power from the generation points to our distribution systems located in the various communities that we serve where the power is delivered to the retail customers. The transmission system is also interconnected with the regional grid so that power can be moved out of the region or into the region from others, when it is necessary or cost effective to do.

Q, Please describe the function of MAPP and why it is beneficial for Montana-Dakota to be a member.

A. MAPP is an association of electric entities that operates in the north central region of the United States and south central Canada. MAPP has three functions. It serves as a regional reliability entity of the North American Electric Reliability Council (NERC); it has a menu of Federal Energy Regulatory Commission (FERC) approved power and energy schedules used by utilities and power marketers to facilitate short-term (two years or less) wholesale transactions; and finally, it serves as a regional transmission entity administering a short-term firm and non-firm transmission tariff.

Montana-Dakota is a Reliability Member, a Power and Energy Market (PEM) Member, and a Transmission Owning Member of MAPP. As a Reliability Member, Montana-Dakota receives the benefits associated with sharing of generation reserves to reduce the cost associated with maintaining an adequate supply of generation to meet the peak demand requirements. Under the generation reserve sharing function of MAPP, Montana-Dakota is required to have sufficient generating capability to meet its own peak demand plus the Reserve Capacity Obligation of 15 percent minimum reserve margin. This is referred to as the peak load obligation, which is 529.1 MW for the summer of 2003 (summer peak of 460.1 MW plus 15% or 69 MW = 529.1 MW). Absent this arrangement, Montana-Dakota would have to maintain, at a minimum, a reserve capacity equal to its largest generating unit, which is the Coyote Station at 106.75 MW, in order to assure the continuity of service to its customers just in case this unit fails to operate.

Also, as a Reliability Member, Montana-Dakota receives the benefits of regional and national reliability standards for generation and transmission service. The North American Electric Reliability Council, of which MAPP (and Montana-Dakota by virtue of its membership in MAPP) is a member, provides required standards for all electric utilities in the nation. Those standards, and the associated enforcement obligations, assure a reliable electric system for delivery of power and energy to the company's customers.

As a Power and Energy Market Member, Montana-Dakota is able to enter into wholesale power and energy transactions with other PEM Members. These transactions allow for the economic sale and purchase of capacity and energy that reduce costs to the company's retail customers. The PEM tariff provides a low overhead tool for use by Montana-Dakota rather than the company having to negotiate separate agreements with each individual wholesale purchaser or supplier.

Since Montana-Dakota became a member of the Midwest ISO, the benefits provided by being a Transmission Owning Member of MAPP have been limited to the MAPP Transmission Service Schedule F, which provides for discounted transmission service across non-MISO transmission systems. As the MISO footprint grows, however, the value of MAPP Schedule F diminishes, and it is anticipated that MAPP Schedule F will be terminated by year-end 2003 or early 2004.

Q. Please describe the function and benefits of the Midwest ISO and why Montana-Dakota joined the MISO.

A. Montana-Dakota joined the Midwest ISO in September 2001 in compliance with the FERC Order 2000. The Midwest ISO is a FERC authorized Regional Transmission Organization (RTO). The Midwest ISO commenced tariff administration for the operational control of the transmission systems of its members in February 2002. MISO provides several distinct benefits to Montana-Dakota and its customers.

First, being a member of the Midwest ISO allows Montana-Dakota to comply with FERC Order 2000. In addition, it relieves the company of having to administer its own open access transmission tariff and eliminates the associated administrative and staff expenses. It provides a central one-stop shop for transmission service for the entire central United States and central Canadian region and provides for standardized operation and administration of the transmission system.

Q. Is Montana-Dakota able to meet its peak load obligation with its current generation resources?

A. No. Exhibit No. -___(BTI-2), shows the accredited capability of current generation resources and the peak load obligation for the summer seasons from 1998 through 2007. I should note that the historical capability shown in this exhibit includes some short-term seasonal capacity purchases in 2000 and 2002 to make up for anticipated capacity deficits. As shown on the exhibit, Montana-Dakota is deficit with its current generating capability by 25.7 MW in 2003, 30.0 MW in 2004, 34.4 MW in 2005, and 38.7 MW in 2006.

Q. How will Montana-Dakota meet its peak load obligation?

A. Montana-Dakota will meet its peak load obligation by the addition of new generation to its system.

Q. Please describe the new generation resource that Montana-Dakota will be adding to its system in order to meet its peak load obligation.

A. The new generation facility that is necessary is the second single-cycle combustion turbine being constructed by Montana-Dakota at the existing Glendive Combustion Turbine site in Glendive, Montana. The unit, Glendive No. 2, which will have a summer rating of 39 MW, is scheduled to be on line by May 31, 2003. The estimated total cost of this unit is approximately $19.4 million.

Q. Does the construction of the 40 MW Glendive No. 2 unit represent the best option at this time to meet the Company's capacity requirements?

A. Yes, it does. First, by owning generation resources located near natural gas supplies and existing transmission lines, Montana-Dakota will insure a reliable and economical supply of electric power and energy to its customers. Second, the addition of a 40 MW size peaking generation unit gives the Company a good generation mix between base and peak load units, allowing for an economical power supply. Company witness Mr. Hoa Nguyen, in his testimony, will more fully discuss the rationale underlying the decision to construct the Glendive No. 2 unit.

Q. Do you have an exhibit that shows the peak load obligation for Montana-Dakota compared to its generating capability that includes the new generation?

A. Yes. Exhibit No. - ___ (BTI-3) shows Montana-Dakota's historical and projected peak load obligation and the generating capability for the summer seasons from 1998 through 2007. For Montana-Dakota, customer demand is the highest during the summer due to air-conditioning

load. Again note that the historical capability shown in this exhibit includes some short-term seasonal capacity purchases in 2000 and 2002 to make up for anticipated capacity deficits, and the projected capability includes the Glendive No. 2 unit in 2003 and the 3 MW capacity addition from the Dakota I wind farm energy purchase beginning in 2004. The exhibit shows that the addition of the new generation resources will allow the company to nearly match its peak load obligation in 2003 as well as provide Montana-Dakota with adequate capability to meet customer demand and fulfill its MAPP obligations through 2006.

Q. Does this complete your direct testimony?

A. Yes, it does.

Montana-Dakota Integrated System
Load and Capability Comparison
With Generating Capability Consisting of Current Resources

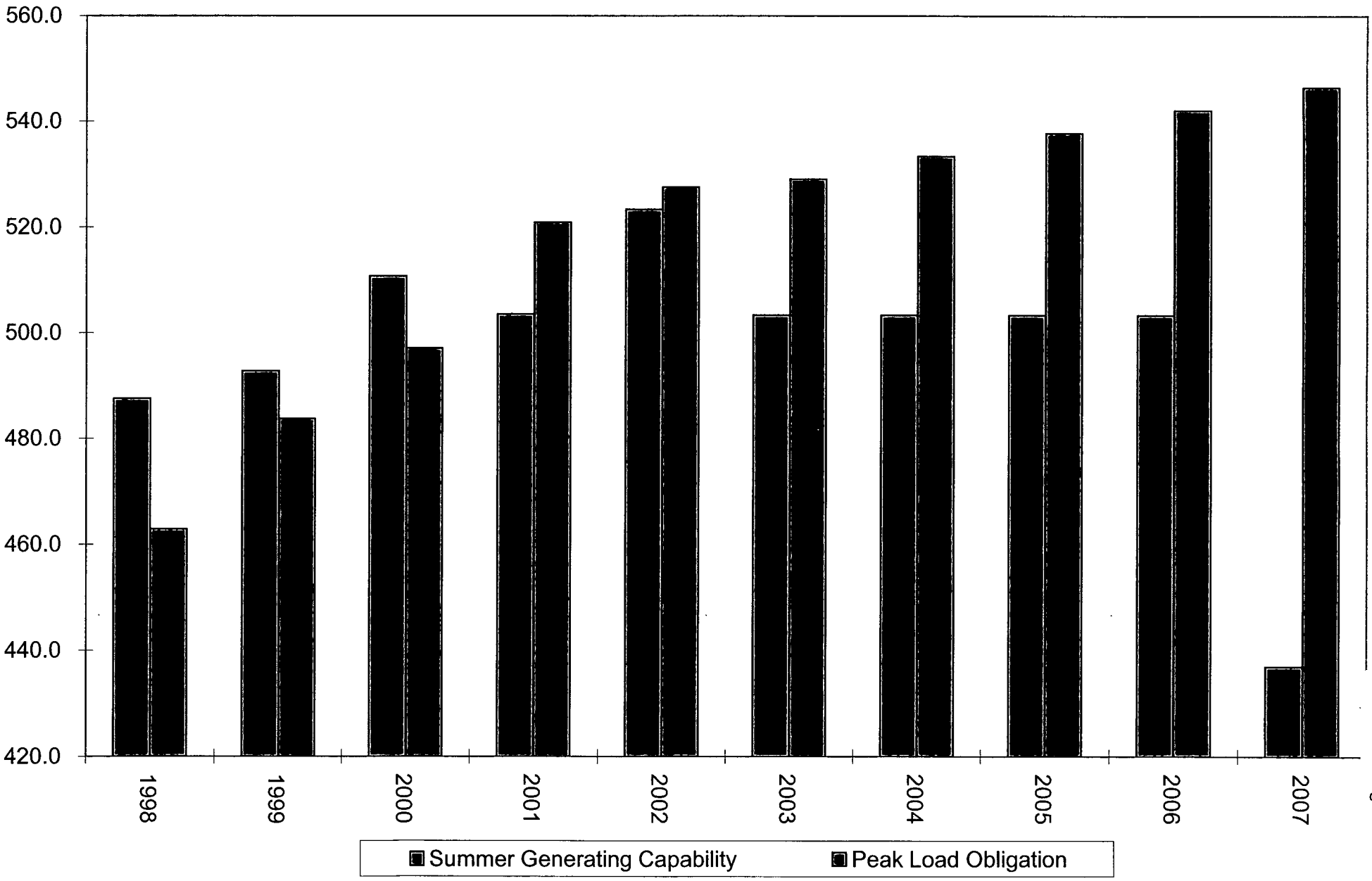


Exhibit No. ___(BTI-2)
Page 1 of 2

MONTANA-DAKOTA UTILITIES CO.
LOAD AND CAPABILITY COMPARISON
With Generating Capability Consisting of Current Resources
(MW)

	NET GENERATING CAPABILITY	AVS II CAPACITY	MONTHLY FIRM PURCHASES	PARTICIPATION PURCHASES	TURBINE	WIND	TOTAL ACCREDITED CAPABILITY	SUMMER PEAK DEMAND	SUMMER PEAK LOAD OBLIGATION	SURPLUS/ DEFICIT (+)/(-)
1998	421.2	66.4	-	-			487.6	402.5	462.9	24.7
1999	426.4	66.4	-	-			492.8	420.6	483.7	9.1
2000	434.4	66.4	-	10.0			510.8	432.3	497.1	13.7
2001	434.4	66.4	2.8	-			503.6	453.0	521.0	(17.4)
2002	434.2	66.4	2.8	20.0			523.4	458.8	527.6	(4.2)
2003	434.2	66.4	2.8		-	-	503.4	460.1	529.1	(25.7)
2004	434.2	66.4	2.8		-	-	503.4	463.9	533.4	(30.0)
2005	434.2	66.4	2.8		-	-	503.4	467.6	537.8	(34.4)
2006	434.2	66.4	2.8		-	-	503.4	471.4	542.1	(38.7)
2007	434.2	-	2.8		-	-	437.0	475.2	546.5	(109.5)

Exhibit No. __(BTI-2)
Page 2 of 2

Montana-Dakota Integrated System
Load and Capability Comparison
With Generating Capability Including the 2003-04 Resource Additions

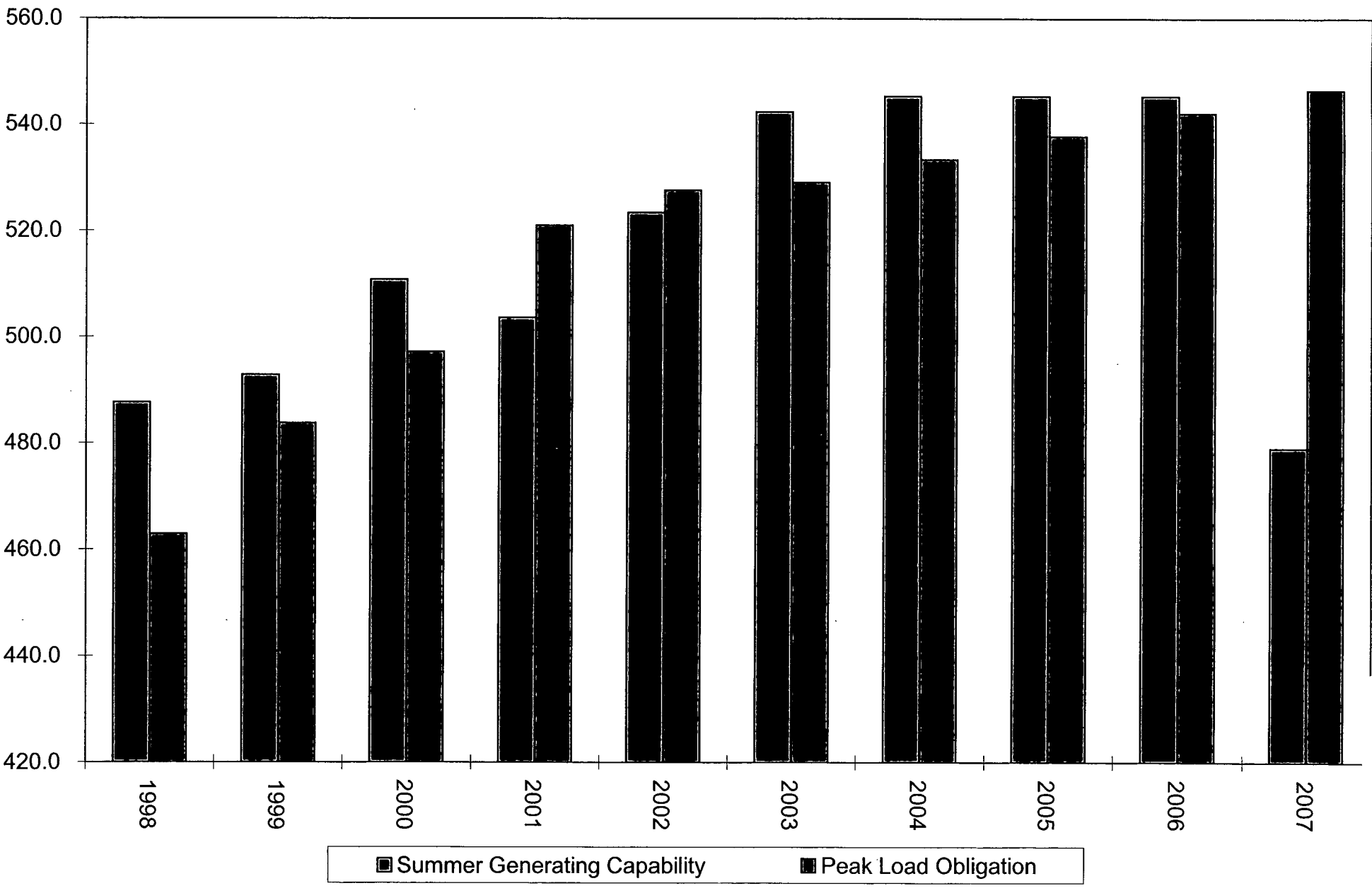


Exhibit No. ___(BTI-3)
Page 1 of 2

MONTANA-DAKOTA UTILITIES CO.
LOAD AND CAPABILITY COMPARISON
With Generating Capability Including the 2003-04 Resource Additions
(MW)

	NET GENERATING CAPABILITY	AVS II CAPACITY	MONTHLY FIRM PURCHASES	PARTICIPATION PURCHASES	TURBINE	WIND	TOTAL ACCREDITED CAPABILITY	SUMMER PEAK DEMAND	SUMMER PEAK LOAD OBLIGATION	SURPLUS/ DEFICIT (+)/(-)
1998	421.2	66.4	-	-			487.6	402.5	462.9	24.7
1999	426.4	66.4	-	-			492.8	420.6	483.7	9.1
2000	434.4	66.4	-	10.0			510.8	432.3	497.1	13.7
2001	434.4	66.4	2.8	-			503.6	453.0	521.0	(17.4)
2002	434.2	66.4	2.8	20.0			523.4	458.8	527.6	(4.2)
2003	434.2	66.4	2.8		39.0	-	542.4	460.1	529.1	13.3
2004	434.2	66.4	2.8		39.0	3.0	545.4	463.9	533.4	12.0
2005	434.2	66.4	2.8		39.0	3.0	545.4	467.6	537.8	7.6
2006	434.2	66.4	2.8		39.0	3.0	545.4	471.4	542.1	3.3
2007	434.2	-	2.8		39.0	3.0	479.0	475.2	546.5	(67.5)

Exhibit No. __ (HVN-1)

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

Before the Public Service Commission of North Dakota

Case No. PU-399-03-___

Direct Testimony
of
Hoa V. Nguyen

Q. Please state your name and business address.

A. My name is Hoa V. Nguyen and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

Q. By whom are you employed and in what capacity?

A. I am employed by Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., as a Power Supply Coordinator.

Q. Please describe your duties and responsibilities with Montana-Dakota.

A. As Power Supply Coordinator, I am responsible for the technical aspects of the integrated resource planning and load forecasting activities. I also coordinate activities on issues concerning power supply, reliability, and power purchase and sales contracts, and participate in MAPP (Mid-Continent Area Power Pool) and NERC (North American Electric Reliability Council) reliability committees.

Q. Please state your educational background.

A. I attended the Vietnam National Institute of Technology in Saigon, Vietnam from 1966 to 1970, graduating with an Electrical Engineer degree. From 1970 to 1975, I attended the University of Saigon in Saigon,

Vietnam for my graduate study in electric engineering. I obtained a Master of Science in Electrical Engineering degree in 1972 and was completing my Doctorate of Engineering program when I had to leave Vietnam to seek political asylum in the Unites States in 1975. From 1993 to 1998, through an interactive video program, I pursued my graduate studies in business administration and public administration at the University of North Dakota in Grand Forks, North Dakota. I earned a Master of Business Administration degree in 1995 and a Master of Public Administration degree in 1998.

Q. Please state your professional experience.

A. Prior to joining Montana-Dakota, I worked as a college professor at Minh Duc University and Thu Duc Polytechnic University, both in Saigon, Vietnam. At Minh Duc University from 1970 to 1973, I served as a Physics instructor and then an Assistant Professor of Electrical Engineering and Director of Electric Machines Laboratory. At Thu Duc Polytechnic University from 1973 to 1975, I served as an Assistant Professor of Electrical Engineering and Director of Faculty Affairs.

I began my career with Montana-Dakota in 1975 as a staff engineer with the Transmission Department and was responsible for designing transmission lines and related facilities. In 1976, I transferred to the System Operations and Planning Department with responsibilities involving a wide range of utility planning and operations studies and

related functions. I was promoted to Senior Staff Engineer in 1984 and assumed my current position in 1997.

I am a Registered Professional Engineer in North Dakota. I also have been involved with the activities of the Electric Power Research Institute and the Institute of Electrical and Electronics Engineers.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to 1) describe Montana-Dakota's Integrated Resource Planning (IRP) process; 2) describe the role of Montana-Dakota's IRP Public Advisory Group in the IRP process; 3) show how the IRP process resulted in the decision to construct the Glendive Combustion Turbine Unit No. 2 and why this new combustion turbine is needed by the summer of 2003; 4) explain why the new combustion turbine is the best option for the company to meet its capacity requirements; and 5) explain the 2003 fuel costs associated with Montana-Dakota's own generating units and how this information was developed.

Q. Please describe Montana-Dakota's Integrated Resource Planning process.

A. Montana-Dakota began formal Integrated Resource Planning in 1987 as a result of an order by the North Dakota Public Service Commission. This planning process provides important guidance and input for future resource acquisition decisions by the company.

As shown graphically in Exhibit No. - ___ (HVN-2), the IRP process at Montana-Dakota encompasses four main areas: load forecasting, demand-side analysis, supply-side analysis, and integration analysis.

The load forecasting activities employ an end-use forecasting method to predict the customers' future demand for electricity. The long-term forecast is an estimate of energy requirements and peak demand and is a representation of the customers' energy usage pattern in the future. To address the load forecast uncertainty, high-growth and low-growth scenario forecasts were developed. These scenario forecasts, together with the base forecast, are used as the basis for the determination of Montana-Dakota's Integrated Resource Plan.

The demand-side analysis is an evaluation process to determine the potentially feasible demand-side management (DSM) programs applicable to Montana-Dakota's system. This DSM evaluation is performed on comprehensive lists of programs for both residential and commercial sectors.

The supply-side analysis is an evaluation process to determine the most promising supply-side alternatives to be added to the Montana-Dakota generation system.

The integration analysis is the final process to determine the most economically feasible resources for Montana-Dakota's system to meet customers' future demand and, at the same time, maintain system reliability. Integrating the potentially feasible DSM programs and the most

promising supply-side alternatives provides a framework to identify the best Integrated Resource Plan that reflects the course of action for resource acquisitions that will most benefit ratepayers.

Q, Please describe the role of Montana-Dakota's IRP Public Advisory Group in the IRP process.

Montana-Dakota's IRP Public Advisory Group (PAG) is a broad-based advisory board that participates in the review and evaluation of the company's IRP process. The objective of the PAG is to provide Montana-Dakota with input to its Integrated Resource Planning process from a nonutility perspective. This advisory group reviews, evaluates, and recommends modifications to Montana-Dakota's planning process, resource plans, resource acquisition processes, and efficiency programs from the perspective of customers, government agencies, and public interest organizations.

Participants in the PAG are nonutility personnel from the three states served by Montana-Dakota's integrated system which include Montana, North Dakota, and South Dakota. The advisory group is structured to approximately reflect the proportions of Montana-Dakota's load in each state: Montana - 30%, North Dakota - 60%, and South Dakota - 10%. The PAG members are also selected to balance representation from consumer advocacy groups, government agencies (including regulatory bodies), business concerns, and academia. As a result, the PAG consists of three members from Montana, five members

from North Dakota, and one member from South Dakota. In addition, the North Dakota Public Service Commission appoints a staff member, Illona Jeffcoat-Sacco, to participate as an observer. Another Commission staff member, Jerry Lein, periodically participates to provide input and information to the group.

The public advisory process has resulted in better study assumptions and information that enable Montana-Dakota to produce better analyses and reports in its IRP process. The public involvement has also provided useful information to both the company and the PAG participants and their constituents.

Q. Please describe how the IRP process resulted in the decision to construct the Glendive Combustion Turbine Unit No. 2 and why this new combustion turbine is needed by the summer of 2003.

A. Since the early 1990s, Montana-Dakota's Integrated Resource Plans, filed biennially with the Commission, have consistently indicated that the optimal resource addition to the company's generating system would be a combustion turbine. For example, the generation expansion analysis conducted for the 2001 IRP showed that "depending on the level of load growth, new peaking capacity is needed in the 2003-2005 time frame" (page 4-31).

As a matter of careful and prudent planning, Montana-Dakota has closely monitored its peak demand growth since the late 1990s. At the same time, the company relied on capacity purchases from other

companies in the MAPP for its potential capacity deficit. After the California energy crisis in the summer of 2000, however, the company realized that the short-term seasonal capacity purchases would likely be subject to extreme price volatility of the current market place, have questionable availability, and could jeopardize system reliability. Therefore, in its Two-Year Action Plan filed with the 2001 IRP, Montana-Dakota stated that

> "Montana-Dakota is planning to add a 40 MW natural gas-fired combustion turbine to its existing Glendive Combustion Turbine site in Glendive, Montana. The company has begun the environmental air permitting process and likely will order the turbine in 2002. With that time frame, the new combustion turbine can be operational in the summer of 2004" (page 6-4).

While, as stated in the 2001 IRP, the IRP results represented

> "proposed actions and (are) subject to periodic reevaluation and possible changes. For example, the timing, size, and even type for the next resource addition ... may depend on updated load forecasts and availability of the MAPP Schedule J peaking power" (page 5-1);

Based on updated information now available, the need to have the new combustion turbine operational by this summer is even more imperative in order for the company to be able to meet its capacity requirements.

The peak demand experienced by Montana-Dakota in 2001 exceeded the levels predicted in the 2001 IRP. The high temperatures in the summer of 2001 caused Montana-Dakota to incur a capacity deficit of 17 MW. Similarly, the high temperature in the summer of 2002 has

caused Montana-Dakota to incur a capacity deficit of 4 MW. It is estimated that the company would have incurred a capacity deficit of 31 MW in the summer of 2002, had the company not made a 20 MW summer capacity purchase from Basin Electric and there had not been a heat-related customer outage at the time of the system peak. The current load forecast indicates the company will incur a capacity deficit of 26 MW for the summer of 2003. Thus, the new combustion turbine described in the IRPs is necessary at this time in order to provide economical and reliable service for Montana-Dakota's customers and to fulfill its MAPP obligations, which include the MAPP Reserve Capacity Obligation of 15% minimum reserve margin.

Q. Please explain why the Glendive Combustion Unit No. 2 is the best option for Montana-Dakota to meet its capacity requirements.

A. As I stated above, Montana-Dakota has incurred capacity deficits during the summers of 2001 and 2002. As the magnitude of the capacity deficit grows larger, the company will no longer be able to rely on short-term seasonal capacity purchases, which are subject to price volatility and uncertain availability in the marketplace, to provide economical and reliable service for its customers. The new combustion turbine will provide Montana-Dakota with system reliability and cost certainty in the years to come.

In addition, the new combustion turbine, with an estimated capital cost of $19,438,300, is the least cost option for capacity additions to

Montana-Dakota's generating system. I should note that the capital cost of the new combustion turbine is included in the rate base calculation presented by Mr. Crowley.

At a levelized fixed charge rate of 13.972% (calculated for the 2003 IRP), the annual fixed cost for the new combustion turbine is $2,715,919, or $67,898/MW-Year or $5,658/MW-Month. Compared to other resource options such as long-term capacity purchases from other entities, the combustion turbine is considerably less expensive. Typical demand charges for long-term capacity purchase contracts are:

Term	$/ MW-Month	$/MW-Year
10 year	$7,250	$87,000
15 year	$6,750	$81,000
20 year	$6,000	$72,000

The combustion turbine's fixed cost is also lower than the MAPP Schedule B Allocations rate which is the amount Montana-Dakota would have to pay for each megawatt of its capacity deficit. Effective May 1, 2003, the amount that a MAPP member incurring a capacity deficit has to pay the MAPP members supplying their surplus capacity to cover the deficit will be determined based on actual costs. The MAPP Schedule B Allocations rate for the 2003 summer is currently estimated at $87,000/MW-Season, or $14,500/MW-Month.

Q. Have you prepared information showing the fuel costs associated with Montana-Dakota's electric generating system?

A. Yes, I have. Exhibit No. - ___ (HVN-3) shows the fuel costs associated with Montana-Dakota's own generating units, and energy purchases from others for the forecasted 2003 time period. In this forecasted time period, the Glendive Combustion Turbine No. 2 is annualized and assumed to be on-line January 1, 2003. The same assumptions apply to the purchase of wind resources from the Dakota I Wind Farm.

Q. Please explain how that information was developed.

A. The information was developed using the results of the PROSYM computer simulations. The PROSYM Chronological Production Modeling System is a computer model used for electric utility analysis and accounting. This computer model simulates the operations of Montana-Dakota's electric generating units to meet the customer demand on an hour-by-hour basis. The data inputs to the model consist of:

- Forecast hour-by-hour customer demand for the forecasted 2003 time period;
- Operating characteristics such as capacity, forced outage rate, maintenance schedule, and heat rate; and cost data such as fixed and variable operating and maintenance costs, and fuel cost for each of Montana-Dakota's generating units; and
- Data for power purchases from the wholesale market.

For each hour under consideration, as in real life situations, PROSYM dispatches the generating units economically to meet customer

demand and wholesale purchase obligations while maintaining system reliability at that hour. When dispatching the generating units, the model takes into account their maintenance schedules, which are time periods when they are planned to be down for regular maintenance, as well as their forced outage rates, which are the probability they are down due to mechanical failures. The fuel cost, maintenance and operating costs, and other pertinent information are calculated at each hour and then summed for monthly or yearly periods for reporting purposes.

Q. Does this complete your direct testimony?

A. Yes, it does.

Montana-Dakota Utilities Co.
Integrated Resource Planning Process

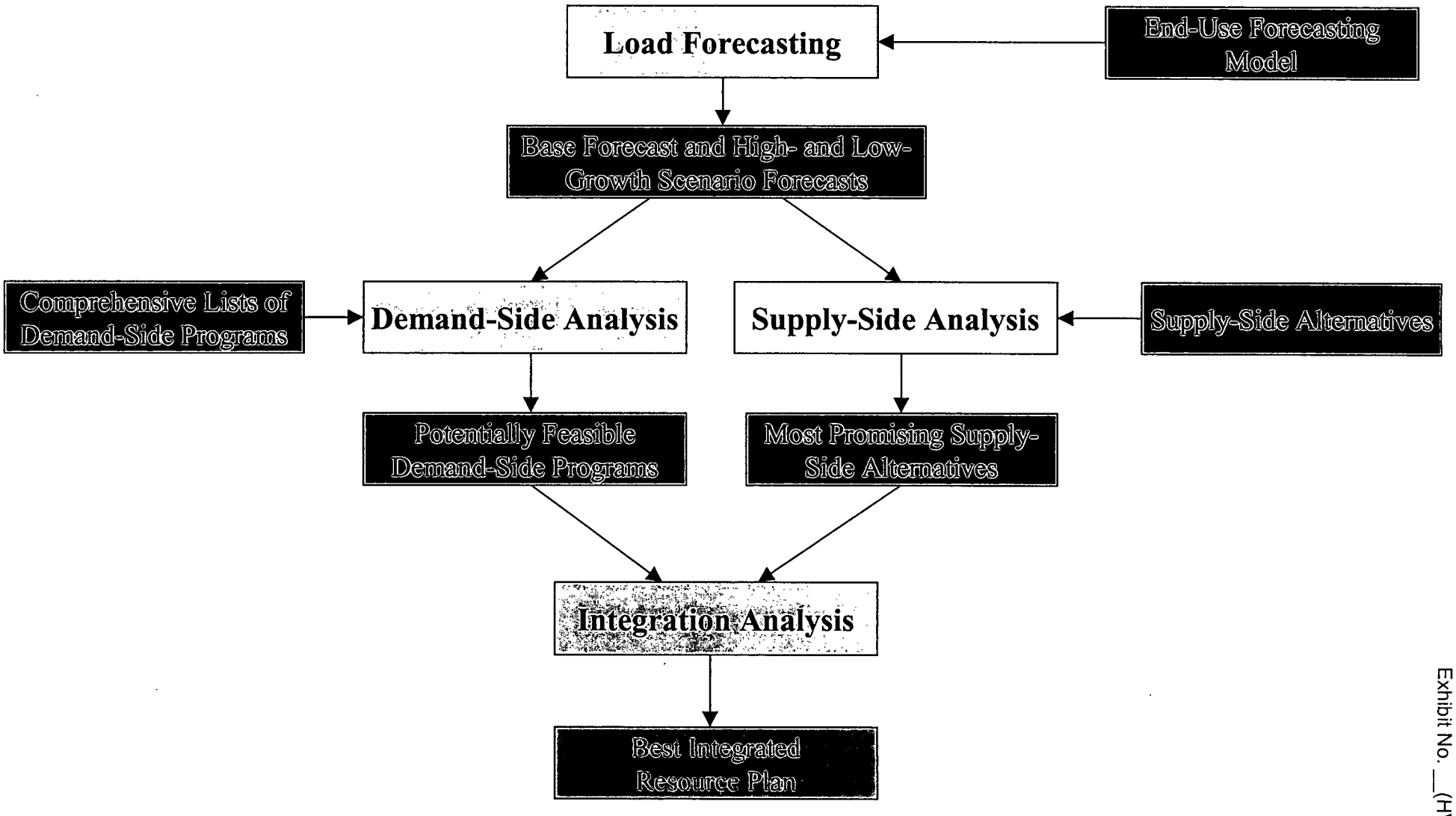


Exhibit No. __(HVN-2)

No.	Station	Energy GWh	Prd Factr %	Strts	Fuel Burn Giga Btu	Heat Rate Btu/kWh	Hours per Unit	Fuel-or-Prch Cost c/MMBtu <F> $/MWh	Fuel-or-Prch Cost <P> $1000	Start Cost $1000	O&M Fixed $1000	O&M Varbl $1000	Opertg Cost $/MWh	Total Cost $/MWh	Total Cost $1000
1	Coyote	582.9	76.7	9	6717.3	11524	7112	80.0	5372	0	1871	1177	11.23	14.44	8420
2	Bigstone	485.6	63.7	11	5144.1	10594	7834	132.4	6808	0	1412	473	14.99	17.90	8693
3	Heskett 2	322.4	55.9	7	3973.2	12325	7911	104.8	4166	21	1881	1087	16.29	22.19	7154
4	Lewis & Clark	191.6	53.0	20	2517.1	13139	6463	93.0	2340	60	1833	430	14.46	24.34	4664
5	Heskett 1	16.5	9.9	37	294.3	17870	2745	104.8	308	37	1073	61	22.42	89.80	1479
6	Lewis & Clark pk	0.0	0.0	83	0.0	0	4186	0.0	0	0	0	0	0.00	0.00	0
7	AVS II	531.9	91.4	8			8324	9.82	5222	0	10723	0	9.82	29.98	15945
8	Glendive CT	5.7	1.9	115	95.3	16631	573	342.0	326	0	115	12	58.93	79.00	453
9	Miles City CT	4.6	2.2	107	82.8	18114	457	342.0	283	0	100	9	64.00	85.89	393
10	Williston CT	0.9	6.0	14	17.9	20700	90	538.0	96	0	17	2	113.42	132.78	115
11	Future CTs	8.4	2.5	161	102.2	12162	840	342.0	349	0	144	17	43.64	60.81	511
12	Wind Energy Farm	35.1	100.0	0			8760	19.60	688	0	0	0	19.60	19.60	688
13	MAPP sale	0.0	0.0	0	0.0	0	0	0.0	0	0	0	0	0.00	0.00	0
14	MAPP purchase	25.1	1.4	595			4677	14.10	355	0	0	0	14.10	14.10	355
SYSTEM PRODUCTION		2210.6		1166	18944.1	11705			26313	117	19170	3268	13.38	22.11	48868

No.	Group	Energy GWh	Prd Factr %	Strts	Fuel Burn Giga Btu	Heat Rate Btu/kWh	Hours per Unit	Fuel-or-Prch Cost c/MMBtu <F> $/MWh	Fuel-or-Prch Cost <P> $1000	Start Cost $1000	O&M Fixed $1000	O&M Varbl $1000	Opertg Cost $/MWh	Total Cost $/MWh	Total Cost $1000
Native Load		2209.2													
Dump Power		1.4												10.00	14
Tran. Losses		0.0													
LESS Resources (Exports):															
1	Lignite	1113.3	58.6	156	13501.9	12127		90.3	12186	117	6659	2755	13.42	19.51	21717
2	Subbituminous	485.6	63.7	11	5144.1	10594		132.4	6808	0	1412	473	14.99	17.90	8693
3	AVS	531.9	91.4	8				9.82	5222	0	10723	0	9.82	29.98	15945
4	CTs	19.6	2.3	397	298.1	15238		353.8	1055	0	376	40	55.96	75.18	1471
5	Purchases	60.2	3.4	595				17.31	1042	0	0	0	17.31	17.31	1042
6	Sales	0.0	0.0	0				0.00	0	0	0	0	0.00	0.00	0
Resource Totals		2210.6		1166	18944.1	11705			26313	117	19170	3268	13.38	22.11	48868
Fuel demand charges															165
E.N.S.		0.0												50.00	0
SYSTEM														22.18	49020

Exhibit No. __(HVN-3)

Exhibit No. __ (RAE-1)

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

Before the Public Service Commission of North Dakota

Case No. PU-399-03- ___

Direct Testimony
of
Richard A. Espeland

Q. Please state your name and business address.

A. My name is Richard A. Espeland. My business address is 918 East Divide Avenue, Bismarck, North Dakota 58506.

Q. By whom are you employed and in what capacity?

A. I am Vice President—Human Resources for MDU Resources Group, Inc. (MDU Resources).

Q. What are your duties and responsibilities with MDU Resources?

A. I have overall responsibility for the Human Resource functions throughout the corporation. These responsibilities include employment, compensation administration (general and executive compensation and benefits), training and personnel development, employee relations and employee communications.

Q. Please outline your educational and professional background.

A. In 1966, I received a Bachelor of Arts degree from the University of North Dakota in Business Administration with a major in Personnel Management. In 1981, I received a Masters degree from the University of North Dakota in Public Administration.

Upon graduating from college, I spent four years in the U.S. Army. Prior to my employment with MDU Resources I was employed by the City of Grand Forks, the State of North Dakota and North American Coal Corporation, all in the human resources area.

In December 1989, I joined MDU Resources as Human Resource Manager, retaining that position until August 2000 when I was elected Vice President—Human Resources.

I am a member of the Society for Human Resource Management and the Central Dakota Human Resource Association. I have spoken on retirement and employee benefit issues on many occasions at national conferences in Boston, Orlando, Chicago and San Francisco.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the Company's overall executive compensation plan, including its Supplemental Income Security Plan (SISP) and explain why such compensation should be fully reflected in rates.

Q. Please describe in general terms the Company's executive compensation plan and how it is derived and administered.

A. Our general compensation plan includes base salary, incentive compensation, general benefits and other related appropriate plans. It should be emphasized that we look at the "Total Compensation" picture, not just one element by itself.

The Compensation Committee of the Board of Directors is responsible for determining the compensation of the Company's executive

officers. The Committee is composed entirely of outside or non-employee Directors and they meet several times each year to review and determine compensation for the executives. The Committee seeks appropriate compensation levels that attract and motivate high quality employees. To implement this philosophy, the Committee analyzes trends in compensation among comparable companies and relies in part on information and recommendations by an independent compensation consultant – currently Towers Perrin - in making their decisions.

Q. Please describe Towers Perrin.

A. Towers Perrin is one the worlds largest management consulting firms. The firm's clients include three-fourths of the Fortune 1000 largest U. S. companies including MDU Resources. Towers Perrin provides executive compensation advice and helps companies design and manage executive compensation programs.

Towers Perrin provides a report to MDU that includes competitive market data regarding compensation plans from hundreds of companies throughout the region and nation that have similar types of positions and responsibilities. This information is proprietary to Towers Perrin, and is provided for MDU's internal use only.

Q. Without compromising the proprietary nature of the information received from Towers Perrin, could you provide more detail on the scope of its review and the methods it uses?

A. Yes. The overall approach and methods used to report on the compensation information begins with a request from MDU for Towers

Perrin to update the analysis of our executive compensation programs. Specifically, MDU requests a current market assessment of competitive pay levels for base salary, total annual cash (base salary plus annual bonus) and total direct compensation (total annual cash plus the expected value of long-term incentives) for all identified management positions, and an updated salary grade structure based on the above competitive analyses.

Q. What is the process or steps Towers Perrin uses to conduct this analysis?

A. Towers Perrin provides a consistent approach each year to insure that the comparative data is valid over time. This includes confirming positions to be included in the analysis, identifying material changes to MDU's jobs, if any, updating current compensation information, gathering and analyzing relevant salary survey data, validating survey data, and summarizing and reporting results.

Q. Do they use only their own salary data base, or several?

A. Towers Perrin considers data from both general industry and industry specific surveys. Specifically, for the general industry data they included their own data - Towers Perrin's Executive Compensation Data Bank, and the Executive Compensation Service's Top Management Report. For industry specific data they included the Edison Electric Institute Executive Compensation Survey (which they compile for EEI), the American Gas Association's compensation survey, the Effective Compensation, Inc. Survey and several others.

Q. When Towers Perrin provided their latest report, how did MDU compare to the competitive salary market data?

A. The competitive position of Montana-Dakota, and our other companies, relative to total compensation, was well below the market. I mentioned earlier that we look at all parts of compensation to determine what is competitive and fair. The "Competitive Analysis" by Towers Perrin, for "Total Direct Compensation" (which includes base salary, annual incentives, and long-term incentives including the SISP), reported that MDU was paying an average of less than 86% of the 50th percentile for all executives surveyed. The Towers Perrin report clearly indicates our total compensation levels are low when compared to similar companies.

Q. How does the Compensation Committee of the Board of Directors use the information it receives from Towers Perrin?

A. When the Compensation Committee develops MDU's "Total Compensation" plan, it focuses on the competitive salaries and benefits, including the SISP, that are necessary to maintain our ability to attract, retain, and appropriately reward the individuals needed to provide reliable, safe, efficient, and cost effective service to our customers.

Q. What are your duties and responsibilities relative to the SISP?

A. I am the Plan Administrator assigned the responsibility by the Board of Directors for the management of the plan, plan design, eligibility, interpretation, communication and benefits administration.

Q. Please describe what the SISP is and what the plan is designed to do.

A. The SISP is a plan that provides a supplemental pension benefit to key employees. It was designed to attract and retain key employees in a number of positions within the Company and provide equitable retirement benefits for those key employees. A common practice for retirement planning is to look at the level of "replacement" income at retirement. We try to provide 50% to 80% as a target level – the 80% at lower income levels, and at least 50% at the higher income levels. These replacement income targets are conservative. Recent trends and financial planning advisers are recommending up to a 100% replacement target. This higher level target is based on people living longer and the continued rise in health care costs, especially in retirement. I should also mention that this is only one part of an employee's compensation, so the targets are set as part of an overall compensation plan.

Q. Who are the "key employees" that participate in the SISP plan?

A. "Key employees" are officers and senior managers of MDU Resources and Montana-Dakota. These key employees are responsible for planning for the future, identifying and implementing appropriate strategies for the Company, implementing effective cost reduction programs, streamlining the organization, implementing new technologies and maintaining and increasing the efficiencies of the Company. These employees have primary responsibility for keeping the Company competitive in the industry and maintaining an adequate supply of low-cost energy for our customers. I would like to note that all our employees are key or important to the company and our customers. However, in the

context of my testimony in this proceeding, "Key" has a narrow definition that is commonly used in discussions regarding executive and senior management compensation plans.

Q. Are plans such as the SISP a common part of executive compensation?

A. Yes. Supplemental Employee Retirement Plans (SERPs) such as SISP have become a common and accepted part of many compensation plans for utilities and related companies. Such plans provide a supplemental pension benefit designed to provide equitable retirement benefits necessary to attract and retain key employees.

Q. What information do you have showing that SERPs have become a common part of executive compensation?

A. Recent studies by consulting firms such as the Hay Group indicated that 74% of the companies offer non-qualified retirement plans as part of their executive compensation package. Similarly, Clark/Bardes Consulting has also reported that about 75% of the companies, including utilities, have non-qualified plans. These studies clearly indicate the common practice of providing this type of benefit. In addition, the Hay survey indicates that almost two-thirds of such plans (64%) offer unreduced early retirement prior to age 65. Our SISP does not allow for early retirement - again a conservative approach by MDU. I have included the relevant pages from the above-referenced studies as my Exhibit No. ___ (RAE-2). This exhibit consists of three pages.

Q. Why have non-qualified retirement plans become a common part of executive compensation?

A. These types of plans have become necessary due to various changes in federal regulations, social security benefits, and employment practices. Those changes have adversely affected the potential retirement benefits of key employees of companies such as MDU. In order to attract, retain, and provide equitable benefits for key employees, SERPs, such as Montana-Dakota's SISP, have become necessary to replace or supplement retirement benefits that were lost or reduced as a result of these changes.

Q. Please describe the various changes in federal regulations that have adversely affected retirement plans for key employees.

A. In the early 1980s, defined benefit pension plans could provide benefits in consideration of up to $225,000 in salary. That limit was reduced in the mid 1980s to $150,000 maximum covered compensation, therefore, reducing benefit eligibility and pension benefits by one-third. Over time, this compensation limit has slowly increased to the current $200,000 level, but certainly has not increased at a rate equal to general wage inflation. In addition, the 401(k) Plan regulations limit the employee contribution to $11,000.

Q. What changes in social security benefits have adversely affected key employees?

A. The social security benefits, while increasing over the years, have not kept pace with general wage inflation and benefits. Such benefits, as a percentage of income provided to higher income levels, are significantly less than at lower income levels.

Q. How do the overall retirement benefits for employees included in the SISP compare with the retirement benefits for those employees not included in the SISP?

A. When compensation and benefit programs are designed and implemented, they must be examined in the context of total benefits. To put the retirement programs in perspective, I have prepared Exhibit No. ___(RAE-3) which reflects the retirement programs available to employees, including SISP. As you will note from the graph, at the lower income levels, the replacement income through retirement programs is about 80 percent. This includes Social Security, the Defined Benefit Pension Plan, and the Company match to employee contributions under the 401(k) Plan. As an employee moves up the income scale, the percentage of income replaced by retirement plans significantly decreases based on retirement plan design requirements and government limitations on retirement plans. The SISP, as a supplemental plan, has been designed to replace some—but not all—of the income that is not replaced by Social Security, the Defined Benefit Pension Plan, and the 401(k) Plan. At the higher income levels only about 50 percent of the annual income is replaced, compared to 80 percent at the lower income levels.

Q. Does the SISP benefit last as long as the other retirement benefits you've noted?

A. No, it does not. The retirement benefits under the SISP are payable over 15 years beginning at age 65. In contrast, Social Security, the Defined Benefit Pension, and the 401(k) Plan income projections

cover a retired employee's lifetime which currently is about 20 years after retirement.

Q. Should the SISP-related costs of Montana-Dakota's compensation plan be included in rates?

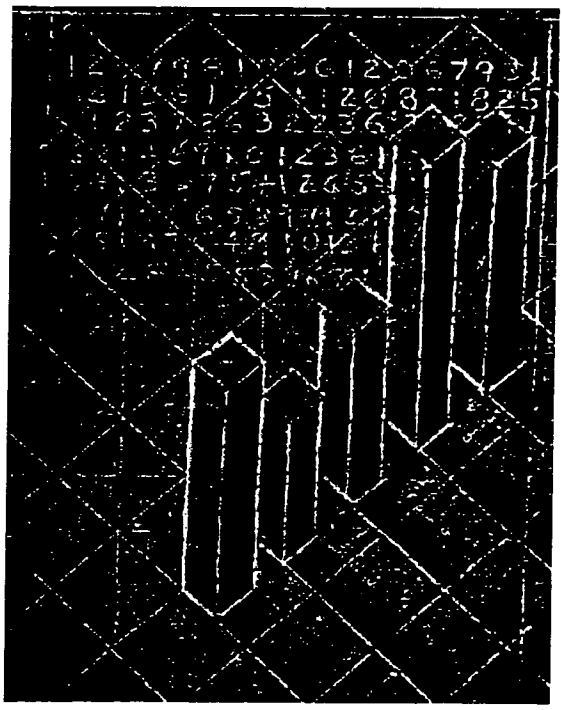
A. Yes, they should be. The SISP plan and its cost are no different than the other compensation-related costs that are included in the Company's rates. The SISP plan is a common type of benefit provided in today's business environment and does not represent some kind of extraordinary cost. The combined replacement income from all retirement plans when taken together is equitable, reasonable and justifiable. The SISP recognizes the contributions of key employees whose abilities and vision have enabled Montana-Dakota to streamline operations, reduce costs and employee numbers, implement new technologies and, most importantly to the customer, keep Montana-Dakota's rates competitive.

In addition, our Board of Directors and our management team have the responsibility to determine the level of "Total Compensation" that is competitive and appropriate and then to determine the most cost effective methods to deliver the compensation. By providing a supplemental retirement benefit like SISP, we can provide a competitive retirement benefit at a lower cost than if we were to increase the executives' base salary, which is included in rates, to the level necessary for them to attain the same level of retirement income.

Q. Does this complete your direct testimony?

A. Yes, it does.

A 2001 SURVEY



HayGroup

Survey Highlights

Perquisites

- Cell phones have now joined cars/car allowances as the most prevalent perquisites.
- In most perquisite categories, prevalence is significantly higher for the CEO.
- Employment Guarantee-type perquisites (employment contracts, Golden parachutes, severance) continue as the fastest growing perquisites.
- Executive Flex Plans, while on the increase, are still not widely offered, despite their flexibility for executives.

Non-Qualified Plans

- 74% of all participants sponsor some form of nonqualified retirement and/or deferred compensation arrangement.
- Prevalence of such plans varies substantially by size of organization from 56% (1,000 or fewer employees) to 91% (over 10,000 employees).
- Prevalence was considerably higher among industrial organizations (76%) and financial service organizations (90%) than among general service organizations (59%).
- Prevalence of plans was substantially higher for taxable organizations (77%) than among tax-exempt organizations (58%).
- CEOs are generally more likely to have plans than other top officers.
- Almost two-thirds of such plans (64%) offer unreduced early retirement prior to age 65.
- Target retirement ratios fall into the 50% to 70% range for three-fourths of the plans reporting, an increase over prior surveys.
- Funding, in the context of non-qualified plans, is prevalent in 77% of the plans, a major increase over prior surveys.

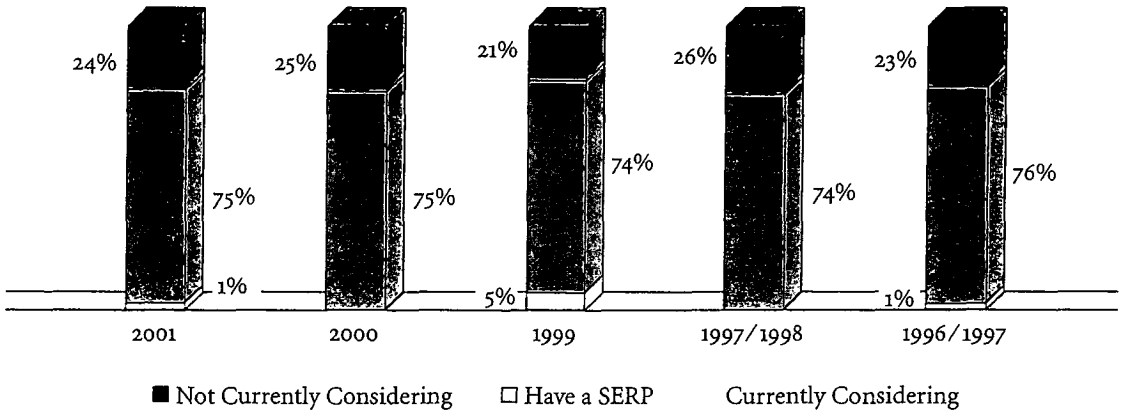
INTRODUCTION

For purposes of the Survey, a Supplemental Executive Retirement Plan ("SERP") is a nonqualified retirement plan under which the *employer* provides an additional retirement benefit to the employee. A SERP may be characterized as either a nonqualified defined contribution plan or a nonqualified defined benefit plan. Often, a SERP is tied in some fashion to the benefits provided under the employers' qualified retirement plans.

Approximately 75% of Respondents have adopted a SERP to provide benefits to executives in excess of amounts limited by qualified plan restrictions, holding steady from 2000. The primary reason for adopting a SERP is the Omnibus Budget Reconciliation Act ("OBRA") of 1993 which lowered the limit on compensation used for qualified pension calculations to $150,000 (currently indexed to $170,000 in 2001) (Internal Revenue Code [IRC] §401(a)(17)).

PLAN PREVALENCE

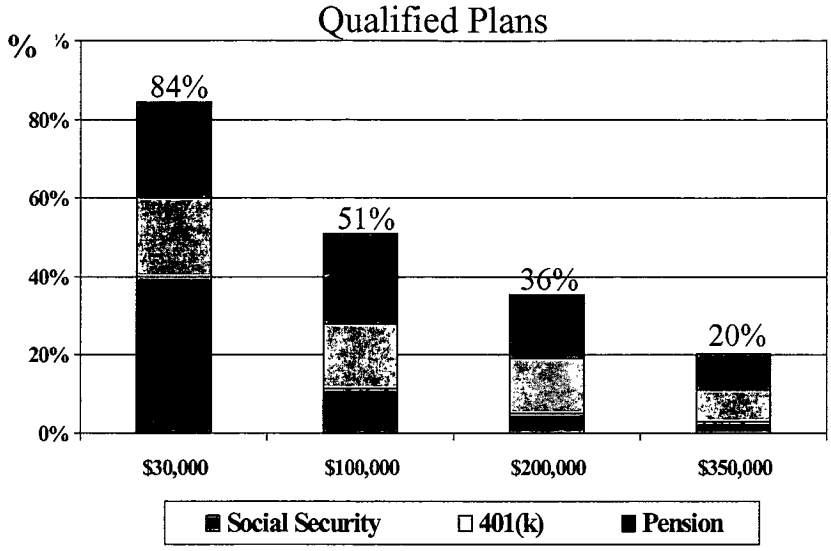
SERP PREVALENCE



SERP PREVALENCE			
Up to $2.5 Billion in Annual Revenue	Above $2.5 Billion in Annual Revenue	All Financial Institutions	All Surveyed Companies
67%	74%	84%	75%

% *Retirement Replacement Income*

Qualified Plans



% *Retirement Replacement Income*

Qualified Plans + ***Non-Qualified SISP***

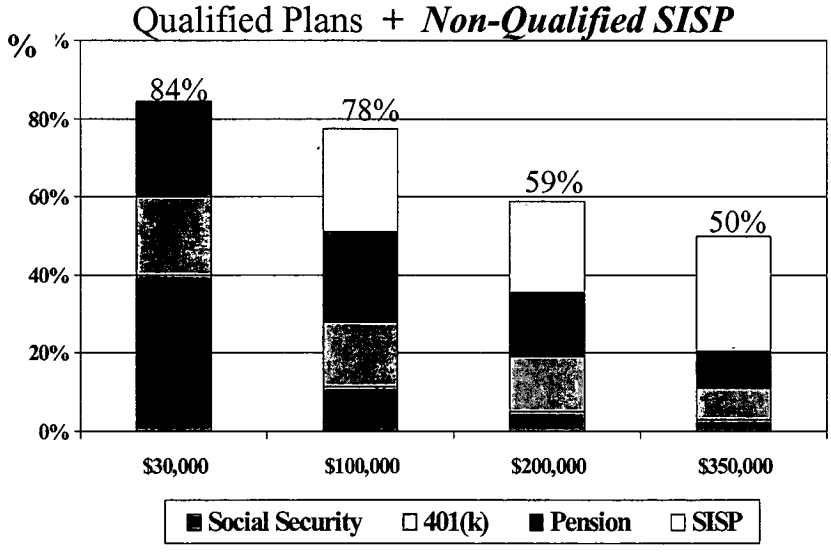


Exhibit No. __ (CAK-1)

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

Before the North Dakota Public Service Commission

Case No. PU-399- 03 - ___

Prepared Direct Testimony

of

Craig A. Keller, CPA

Q. Please state your name, business address and position.

A. My name is Craig A. Keller and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501. I am the Vice President, Controller and Chief Accounting Officer (CAO) for Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

Q. Please describe your duties.

A. As Vice President, Controller and Chief Accounting Officer, I am responsible for providing overall direction and management of the accounting, financial forecasting/planning and the information systems functions, including the analysis and reporting of all financial transactions for Montana-Dakota.

Q. Please outline your educational and professional background.

A. I graduated from the University of Mary with a Bachelor of Science degree in Accounting and obtained a Masters degree in Business Administration from the University of Montana. I am a certified public accountant and a member of the

AICPA and the North Dakota Society of Certified Public Accountants. I was employed with Montana-Dakota in 1986 as an Internal Auditor and during my career with the company have held positions of Income Tax Supervisor, Corporate Financial Planning Manager, and General Accounting Manager.

Q. Have you testified in other proceedings before regulatory bodies?

A. Yes, I have sponsored testimony before the Public Service Commissions of Montana, North Dakota, and Wyoming and the Public Utilities Commissions of Minnesota and South Dakota.

Q. What is the purpose of your testimony in this proceeding?

A. I am responsible for presenting the following Cost of Service Statements or Exhibits for this proceeding:

Exhibit No	Description
(CAK-2)	Cost of Service Statement A – Balance Sheet
(CAK-3)	Cost of Service Statement B – Income Statement
(CAK-4)	Cost of Service Statement C – Plant in Service
(CAK-5)	Cost of Service Statement F – Average Capital Structure
(CAK-6)	Cost of Service Statement I – Depreciation and Amortization Expenses

Q. Were these Exhibits or Cost of Service Statements and the data contained therein prepared by you or under your supervision and are they accurate to the best of your knowledge and belief?

A. Yes.

Q. Please describe Exhibit No. __(CAK-2) or Cost of Service Statement A.

A. Exhibit No. __ (CAK-2) or Cost of Service Statement A, consists of 2 pages which show the Total Company actual balance sheet as of June 30, 2001 and 2002. Also attached as an appendix to this exhibit are the Company's "Notes to Financial Statements" which the Company typically files with the Federal Energy Regulatory Commission and with other agencies which have an interest in this information.

Q. Please describe Exhibit No. __(CAK-3) or Cost of Service Statement B.

A. Exhibit No. __ (CAK-3) or Cost of Service Statement B consists of 2 pages which summarize Montana-Dakota's Total Company income statement for the twelve months ended June 30, 2002 and shows Montana-Dakota's retained earnings as of June 30, 2002. I should also point out that Cost of Service Statements A and B have been prepared from the Company's books and records that are maintained in accordance with the Federal Energy Regulatory Commission Uniform System of Accounts.

Q. Please describe Exhibit No. __(CAK-4) or Cost of Service Statement C.

A. Exhibit No. __ (CAK-4) or Cost of Service Statement C consists of two parts. The first part of this exhibit, consisting of 9 pages, sets forth the development of the Company's electric plant in service and is sponsored by Mr. Crowley in his testimony. I am sponsoring the remaining portion of this exhibit which consists of actual or forecasted plant additions, retirements, or transfers

during the actual 12-month period ending June 30, 2002 and the Test Period ending December 31, 2003.

Q. Please describe Exhibit No. __(CAK-5) or Cost of Service Statement F.

Exhibit No. __ (CAK-5) or Cost of Service Statement F consists of 5 pages and summarizes the utility average capital structure of Montana-Dakota for the Test Period ending December 31, 2003. Statement F also includes the associated costs of debt, preferred stock and common equity. Page 1 of this exhibit summarizes the average capital structure by component, capital ratios, the cost of each component and the weighted cost of each component of the Company's average capital Structure. The overall rate of return of 10.177 percent requested by the Company in this proceeding is also shown on Page 1 of this exhibit. The 11.75 percent return on common equity contained within the overall requested rate of return is supported by the testimony of Dr. J. Stephen Gaske.

Q. Please describe Page 2 of Exhibit No. __ (CAK-5).

A. Page 2 of this exhibit shows the average long-term debt projected to be outstanding at December 31, 2003. In calculating the debt costs the "Yield-to-Maturity" method (also referred to as the Internal Rate of Return ("IRR") method) is used to determine the total cost for each respective debt issue of the Company. The yield-to-maturity calculation of each debt issue outstanding gives consideration to the stated rates of interest being paid on such debt, the timing of the interest payments, related issuance expenses, underwriters' commissions and indenture revision costs, the discount or premium realized upon issuance and the

amortization of losses on bond redemption transactions. The projected cost of debt for 2002 and 2003 is based upon the yield to maturity of each debt issue outstanding.

Q. Please describe Page 3 of Exhibit No. __ (CAK-5).

A. Page 3 of this exhibit supports the cost of Montana-Dakota's preferred stock capital, representing the weighted cost of the issues projected to be outstanding at December 31, 2002 and December 31, 2003.

Q. Please describe Page 4 of Exhibit No. __ (CAK-5).

A. Page 4 of Exhibit No.__ (CAK-5) summarizes the Company's average utility common equity balance at the projected average balances for 2002 and 2003.

Q. Please describe Exhibit No. __(CAK-6) or Cost of Service Statement I.

A. Exhibit No. __ (CAK-6) or Cost of Service Statement I consists of two parts. The first part of this exhibit, consisting of 3 pages, sets forth the development of the Company's adjusted Depreciation Expense and Amortization for the 12-month period ending December 31, 2003 and is sponsored by Mr. Crowley in his testimony. I am sponsoring the remaining portion of this exhibit which consists of a summary of the Company's depreciation rates and schedules and reconciliation of depreciable electric plant.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Exhibit No.__ (LAC-1)

MONTANA-DAKOTA UTILITIES CO.

A Division of MDU Resources Group, Inc.

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

CASE NO. PU-399-03- ___

PREPARED DIRECT TESTIMONY OF

LARRY A. CROWLEY

Q. Please state your name and your business affiliation.

A. My name is Larry A. Crowley and I am a Senior Regulatory Consultant with H. Zinder and Associates.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Science degree in Economics from the University of Maryland. A summary of my professional experience is attached as Appendix A to this testimony. I have testified as an expert witness before the Idaho Public Utilities Commission, the Oregon Public Utilities Commission, the Nevada Public Service Commission, the Colorado Public Utilities Commission, the Wisconsin Public Utilities Commission, the Michigan Public Service Commission and the Federal Energy Regulatory Commission.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Montana-Dakota Utilities Co.

Q What is the scope of your testimony in this proceeding?

A. My testimony is outlined as follows:

1) I shall offer testimony relative to the preparation of a jurisdictional separation study using total system data for the 12 months ending December 31, 2003, adjusted for known and measurable changes.

2) I shall offer testimony summarizing the adjustments to total system data used by the Company for purposes of restating the Company's rate base, revenues and expenses for the 12 months ending December 31, 2003.

3) I shall offer testimony describing the Company's proposal to implement a mechanism that would share the actual margins the Company earns on its wholesale or surplus energy sales with its customers.

Q. Have you prepared or supervised the preparation of various exhibits or Cost of Service Statements for this proceeding?

A. Yes, I have prepared or supervised the preparation of the following exhibits or Cost of Service Statements for this proceeding:

Exhibit No	Description
(LAC-2)	Cost of Service Statement C – Average Plant in Service
(LAC-3)	Cost of Service Statement D – Average Accumulated Provision for Depreciation
(LAC-4)	Cost of Service Statement E – Summary of Working Capital Components
(LAC-5)	Cost of Service Statement H – Operation & Maintenance Expenses
(LAC-6)	Cost of Service Statement I – Depreciation & Amortization Expense
(LAC-7)	Cost of Service Statement J – Taxes Other than Income Taxes
(LAC-8)	Cost of Service Statement K – State and Federal Income Taxes Recorded
(LAC-9)	Cost of Service Statement L – Income Statement and Additional Revenue Requirement

(LAC-10)	Cost of Service Statement N – Summary Income Statement for 2003 with Adjustments
(LAC-11)	Cost of Service Statement O – Average Rate Base for 2003 with Adjustments
(LAC-12)	Determination of North Dakota Revenue Deficiency
(LAC-13)	Development of Total Company and North Dakota Jurisdictional Actual Wholesale Sales Margins and Revenue Credits for the 12 months ending December 31, 2002
(LAC-14)	Proposed Tariff No. 57, Margin Credit Adjustment or "MCA".

Q. Have you calculated the net revenue deficiency for the Company's North Dakota electric jurisdiction?

A. Yes I have. The net revenue deficiency for the Company's North Dakota electric jurisdiction is $7,784,000 based on the test period ending December 31, 2003, adjusted for known and measurable changes including the reductions associated with the Company's proposed mechanism for sharing wholesale sales margins with its customers described later in this testimony. This net revenue deficiency represents an approximate 9.076 percent increase over current rates.

Q. Please generally describe the methodology used to calculate the Company's North Dakota jurisdictional cost of service and revenue deficiency.

A. The cost of providing service is measured through the use of the Company's accounting and operating data for a specific period of time. In this

instance, I am using the total system information provided by the Company for the 12-month period ending December 31, 2003.

Normally, in order to establish a methodology for separating costs among jurisdictions for a multi-jurisdictional company, a three-step process is generally used. The steps are referred to as classification, functionalization and allocation of costs. In all three steps, recognition is given to the way in which the costs are incurred by relating these costs to the way in which a utility is operated to provide electric service.

In the case of Montana-Dakota Utilities, the Company has implemented detailed and comprehensive accounting and forecasting systems that allocate all rate base and income statement items to the appropriate jurisdiction in accordance with the Company's corporate policies regarding allocation issues. The Company's books and records provide jurisdictional information for every transaction booked by the Company or which are part of the Company's forecasts. These internal processes of classification, functionalization and allocation provide detailed jurisdictional electric rate base components and income statements for each of the Company's electric jurisdictions. It is my understanding that the Commission has reviewed these internal jurisdictional allocation practices in the past and has found them acceptable. The Company is using the same jurisdictional allocation methodology for this proceeding that the Commission has recently reviewed and accepted in Case No. PU-399-01-186. It should also be noted that the Company is using the 12 coincident peaks methodology for

allocating capacity costs in this proceeding and will use the same allocation methodology in its other electric jurisdictions.

Q. Have you prepared an exhibit that summarizes the calculation of the Company's North Dakota jurisdictional revenue deficiency and additional revenue requirements before application of the Company's proposed sharing of wholesale sales margins?

A. Yes. I prepared Exhibit No. __ (LAC-12) consisting of three pages. This exhibit summarizes the results of the jurisdictional separation study that is described in detail throughout the Cost of Service Statements and Exhibits filed in this proceeding. Page 1 of Exhibit No. __ (LAC-12) summarizes the determination of the North Dakota revenue deficiency and jurisdictional revenue requirements showing the use of an average rate base, test period revenues at current rates, expenses, the jurisdictional income deficiency and additional revenue necessary to earn the required overall rate of return of 10.117 percent.

Page 2 of this exhibit summarizes the allocated components of the Company's average rate base that are detailed in the Cost of Service Statements filed in this proceeding. Page 3 of this exhibit sets forth the Company's earned rate of return at current rates and earned rate of return with the additional revenues proposed in this proceeding.

Finally, it should be noted that this exhibit does not contain or reflect the credit or reduction in revenue deficiency or requirement associated with the Company's proposed sharing mechanism for wholesale sales margins which I discuss later in this testimony.

Q. Please describe Exhibit No. __ (LAC-2) or Cost of Service Statement C.

A. Exhibit No. __ (LAC-2) or Cost of Service Statement C consists of nine pages and sets forth the development of the Company's electric plant in service for inclusion in rate base. This is the first in a series of exhibits or Cost of Service Statements that are used to detail the Company's request for additional revenues. Page 1 of this exhibit lists the projected functional balances of the Company's total electric plant in service as of December 31, 2002 and December 31, 2003. These functional year-end balances are then averaged for the 12 months ending December 31, 2003 and are shown in the column labeled "2003 Average".

Page 2 of this exhibit shows the 2003 average plant balances adjusted to reflect the annualization of the known and measurable adjustment associated with the completion and commercial operation of the Company's Glendive No 2 turbine. Since Glendive No 2 is expected to begin commercial operation in June 2003, the use of beginning and ending test period average plant values does not include the Company's entire investment in the new turbine for the test period. In order to include the entire investment of $19.4 million for the test period, it was necessary to make an adjustment for that portion of the Glendive project that would otherwise not be included in the Company's average electric plant in service. The amount of the total utility annualizing adjustment for the Glendive No 2 turbine is $9.7 million or one-half of the investment in the new plant.

Page 3 of the exhibit shows the allocated average plant balances by function for the Company's North Dakota jurisdiction using the same format as shown on Page 1 for the total company values. Page 4 shows the annualizing

adjustment for the North Dakota jurisdictional allocation of the Glendive No 2 turbine for the 2003 test period. The amount of this adjustment is $6.8 million. The total allocated average plant in service for the Company's North Dakota jurisdiction for the 12 months ending December 31, 2003 is $413.9 million.

Q. Please describe pages five through nine of Exhibit No. __ (LAC-2).

A. Pages 5 through 8 of this exhibit set forth the average electric plant in service information for the 12-month period ending June 30, 2002. Page 5 of this exhibit lists the actual functional balances of the Company's total electric plant in service as of June 30, 2001 and June 30, 2002. These functional balances are then averaged for the 12 months ending June 30, 2002 and are shown in the column labeled "June 2002 Average".

Page 6 of this exhibit shows the June 2002 average plant balances adjusted to reflect the annualization of the known and measurable change adjustment associated with the completion of the Glendive No 2 turbine expected to begin commercial operation in June 2003. In order to reflect the Company's investment in the Glendive No 2 turbine for the 12-month period ending June 2002, an annualizing adjustment in the amount $19.4 million is shown on page 6 of this exhibit.

Page 7 of the exhibit shows the allocated average plant balances by function for the Company's North Dakota jurisdiction in the same format as Page 3 does for the total company. Page 8 shows the annualizing adjustment for the North Dakota allocation of the Glendive No 2 turbine for the 12 months ending June 2002. The amount of this adjustment is $13.6 million. The total allocated

average plant in service for the Company's North Dakota jurisdiction for the 12 months ending June 30, 2002 is $393.7 million.

Finally, the table on Page 9 shows the differences between the Test Period and the 12-month period ending June 30, 2002.

Q. Please describe Exhibit No. __ (LAC-3) or Cost of Service Statement D.

A. Exhibit No. __ (LAC-3) or Cost of Service Statement D consists of nine pages and sets forth the development of the Company's Accumulated Provision for Depreciation for inclusion in rate base. Page 1 of this exhibit lists the projected functional balances of the Company's total electric accumulated provision for depreciation as of December 31, 2002 and December 31, 2003. These functional year-end balances are then averaged for the 12 months ending December 31, 2003 and are shown in the column labeled "2003 Average".

Page 2 of this exhibit shows the 2003 average accumulated provision for depreciation balances adjusted to reflect the annualization of the known and measurable adjustment associated with the completion and commercial operation of the Company's Glendive No 2 turbine. Since Glendive No 2 is expected to begin commercial operation in June 2003, the use of beginning and ending average accumulated provision values does not reflect the Company's total investment in the new turbine for the test period or the accumulated provision for depreciation that corresponds to that investment. In order to include the appropriate accumulated provision for depreciation for the test period, it is necessary to make an adjustment for that portion of the Glendive project that would otherwise not be included in the Company's average Net Electric Plant in

Service. The amount of the total utility annualizing adjustment for accumulated provision for depreciation associated with the Glendive No 2 turbine is $509,000.

Page 3 of the exhibit shows the allocated average accumulated provision for depreciation balances by function for the Company's North Dakota jurisdiction in the same format as Page 1 does for the total company. Page 4 shows the annualizing adjustment for the North Dakota jurisdictional allocation of the Glendive No 2 turbine for the 2003 test period. The amount of this adjustment is $332,200. The total allocated average accumulated provision for depreciation for the Company's North Dakota jurisdiction for the 12 months ending December 31, 2003 is $233.7 million.

Q. Please describe pages five through nine of Exhibit No. __ (LAC-3).

A. Pages 5 through 8 of this exhibit provide the average accumulated provision for depreciation information for the 12-month period ending June 30, 2002. Page 5 of this exhibit lists the actual functional balances of the Company's total accumulated provision for depreciation as of June 30, 2001 and June 30, 2002. These functional balances are then averaged for the 12 months ending June 30, 2002 and are shown in the column labeled "June 2002 Average".

Page 6 of this exhibit shows the June 2002 average accumulated provision balances adjusted to reflect the annualization of the known and measurable adjustment associated with the completion of the Glendive No 2 turbine. The amount of this adjustment for the total company for an entire year is $509,000.

Page 7 of the exhibit shows the allocated average accumulated provision balances by function for the Company's North Dakota jurisdiction in the same

format as Page 3 does for the total company. Page 8 shows the annualizing adjustment for the North Dakota allocation of the Glendive No 2 turbine for the 12 months ending June 30, 2002. The amount of this adjustment is $332,200. The total allocated average accumulated provision for depreciation for the Company's North Dakota jurisdiction for the 12 months ending June 30, 2002 is $216.6 million.

Finally, the table on Page 9 shows the differences between the Test Period and the 12-month period ending June 30, 2002.

Q. Please describe Exhibit No. __ (LAC-4) or Cost of Service Statement E.

A. Exhibit No. __ (LAC-4) or Cost of Service Statement E consists of four pages and sets forth the development of the working capital components for inclusion in the Company's rate base. Page 1 summarizes the beginning, ending and average balances for the working capital rate base components of materials and supplies, fuel stocks, and prepayments. Also shown are customer advances which are a reduction to the Company's rate base for the test period.

Q. Is the Company proposing to use beginning and ending average balances for the Working Capital rate base components?

A. No. The Company is using the 13-month average balances for each of the working capital rate base components rather than the beginning and ending balances shown on page one of this exhibit. Pages 2, 3 and 4 of this exhibit detail the calculation of the 13-month average balance for materials and supplies, fuel stocks, and prepayments respectively. Since materials and supplies and fuel stocks do not vary greatly from year to year, I used actual 13-month average

values for the 12 months ending June 30, 2002 which was the most current information available at the time this study was being prepared. I did, however, adjust Materials and Supplies to reflect the addition of the Glendive Unit No 2. As shown on Page 2 of this exhibit, the average Materials and Supplies balance was increased by $516,400 to reflect the additional Materials and Supplies requirements anticipated for the new Glendive Unit No 2.

With respect to prepayments, I used the Company's actual 2003 prepaid insurance premiums amortized over the 13 months ending December 31, 2003. This rate base adjustment corresponds to the Company's actual insurance expenses for 2003.

The balance shown for customer advances is the average value the Company is proposing to use in this proceeding. For purposes of calculating customer advances for inclusion in rate base, the actual 13-month average value for the 12 months ending June 30, 2002 was used. Since customer advances do not vary greatly from year to year, the use of recent actual information provided a reasonable proxy for the December 31, 2003 Test Year.

Q. Please describe the final electric rate base items that are included in the Company's total electric rate base.

A. The final two components of the Company's electric rate base are deductions identified as Accumulated Deferred Investment Tax Credits and Accumulated Deferred Income Taxes. The details for the average calculation of these two rate base items are set forth on Page 3 of Cost of Service Statement K or Exhibit No. __ (LAC-8).

Q. Have you calculated the adjusted total average electric system rate base and North Dakota jurisdictional rate base for the 12 months ending December 31, 2003?

A. Yes. Page 2 of Exhibit No. ___ (LAC-12) summarizes the components of the Total Company average electric rate base and the Company's North Dakota electric jurisdiction previously described. The total average electric rate base for the Company's North Dakota jurisdiction is $143.6 million.

Q. Please describe Exhibit No. __ (LAC-5) or Cost of Service Statement H.

A. Exhibit No. __ (LAC-5) or Cost of Service Statement H consists of 11 pages and details the Company's Operation and Maintenance Expenses by function and by FERC account number for the 12 months ending December 31, 2003 and for the 12 month period ending June 30, 2002. This information is presented for the total company and for the Company's North Dakota jurisdiction.

Pages 1 and 5 of this exhibit summarize by function, the total company and North Dakota jurisdictional O&M expenses. Pages 2 through 4 set forth the O&M expenses by FERC account number for the company and the North Dakota jurisdiction for the test period ending December 31, 2003. Pages 6 through 8 set forth the O&M expenses by FERC account number for the Company and its North Dakota jurisdiction for the 12 months ending June 30, 2002. Finally, pages 9 through 11 of this exhibit show the comparison of O&M expenses for the North Dakota jurisdiction for both 12-month periods.

Q. How did you calculate O&M expenses for the 12 months ending December 31, 2003?

The test period O&M expenses were calculated using various sources of Company information. For example, all "Other" O&M (total O&M less fuel and purchased power) was calculated using the Company's forecasted O&M expenses, which was prepared using "Resource Codes" for the Test Year 2003. The forecasted "Other" O&M expenses for the 12 months ending December 31, 2003, amount to $53,662,100.

To facilitate the preparation of the cost of service studies using FERC account numbers and operating function, the 2003 Other O&M forecast was allocated or spread to the FERC accounts using the Company's recent actual cost information, the 12 months ending June 30, 2002. Once the FERC account amounts were determined, allocations to the jurisdictions were made using the same jurisdictional allocation criteria previously described and reflected in the Company's actual data for the 12 months ending June 30, 2002. In addition, various adjustments were made to reflect the annualization of known and measurable changes to various O&M expenses contained in the 2003 forecast.

Q. Please describe the adjustments made for known and measurable changes to 2003 O&M expenses.

A. The first adjustment was made to reflect the annualization of company-wide payroll increases expected to begin by mid-year 2003. The amount of this adjustment was $452,000.

The second adjustment was to reflect updated insurance expenses booked in FERC accounts 924 and 925. The adjustment is consistent with the rate base item Prepayments previously described in this testimony. The amount of the

adjustment is $224,600. The Company's total annual cost of insurance in 2003 is slightly more than $1.3 million.

Third, the regulatory expense budget in Account 928 was adjusted to reflect the three-year amortization of updated estimated costs to prepare and litigate the North Dakota and Montana electric rate cases. The amount of the annualization adjustment for the total company is $253,600.

Fourth, pension expenses, FERC Account 926, were adjusted in the amount of $105,000 to annualize the increased pension costs of the Company consistent with the anticipated increase in total overall payroll and labor expenses.

Finally, an adjustment was made to account 926 to reflect the inclusion of expenses associated with the Company's Supplemental Income Security Plan (SISP) as described by Mr. Espeland in his direct testimony. The amount of this adjustment is $1,041,600.

The total annualizing adjustments to Other O&M expenses amount to $2,176,800. Total adjusted Other O&M expenses amount to $55,738,900 for the 2003 Test Year.

Q. How were the fuel and purchased power expenses calculated for the 2003 test period?

A. Fuel and purchased power expenses for the Company's integrated system were provided by the Company's PROSYM production simulation model. The power supply expenses, shown in FERC accounts 501, 547 (fuel) and account 555, (purchased power) reflect the results of the PROSYM run which included the new Glendive No 2 turbine and energy purchases from a new wind turbine

resource on an annualized basis. The total annualized fuel expenses (accounts 501 and 547) amount to $20,048,000 while purchased power expenses amount to $27,736,700.

Purchased power expense for the Company's Wyoming service area was developed based on the rates, terms and conditions of a separate power supply contract for the Company's energy requirements for that service area. None of the Wyoming-related purchased power expenses were allocated to the Company's North Dakota jurisdiction.

As shown on Exhibit No. __ (LAC-5) or Cost of Service Statement H, the Company's total O&M expenses for the 12 months ending December 31, 2003 are $103,523,600. The North Dakota jurisdictional allocation amounts to $60,869,500.

Q. Please describe Exhibit No. __ (LAC-6) or Cost of Service Statement I.

A. Exhibit No. __ (LAC-6) or Cost of Service Statement I consists of three pages and details the Company's projected Depreciation and Amortization Expense by function for the 12 months ending December 31, 2003. This information is presented for the total company and for the Company's North Dakota jurisdiction. The amounts shown include the annualization of depreciation expense associated with the Glendive No 2 turbine. As shown on Exhibit No. __ (LAC-6), the Company's total depreciation and amortization expense for the 12 months ending December 31, 2003 is $21.2 million. The North Dakota jurisdictional allocation amounts to $13.3 million.

Q. Please describe Exhibit No. __ (LAC-7) or Cost of Service Statement J.

A. Exhibit No. __ (LAC-7) or Cost of Service Statement J consists of three pages and details the Company's Taxes Other Than Income Taxes for the Test Period, the 12 months ending December 31, 2003, and for the 12 months ending June 30, 2002. This information is presented for the total company and for the Company's North Dakota jurisdiction.

Page 1 of this exhibit details the Total Taxes Other Than Income Taxes for the 12 months ending December 31, 2003 for the total company and for the Company's North Dakota jurisdiction. Page 2 of the exhibit provides the same detailed information for the 12 months ending June 30, 2002. Page 3 shows the differences between the two 12-month periods for the North Dakota jurisdiction. The amounts shown, including the differences, include various adjustments to reflect the annualization of known and measurable changes for the test period.

Q. Please describe the adjustments made to Taxes Other Than Income Taxes.

A. Taxes Other Than Income Taxes for the Test Year were calculated using actual information from the 12-month period ending June 30, 2002 as a starting point. These taxes have generally been stable for the Company and not subject to significant changes. There are, however, adjustments made for known and measurable changes to these expenses. The actual Taxes Other Than Income Taxes for the 12 months ending June 30, 2002 were $7,637,400.

The first adjustment is to annualize the North Dakota coal conversion tax now being applied to the Heskett generating plant and to reduce property taxes at the Heskett plant. The annualizing adjustment for the Heskett plant was an increase in the coal conversion tax in the amount of $221,000 and a corresponding

reduction in property taxes in the amount of $216,800. The net effect of these adjustments is an increase of $4,200 for costs at the Heskett plant.

The second adjustment reflects the annualization of property taxes based on all changes to the Company's plant, including the Glendive Unit No 2, and the new (lower) tax rates. These changes result in an overall annualized increase of $82,300 in property taxes.

The third adjustment was to reflect the increase in payroll taxes associated with the corresponding increase in total payroll expenses for the 12 months ending December 31, 2003. The amount of this adjustment is $441,400.

Finally, an adjustment was made to annualize the higher assessments of the Montana PSC and Consumer Council taxes/fees. This adjustment amounted to an increase of $7,500 based on pre-adjusted Montana jurisdictional revenues.

As shown on Exhibit No. __ (LAC-7), the Company's total Taxes Other Than Income Taxes for the 12 months ending December 31, 2003 are $8,172,800. The North Dakota jurisdictional allocation amounts to $4,580,200. It should also be noted that property taxes are shown by function.

Q. Please describe Exhibit No. __ (LAC-8) or Cost of Service Statement K.

A. Exhibit No. __ (LAC-8) or Cost of Service Statement K consists of three pages and details the Company's State and Federal Recorded Income Taxes for the 12 months ending December 31, 2003 as well as the Company's M-1 schedule of tax adjustments together with the average balances for accumulated deferred income taxes and unamortized investment tax credits. Also shown is the interest expense used to calculate income taxes.

Q. How was interest expense calculated?

A. Interest expense was calculated by synchronizing jurisdictional net rate base and the weighted cost of long-term debt. For example, interest expense for the Company's North Dakota jurisdiction was calculated using jurisdictional Net Electric Rate Base of $143.6 million multiplied by the weighted cost of long-term debt of 4.03 percent shown on Cost of Service Statement F. The calculation of interest expense for the North Dakota jurisdiction is shown on page 8 of Exhibit No. __ (LAC-10) or Cost of Service Statement N.

Q. Please describe Exhibit No. __ (LAC-9) or Cost of Service Statement L.

A. Exhibit No. __ (LAC-9) or Cost of Service Statement L consists of four pages and sets forth in summary form, the Company's income statement and additional revenue requirements. Pages 1 and 2 detail the income statement and revenue requirement and average electric rate base respectively. Also shown on pages 1 and 2 are the references to the supporting Cost of Service Statements for each of the line items listed on pages 1 and 2.

Page 3 shows the development of total company average electric rate base using beginning and ending balances for all rate base components rather than 13-month averages for working capital components previously described.

Page 4 shows the overall earned rate of return under current rates and expected overall earned rate of return with the proposed additional revenues for the Company's North Dakota jurisdiction before any adjustments or reductions associated with the Company's proposed sharing mechanism.

Q. Please describe Exhibit No. __ (LAC-10) or Cost of Service Statement N.

A. Exhibit No. __ (LAC-10) or Cost of Service Statement N consists of nine pages and sets forth the Company's Income Statement for the Test Year ending December 31, 2003 for the Company's North Dakota jurisdiction. This exhibit compares jurisdictional income statement line items for the actual 12-month period ending June 30, 2002 and the Test Period ending December 31, 2003.

Page 1 of this exhibit summarizes the actual and projected income statements and earned rates of return for the North Dakota jurisdiction for both 12-month periods and the differences between the two periods. The column titled "Adjustments" for the most part shows the differences between the two 12-month periods for each line item as well as the different treatment of wholesale sales and related fuel expenses between the two 12-month periods.

Pages 2 through 7 detail the differences for specific categories of revenues or expenses shown on the income statement. For example, Page 2 of this exhibit lists the Miscellaneous Revenues for the North Dakota jurisdiction for both 12-month periods. As noted, there are no adjustments or differences between the two periods because these Other Miscellaneous Operating Revenues are not expected or forecasted to change significantly from one year to the next. Pages 3 through 7 detail O&M expenses by function, labor expenses by function, depreciation expense by function, Taxes Other Than Income Taxes by type of tax, and calculation of current income taxes respectively. As previously described, Page 8 of this exhibit shows the development of interest expense using net electric rate base and the weighted cost of long-term debt. Page 9 of this exhibit sets forth the income tax adjustments used to calculate current income taxes.

Q. Please describe Exhibit No. __ (LAC-11) or Cost of Service Statement O.

A. Exhibit No. __ (LAC-11) or Cost of Service Statement O consists of five pages and sets forth the Average Electric Rate Base for the 2003 projected Test Period and the 12-month period ending June 30, 2002. Page 1 of this exhibit shows the average electric rate base for both 12-month periods and the adjustments or differences between the two. As shown, total Company adjusted average electric rate base increased by approximately $27.2 million. Pages 2 through 5 of this exhibit show the differences between the two 12-month periods for the specific rate base items listed on page 1. Page 2 shows the changes in average electric plant in service; Page 3 shows the changes in accumulated provision for depreciation; Page 4 details the working capital components comparing end of period values with the average balances used by the Company; and Page 5 shows the average values used for customer advances, accumulated investment tax credits and accumulated deferred income taxes.

Q. Please describe the Company's proposal to implement a mechanism for sharing wholesale sales margins with its customers.

A. As part of this proceeding, the Company is proposing to implement a mechanism for sharing the actual net margins that the Company earns from sales it makes in the wholesale or surplus energy market with its retail customers. The Company believes that a sharing mechanism provides an easy, straightforward methodology to determine and allocate wholesale sales margins between the Company and its customers based on actual, not estimated, wholesale sales margins earned by the Company. In addition, the Company believes that its

proposed sharing mechanism should become effective concurrently with the development and implementation of new retail electric rates for its customers in North Dakota which are also being proposed in this proceeding.

Q. Please describe the primary objectives of the Company's sharing mechanism for wholesale sales margins.

A. The primary objectives are to provide a simple and equitable mechanism for the sharing of benefits that result from the Company's activities in the wholesale markets; to provide an economic incentive for the Company to maximize its wholesale sales margins and minimize its costs; and to maintain rate and earnings stability.

Q. Please summarize the components of the sharing mechanism you are proposing in this case.

A. The sharing mechanism the Company is proposing in this proceeding consists of the following basic elements or features:

1) The Company's proposed sharing mechanism allocates 60 percent of the actual annual total wholesale sales margins to the Company's retail customers while the remaining 40 percent of these nonjurisdictional wholesale sales margins would be retained by the Company. The credit mechanism would be based on a separate tariff filed with the Commission. The form of this tariff is set forth on the attached Exhibit No. __ (LAC-14). For ease of reference, the tariff and sharing mechanism are defined as the "Margin Credit Adjustment" or MCA. Tables, consisting of two pages, attached to Exhibit No. __ (LAC-14) set forth the

manner by which the Margin Credit Adjustment would be calculated for the North Dakota jurisdiction.

2) The actual earned wholesale sales margins would be determined for a specified 12-month period. In this case I am starting with the 12 months ending December 2002 for purposes of including an amount of wholesale margins that would be shared by the Company and its North Dakota retail customers for the 2003 test year as if the mechanism was in place. Once the total annual amount of wholesale sales margins to be shared with customers has been determined based on (a) actual results for a 12-month period, and (b) the percentage allocation of the margins to the retail customers, a per kWh credit will be calculated by dividing the total shared customer margin amount by the number of kWhs sold during the same 12-month period. This kWh credit would be applied to all kWhs billed for the next 12 months and would reduce the customers bill in accordance with their energy usage.

3) At the end of the first year of implementation, the wholesale sales margins would be updated with the most recent 12 months of actual wholesale sales margins and, if necessary, a new margin credit would be calculated. The Company proposes to update the amount of the credit every 12 months using the most recent actual 12 months of information available. If, however, changes occur in the wholesale market during the year which results in significant changes in the amount of wholesale sales and margins, the Company would request a change to the margin credit during the 12-month period rather than waiting until the end of the 12-month period. This provision will facilitate the use of the most

current actual wholesale sales margins for calculating margin credits allocated to the Company's retail customers. It will also minimize the amount of true-ups described below which is part of this mechanism.

4) Any difference between the amounts credited to customers during a one-year period and the amounts of actual wholesale margins earned by the Company and allocated to customers over the same one-year period will be trued up in a subsequent calculation of the margin credit adjustment. For example, if the amount actually credited to customers during a one year credit period is less than the amount of actual margins earned by the Company and allocated to North Dakota retail customers for the same one year time period using the previously-described methodology, the amount under-credited would be added to the following year's margin amount thereby increasing the margin credit to reflect that adjustment. Any differences between actual and credited wholesale sales margins would be deferred and booked in a balancing account until a specified amount accumulates or for a specified time period after which rate adjustments are made;

5) Interest would be accrued on deferrals;

6) Rate changes mandated by changes in the wholesale sales margins credits would be recovered by an "equal-cents-per–kWh" allocation;

7) The sharing mechanism would go into effect concurrently with the proposed retail rates of the Company.

8) Any credits associated with the sharing mechanism would be applied to the customers' monthly billings as a separate line item on the customers' bill.

This would make the sharing mechanism easy to administer, minimize the impact on the Company's administrative and accounting functions, facilitate the regulatory reporting and tracking requirements, and would not require any major programming changes for the Company.

9) The Company's share of the wholesale sales margins will be booked in FERC Account 417.0 as a "below-the-line" entry. These revenues would not be included in any determination of the Company's regulated earned rate of return.

Q. Please describe why a sharing mechanism is reasonable and in the public interest.

A. A sharing mechanism of the type proposed herein is appropriate if the expense or revenue item to be included in rates is volatile and somewhat unpredictable. This characterization is true of the wholesale market for excess energy. A sharing mechanism as proposed here will ensure that the Company and its customers will share appropriately in the risks and rewards associated with such a market.

It is recognized that wholesale sales of excess energy, which are not subject to the Commission's jurisdiction or control, can only be made through the use of facilities and plant included in the determination of retail rates. Accordingly, retail customers should receive some contribution or benefit from wholesale sales margins.

There should also be an incentive and reward to the Company in making surplus or wholesale sales regardless of the quantity of such sales. This can be accomplished by either estimating wholesale sales and margins while calculating

revenue requirements and retail rates or establishing a sharing mechanism as proposed herein which will track the actual wholesale sales margins achieved without the need for an estimating process. I believe the latter is the most appropriate because it eliminates the use of estimates in the calculation of jurisdictional revenue requirements, it is relatively easy to administer and will provide the Commission with timely opportunities to adjust the MCA as wholesale market conditions change.

Attempting to impute contributions from an estimated level of wholesale sales margins into retail rates can negatively impact both the Company and retail customers. If the margins are underestimated, retail customers are disadvantaged because retail rates receive no contribution from wholesale sales above the estimate. On the other hand, if the levels of wholesale sales margins are overestimated, the Company is disadvantaged because it is denied a realistic opportunity to earn a fair rate of return on its jurisdictional rate base as a result of events which are subject to volatility. With a reasonable sharing mechanism, the Company is appropriately rewarded for its efforts to pursue and secure markets for its excess energy and retail customers receive a contribution from each and every kWh of wholesale sales successfully made by the Company. A sharing mechanism that provides a contribution to retail rates of 60 percent of the margins after direct expenses with the Company retaining 40 percent of the net margin provides an appropriate and equitable sharing with a proper benefit and incentive to both customers and the Company to encourage the optimal surplus sales levels and is in the public interest.

For these reasons, I am proposing a sharing mechanism that is; (1) based entirely on actual wholesale sales margins earned rather than estimates of possible wholesale sales; (2) contains simple criteria for splitting or sharing the actual earned wholesale sales margins between the Company and its customers; and (3) goes into effect concurrent with the new retail rates and rate levels established in this proceeding.

Q. Have you included wholesale sales revenues or margins in your cost of service study?

A. No I have not. I prepared the jurisdictional separation study and North Dakota revenue deficiency and revenue requirements study filed in this case without including opportunity or wholesale sales revenues and without the incremental power supply costs that would be incurred to generate or supply the surplus energy.

Q. Please describe how you calculated the North Dakota jurisdictional net revenue deficiency in this proceeding.

A. The jurisdictional revenue deficiency calculated in accordance with the criteria I described above is shown, in part, on page 1 of Cost of Service Statement L or Exhibit No. __ (LAC-9). The amount of the revenue deficiency before any adjustment to reflect the revenue credits associated with the Company's proposed sharing mechanism is $10,163,000 as shown on page 1 of Exhibit No.__ (LAC-9). Based on the Company's proposed sharing mechanism, the amount of the revenue credit that would be used to reduce or offset a portion of this revenue deficiency is $2,379,000 and is shown on Page 1 of Exhibit No. __

(LAC-13). In this case, the Company's proposed sharing mechanism reduces the North Dakota revenue deficiency by 23.4 percent resulting in a net North Dakota jurisdictional revenue deficiency of $7,784,000 which is also shown on Page 1 of Exhibit No. __ (LAC-13). This net revenue deficiency amounts to an approximate 9.076 percent increase over current rates.

It should also be noted that the jurisdictional revenue requirement for the Company's North Dakota retail electric jurisdiction is $95,930,500 as shown on Page 4 of Exhibit No. __ (LAC-9). This represents the revenue to be collected by the retail electric rates proposed by the Company in this proceeding.

Q. Please describe Exhibit No. __ (LAC-13).

A. Exhibit No. __ (LAC-13) details the calculation of actual wholesale sales margins for the total Company and for the Company's North Dakota jurisdiction. This two-page exhibit summarizes the Company's actual wholesale sales transactions by month for the 12 months ending December 31, 2002. As noted on Page 1 of this exhibit, the Company's total system actual wholesale sales margins for the 12-month period ending December 2002 is $5,982,700.

I have also included the actual allocated wholesale sales margins for the North Dakota jurisdiction on Page 2 of Exhibit No. __ (LAC-13). The total North Dakota jurisdiction actual allocated wholesale sales margins, before applying the 60 percent sharing criteria previously mentioned, amounts to $3,965,000 or approximately 66.27 percent of the total Company wholesale sales margins. Applying the North Dakota jurisdictional percentage of 66.27 to the 60 percent Customer Portion of the total wholesale sales margins of $3,589,600, results in a

North Dakota jurisdictional revenue credit in the amount of $2,379,000 as shown on Page 1 of this exhibit. The bottom of Page 1 of this exhibit shows the calculation of the net revenue requirement of $7,784,000 as previously described.

Q. Does this conclude your direct testimony in this proceeding?

A. Yes it does.

Exhibit No. __ (LAC-1)

APPENDIX A

Professional Experience of Larry A. Crowley

H. Zinder & Associates, Inc. **May 2002 to Present**

H. Zinder & Associates provides professional consulting services to the energy and regulated utility industries with emphasis on ratemaking, economics, finance and accounting matters.

Senior Regulatory Consultant

Responsibilities include preparation of regulatory studies including cost of service studies, rate design studies, provide litigation support, provide assistance for strategic planning initiatives and studies, and prepare analysis for proposed mergers and acquisitions.

Wisconsin Electric Power Company, State Regulatory Affairs **June 2001 to 2002**

I was contracted to prepare a series of regulatory studies for the company. These studies included (1) an unbundled cost study for the company's Michigan jurisdiction retail customers which was filed with the Michigan Public Service Commission; (2) a jurisdictional separation study for the company's FERC jurisdiction including revenue deficiency and revenue requirements for each of the company's FERC customers; and (3) an unbundled cost study for each of the FERC customers at issue for filing with the FERC. In addition, I designed and developed a PC-based jurisdictional separation study/model for use by the company to determine its regulatory strategies for each budget or fiscal year. I also prepared a multi-jurisdictional cost study (including testimony and exhibits) to calculate the revenue requirements associated with the company's participation in a Regional Transmission Organization (RTO). Finally, I prepared an outline for a renewable energy plan for inclusion with the company's most recent resource plan filed with the Wisconsin Public Service Commission.

Washington Group International **October 1999 to June 2001**

The Washington Group International (WGI) is the fourth largest engineering and construction company in the United States. The merger of Morrison Knudsen and Raytheon Engineers and Constructors formed WGI. WGI has annual revenues of approximately $5 billion and 38,000 employees located in 40 countries.

Director Project Development

Contract position reporting directly to the Executive Vice President of the International Group of the Infrastructure and Mining business unit. Responsible for identifying and developing new project opportunities for Morrison Knudsen International (Predecessor Company to Washington Group International) with emphasis on infrastructure projects in the United States and Latin America. Activities included analysis of various energy projects for presentation to senior management of the company. I was also responsible for identifying and developing strategic alliances and potential partners for infrastructure projects located in the United States and Latin America.

Idaho Power Resources Corporation (IdaTech) **July 1996 to October 1999**

A wholly owned subsidiary of Idaho Power Company, responsible for developing domestic and international non-regulated business initiatives to provide future revenue and earnings growth.

President

Established, organized and led a new independent business division including establishment of the entity, selection and training of staff, systems implementation and day-to-day management of the entity. The entity consisted of eight engineers, economists and technologists. I was also responsible for $3.5 million annual operating budget for preparation of strategic plans, business plans including due diligence and analysis for mergers and acquisitions, and research, development and deployment of new technologies such as PEM fuel cells and solar energy systems.

- Developed extensive business plans for energy-related projects in Brazil, Argentina, Peru and Indonesia, including acquisitions of operating electric distribution systems, new and existing hydroelectric generating projects, information and communication technologies, and the application

of renewable energy technologies in remote areas of developing countries. Plan formulation was accomplished by identification of specific and unique market opportunities through personal contacts and research.

- Marketed the capabilities of Idaho Power Company and its subsidiaries to various South American entities resulting in first year sales of $4.5 million.
- Responsible for formulating strategies and directing the due diligence related to the acquisition of various unregulated subsidiaries with annual revenues in excess of $18.0 million.
- Negotiated a Memorandum of Understanding with the Ministry of Energy of Brazil to examine the possibilities of developing large-scale electrification projects in the remote areas of Brazil.
- Negotiated an exclusive Memorandum of Understanding with the Government of Indonesia for the provision of energy services in the remote areas of Indonesia under the jurisdiction of the Ministry of Transmigration.
- Participated in a number of high-level trade missions to South America representing domestic energy interests. These trips to Brazil, Argentina, Bolivia and Peru were sponsored by the US Agency for International Development and other industry-specific trade associations such as the US National Hydropower Association and the US Export Council for Renewable Energy.

Honors

- Invited by the Minister of Energy of Brazil to attend the first annual conference held in Brazil on renewable energy and energy efficiency and to participate as a panelist at that conference.
- Co-hosted the 1997 Renewable Energy in the Americas Conference (REIA 97) with the Minister of Energy of Brazil. This conference was held in Rio de Janeiro in July 1997 and attended by over 350 senior representatives for North, Central and South American energy companies, utilities, government agencies, NGOs and multilateral financing organizations.
- Invited by the US Department of Energy and then-Secretary of Energy Hazel O'Leary to participate as a panelist/presenter at the Second Annual Meeting of the Energy Ministers of the Western Hemisphere - August 1997.
- Invited to travel with US Secretary of Commerce (Daley) as a member of a trade mission to Brazil, Argentina and Chile - May 1997.

- Invited to travel with the US Secretary of Energy (Pena) to the Third Annual Meeting of the Energy Ministers of the Western Hemisphere held in Caracas, Venezuela in January 1998, and to participate on various discussion panels during the conference.
- Invited to participate at a number of international renewable energy conferences hosted by The World Bank and the US Agency for International Development.

IdaCorp (Idaho Power Company) **March 1979 to October 1999**

IdaCorp is the recently formed holding company that is the parent organization for Idaho Power Company, an investor-owned electric utility with 2001 revenues of $821.0 million, total plant investment of approximately $3.0 billion and over 410,000 customers.

Senior Manager, Strategic Planning January 1991 to October 1999

As Senior Manager of Strategic Planning, I reported directly to the Chairman of the Board and CEO of the company. I was responsible for directing all corporate strategic planning activities of the company, including regulatory initiatives and merger and acquisition activities. I was responsible for the preparation of the annual economic forecast used by the major business units of the company in the preparation of their annual business plans, operating budgets and capital requirements. I was also responsible for overseeing the company's research and development programs and projects dealing with new technologies or improvements in operating practices.

- Developed a rate mechanism that tracks and recovers changes or fluctuations in the company's cost of production (PCA), including formulation of the concept, plan and the regulatory strategy to secure approval of the regulatory commissions.
- I directed the litigation team that participated in the PacifiCorp/Utah Power merger appearing before the Idaho PUC and the Federal Energy Regulatory Commission. Negotiated the settlement agreement between the parties, resulting in significant benefits to Idaho Power Company including firm transmission service in Utah, ownership of a major strategic substation, additional transmission revenue and favorable resolution of a number of pending regulatory disputes.
- Negotiated a comprehensive transmission services agreement between the company and Bonneville Power Administration that resulted in additional annual revenues of approximately $1.5 million.
- Identified new business opportunities for the company and prepared the requisite business plans and analysis.

Honors

- Recognized for developing Idaho Power Company's innovative "first-of-its-kind" solar energy program that won unanimous approval from the regulatory commissions. This effort established Idaho Power as an international leader with renewable energy technologies.
- Selected to chair the Organizing Committee for the highly acclaimed 1995 International Executive Conference sponsored by the International Energy Agency and hosted by Idaho Power Company.
- Selected by the US Department of Energy to represent the United States on the Organizing Committee for the 1999 International Executive Conference on Photovoltaics that was organized under the auspices of the International Energy Agency.

Manager, Power Management 1986 to 1991

- Responsible for the management of a department consisting of 45 senior level engineers, analysts and technical experts dealing with generation resource planning, transmission system planning, wholesale power marketing and wholesale bilateral contract development and

administration.

- Responsible for directing all regulatory activities with the Federal Energy Regulatory Commission dealing with wholesale power and transmission services rates, terms and conditions

and related contract approvals.

- Responsible for negotiating wholesale power contracts and transmission service agreements that generated $40MM in annual revenues and rates of return for Idaho Power exceeding the average ROR for the company by 500 to 600 basis points.

Manager of Rates and Regulatory Affairs 1979 to 1986

- Responsible for preparing all materials required for the company's rate filings before the Idaho, Oregon and Nevada state regulatory commissions having jurisdiction over the company, as well as the Federal Energy Regulatory Commission.
- Developed a multi-jurisdictional cost-of-service/revenue requirements model that was accepted by all state and federal commissions having jurisdiction over the company.
- Developed a series of innovative class cost of service and rate design models.
- Developed and directed a load research program for the company.

Wisconsin Electric Power Company **1978 to 1979**

Project Coordinator, Rate Department

I was responsible for all rate and regulatory filings before the Wisconsin and Michigan Public Utility Commissions and the Federal Energy Regulatory Commission. These activities included preparing jurisdictional separation and revenue requirement studies, cost-of-service studies, rate design studies, load research information and the testimony related to these studies as required by the commissions in support of retail and wholesale rate filings. I developed the first computerized cost-of-service model for the company that was accepted by all three commissions having jurisdiction over the company.

Southeast Colorado Power Association **1971 to 1978**

General Manager

I was the Chief Operating Officer of an electric distribution company with 80 employees. Responsible to the Board of Directors for all matters relating to the operation of the company including financial planning, marketing, budgeting, quality of service and all regulatory proceedings before the Colorado Public Utilities Commission.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Determination of Additional Revenue Requirements
(X000)

Determination of North Dakota Revenue Deficiency

Description	Total Company	North Dakota	All Other
Total Average Electric Rate Base	227,527.5	143,596.8	83,930.7
Total Operating Revenues			
Total Sales Revenues	142,367.0	85,767.5	56,599.5
Opportunity Sales Revenues	-	-	-
Other Operating Revenues	4,661.8	2,776.3	1,885.5
Total Revenues	147,028.8	88,543.8	58,485.0
Total Operating Expenses			
Operation & Maintenance Expenses	103,523.6	60,869.5	42,654.1
Depreciation Expense	21,163.8	13,302.7	7,861.1
Taxes Other Than Income Taxes	8,172.8	4,580.2	3,592.6
Total Operating Expenses	132,860.2	78,752.3	54,107.9
Utility Operating Income Before Taxes	14,168.6	9,791.5	4,377.1
Income Taxes:			
Federal	2,937.0	1,941.9	995.1
State	462.0	423.4	38.6
Deferred Income Taxes	(1,837.0)	(1,050.0)	(787.0)
Total Operating Expenses	134,422.2	80,067.7	54,354.6
Total Operating Income	12,606.6	8,476.1	4,130.4
Return Before Adjustments			
Earned Rate of Return - %	5.541%	5.903%	4.921%
Required Rate of Return - %	10.177%	10.177%	10.177%
Return at Required Rate of Return	23,155.3	14,613.7	8,541.5
Income Deficiency	10,548.7	6,137.6	4,411.1
Revenue Deficiency - Multiplier	1.6482	1.6559	1.6376
Revenue Deficiency-$	17,386.5	10,163.0	7,223.5
Percent Increase Required	12.212%	11.849%	12.762%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Determination of Additional Revenue Requirements
(X000)

Average Electric Rate Base - North Dakota

Description	Total Company	North Dakota	All Other
Average Electric Plant in Service	638,113.0	413,897.5	224,215.4
Accumulated Provision for Depreciation	355,982.4	233,653.3	122,329.0
Net Electric Plant in Service	282,130.6	180,244.2	101,886.4
Other Rate Base Items - Additions:			
Fuel Stocks	1,913.2	1,263.2	650.0
Prepayments-Insurance	658.7	426.6	232.1
Materials & Supplies	5,387.6	3,486.4	1,901.3
Total Additions	7,959.5	5,176.2	2,783.3
Total Rate Base Before Deductions	290,090.1	185,420.4	99,103.1
Other Rate Base Items - Deductions:			
Customer Advances	1,147.7	9.9	1,137.8
Accumulated Deferred ITCs	2,254.5	1,691.7	562.8
Accumulated Deferred Income Taxes	59,160.4	40,122.0	19,038.4
Total Deductions	62,562.6	41,823.6	20,739.0
Total Average Electric Rate Base	227,527.5	143,596.8	83,930.7

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Determination of Additional Revenue Requirements
(X000)

Earned Rate of Return with Additional Revenue Requirements

Description	ROR Before Additional Revenues	Proposed Additional Revenues	ROR With Additional Revenues
Total Average Electric Rate Base	143,596.8		143,596.8
Total Operating Revenues			
Total Sales Revenues	85,767.5	10,163.0	95,930.5
Opportunity Sales Revenues	-	-	-
Other Operating Revenues	2,776.3	-	2,776.3
Total Revenues	88,543.8	10,163.0	98,706.8
Total Operating Expenses			
Operation & Maintenance Expenses	60,869.5	-	60,869.5
Depreciation Expense	13,302.7	-	13,302.7
Taxes Other Than Income Taxes	4,580.2	-	4,580.2
Total Operating Expenses	78,752.3	-	78,752.3
Utility Operating Income Before Taxes	9,791.5		19,954.4
Income Taxes:			
Federal	1,941.9	3,304.9	5,246.8
State	423.4	720.6	1,144.0
Deferred Income Taxes	(1,050.0)	-	(1,050.0)
Total Operating Expenses	80,067.7	4,025.4	84,093.1
Total Operating Income	8,476.1	6,137.6	14,613.7
Earned Rate of Return	5.903%		10.177%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Actual Wholesale Sales Margins
For the 12 Months Ending December 31, 2002

	Wholesale MWhs	Total Company Total Revenues	Total Company Total Expenses	Total Company Margins
January, 2002	92,964.0	$ 1,644.1	$ 1,022.3	$ 621.8
February	58,020.0	996.5	620.9	375.6
March	75,613.0	1,446.1	826.1	620.0
April	70,366.0	1,470.5	742.2	728.3
May	68,254.0	1,294.0	752.7	541.3
June	61,172.2	1,052.2	729.3	322.9
July	46,204.7	1,110.1	612.9	497.2
August	69,905.0	1,338.3	805.0	533.3
September	37,476.5	698.8	535.7	163.1
October	32,582.1	660.8	476.5	184.3
November	92,868.0	1,899.7	1,207.0	692.7
December	79,104.0	1,751.9	1,049.7	702.2
Totals	784,529.5	$ 15,363.0	$ 9,380.3	$ 5,982.7

Proposed Sharing Mechanism Percentages:

Customer Percentage:	60.00%	$ 3,589.6
Company Percentage:	40.00%	2,393.1
Totals	100.00%	$ 5,982.7

Allocation to North Dakota Jurisdiction:

North Dakota Allocation of Customer Portion:	66.27%
North Dakota Allocation of Wholesale Sales Margins:	$ 2,379.0

North Dakota Net Revenue Deficiency:

North Dakota Revenue Deficiency - Cost of Service Statement L:	$ 10,163.0
Less: North Dakota Allocation of Wholesale Sales Margins	(2,379.0)
Total Net Revenue Deficiency for North Dakota	$ 7,784.0
Total Test Period Sales Revenues Under Current Rates -	$ 85,767.5
Total Net Revenue Deficiency for North Dakota - %	9.076%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Actual Wholesale Sales Margins
For the 12 Months Ending December 31, 2002

	North Dakota Jurisdiction		
	Total Revenues	Total Expenses	Margins
January, 2002	$ 1,089.6	$ 677.5	$ 412.1
February	660.4	411.5	248.9
March	958.4	547.5	410.9
April	974.6	491.9	482.7
May	857.6	498.8	358.8
June	697.4	483.3	214.1
July	735.7	406.2	329.5
August	886.9	533.5	353.4
September	463.1	355.0	108.1
October	437.9	315.8	122.1
November	1,259.0	799.9	459.1
December	1,161.0	695.7	465.3
Totals	$ 10,181.6	$ 6,216.6	$ 3,965.0

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
Original Sheet No. __

MARGIN CREDIT ADJUSTMENT Rate 57

1) Applicability:

This schedule is applicable to the electric energy delivered to all North Dakota retail customers served under Company electric rate schedules. There shall be adjusted from the net monthly bill computed according to the applicable electric retail rate schedule, a credit based on the allocated Wholesale Sales Margins earned by the Company for a defined 12-month period that are applicable to the Company's North Dakota jurisdiction.

2) Wholesale Sales Margin Credit Adjustment:

The Wholesale Sales Margin Credit Adjustment ("Margin Credit Adjustment" or "MCA") is computed by dividing the Company's actual Wholesale Sales Margins for a defined 12-month period, as allocated to the Company's North Dakota retail electric jurisdiction ("Margin Credit Amount"), by the total actual North Dakota jurisdictional retail energy sales for the same defined 12-month period. The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the defined 12-month as herein defined.

This credit adjustment shall be calculated annually and shall be based on the Wholesale Sales Margins earned by the Company for the most immediately available 12-month period during which the Company made wholesale transactions. The Company shall file with the Commission at least thirty days prior to making an adjustment, a Notice setting forth the Margin Credit Adjustment or MCA calculated for the most recent 12-month period. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of the month following the Notice period, unless otherwise ordered by the Commission.

The MCA will be credited by use of an "equal-cents-per-kWh" rate structure.

3) True-up:

The difference, if any, between the jurisdictional total annual Wholesale Sales Margins earned by the Company and credited to North Dakota retail customers during a 12-month period and the Wholesale Sales Margins credited to North Dakota retail customers during that 12-month period through the MCA, shall be deferred and used to adjust subsequent MCA credits. For example, if the amount credited to North Dakota retail customers under the MCA is less than the retail customer portion of the allocated

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State of North Dakota
Electric Rate Schedule

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MARGIN CREDIT ADJUSTMENT Rate 57

jurisdictional Wholesale Sales Margins earned by the Company during the same time period, the subsequent MCA calculation shall be modified to include the amount under-credited. If the actual amount credited to the North Dakota retail customers under the MCA is more than the Wholesale Sales Margin earned by the Company and allocated to North Dakota retail customers, the subsequent MCA calculation shall be reduced by the amount previously over-credited. Any such differences shall accrue interest while deferred.

4) Adjustments:

Montana-Dakota may file an adjustment to the MCA to reflect changes in the wholesale sales markets and resulting Wholesale Sales Margins when the amount of the change in the MCA is at least 25 percent more or less than the currently effective MCA.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Calculation of Margin Credit Adjustment (MCA)
Based On Actual Wholesale Sales Margins
For the 12 Months Ending December 31, 2002

	Wholesale MWhs	Total Company Total Revenues	Total Company Total Expenses	Total Company Margins
January, 2002	92,964.0	$ 1,644.1	$ 1,022.3	$ 621.8
February	58,020.0	996.5	620.9	375.6
March	75,613.0	1,446.1	826.1	620.0
April	70,366.0	1,470.5	742.2	728.3
May	68,254.0	1,294.0	752.7	541.3
June	61,172.2	1,052.2	729.3	322.9
July	46,204.7	1,110.1	612.9	497.2
August	69,905.0	1,338.3	805.0	533.3
September	37,476.5	698.8	535.7	163.1
October	32,582.1	660.8	476.5	184.3
November	92,868.0	1,899.7	1,207.0	692.7
December	79,104.0	1,751.9	1,049.7	702.2
Totals	784,529.5	$ 15,363.0	$ 9,380.3	$ 5,982.7

Proposed Sharing Mechanism Percentages:

Customer Percentage:	60.00%	$ 3,589.6
Company Percentage:	40.00%	2,393.1
Totals	100.00%	$ 5,982.7

Allocation to North Dakota Jurisdiction:

North Dakota Allocation of Customer Portion:	66.27%
North Dakota Allocation of Wholesale Sales Margins:	$ 2,379.0
North Dakota Retail Sales - TY 2003 (MWh)	1,338,385
North Dakota Retail Margin Credit Adjustment (MCA) per kWh	$ 0.0017775

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Calculation of Margin Credit Adjustment (MCA)
Based On Actual Wholesale Sales Margins
For the 12 Months Ending December 31, 2002

	North Dakota Jurisdiction		
	Total Revenues	**Total Expenses**	**Margins**
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Totals	$ 10,181.6	$ 6,216.6	$ 3,965.0

Exhibit No.___(JSG-1)

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

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

CASE NO. PU-399-_____

PREPARED DIRECT TESTIMONY OF

J. STEPHEN GASKE

Q1. Please state your name, position and business address.

A. My name is J. Stephen Gaske and I am President of Zinder Companies, Inc., 7508 Wisconsin Avenue, Suite 300 Bethesda, MD 20814.

Q2. Would you please describe your educational and professional background?

A. I hold a B.A. degree from the University of Virginia and an M.B.A. degree with a major in finance and investments from George Washington University. I also received a Ph.D. degree from Indiana University where my major field of study was public utilities and my supporting fields were in finance and economics.

From 1977 to 1980, I worked for H. Zinder & Associates as a research assistant and later as supervisor of regulatory research. In 1980 and 1981, I was employed by Olson and Company where my primary duties were to assist in the preparation of cost of capital studies for presentation in regulatory proceedings.

From 1982 to 1986 I undertook graduate studies in economics and finance at Indiana University where I also taught courses in public utilities, transportation, and physical distribution. During this time I also was employed as an independent consultant on a number of projects involving public utility regulation, rate design, and cost of capital. From 1983-1986 I was coordinator for the Edison Electric Institute Electric Rate Fundamentals course. In 1986 I accepted an appointment as

assistant professor at Trinity University in San Antonio, Texas, where I taught courses in financial management, investments, corporate finance, and corporate financial theory.

In 1988 I returned to H. Zinder & Associates as a consultant. I have testified or filed testimony or affidavits before the Federal Energy Regulatory Commission on more than twenty occasions. Topics covered in these submissions have included rate of return, capital structure, cost allocation, rate design, and market power. I also have filed testimony on the cost of capital and capital structure issues for electric, gas distribution and oil and gas pipeline operations before seven state regulatory bodies and the Comision Reguladora de Energia de México ("CRE"). In addition, I have testified on rate design and pricing issues before the Maine Public Utilities Commission, the Iowa Utilities Board and the Postal Rate Commission, and on issues related to generating plant economics before the Wisconsin Public Service Commission. I have conducted many studies on issues related to regulated industries and have served as an advisor to numerous clients on economic, competitive and financial matters. I also have spoken and lectured before many professional groups including the American Gas Association and the Edison Electric Institute Rate Fundamentals courses. Finally, I am a member of the American Economic Association and its Transportation and Public Utilities Group, the Financial Management Association, and the AGA Rate Committee.

I. INTRODUCTION

Scope and Overview

Q3. What is the scope of your testimony in this proceeding?

A. I have been asked by Montana-Dakota Utilities Co. ("Montana-Dakota") to evaluate the required overall rate of return for the company's electric utility operations in the state of North Dakota and to estimate the cost of common equity capital for those operations. In this testimony, I calculate the cost of common equity capital for Montana-Dakota's electric utility operations based on a Discounted Cash Flow ("DCF") analysis of a group of proxy companies that have risks similar to those of Montana-Dakota's North Dakota electric utility operations. The results of this DCF study are supported by various benchmark criteria that I have used to test the reasonableness of the DCF study results.

In addition, I have been asked to prepare a class cost of service study and to develop an appropriate rate design for collecting Montana-Dakota's cost of service from the customers. In connection with this assignment, I am sponsoring Statements G and M of this rate filing, as well as the new tariff sheets that are being proposed.

Q4. Would you please summarize your testimony?

A. Section II of this testimony describes my study of the rate of return required by Montana-Dakota. The cost of common equity is determined by use of a Discounted Cash Flow ("DCF") analysis of a group of electric utility proxy companies with risks similar to those of Montana-Dakota's electric utility operations. In comparing the risks of Montana-Dakota's electric operations with

the overall risks of the companies in the proxy group, I conclude that Montana-Dakota faces above-average overall risks relative to the other electric companies. This analysis indicates that Montana-Dakota has high business and regulatory risks that are only partially offset by somewhat below average financial risks. The overall conclusion of my studies indicates that Montana-Dakota requires a rate of return on common equity of 11.75 percent at this time.

Section III of my testimony describes the Class Cost of Service study that I conducted, as well as the rate design and tariff changes that are being proposed by Montana-Dakota in this proceeding. Because it has been nearly 17 years since the base period of the class cost of service study that formed the basis of the current rates, there have been some significant changes to the class cost responsibilities. Some of these changes are dictated by the fact that during the past 20 years, Montana-Dakota has gone from being a bi-modal-peaking utility to being a decidedly summer-peaking utility.

In addition, many of the current rate schedules and rate designs no longer reflect the costs of providing service. Consequently, the company is proposing to discontinue a number of rate schedules in the tariff and move customers on these rate schedules to other existing rate schedules. Most of the rate schedules that would be discontinued have relatively small numbers of customers and have been closed to new customers for at least 16 years. This consolidation and simplification of rate schedules will facilitate rate administration and provide a better reflection of costs.

Several changes to rate design are also being proposed so as to better reflect the manner in which costs are incurred and to more appropriately assign cost responsibility to individual customers. In this regard, a seasonal rate differential is being proposed so that the rates will reflect the higher costs of providing service during summer peak periods and the relatively lower costs of providing service during the fall, winter and spring off-peak periods. In order to better reflect the fixed costs of providing generation, transmission and distribution facilities that provide customers with access to the network, and also to better reflect the cost of providing electric energy, the proposed rates collect a significantly greater portion of the cost of service through the base charge for service. This rate design change reduces the amount of fixed costs that would otherwise need to be collected through energy charges and/or demand charges, thus more closely reflecting the incremental costs of energy consumption.

Q5. What is the magnitude of Montana-Dakota's requested rate increase?

A. Montana-Dakota last filed a general rate proceeding for its North Dakota electric operations in 1986 and those rates became effective in 1987. In the intervening years, the effective level of Montana-Dakota's rates has declined steadily in real-dollar terms as inflation has increased wages and the cost of most other goods and services. As a result of holding electric rates steady while inflation progressed, Montana-Dakota's rates today are at least 37 percent lower in real-dollar terms than they were in 1986. In this proceeding Montana-Dakota is proposing to increase its rates by 9.1 percent. After this rate increase, Montana-

Dakota's rates will still be approximately 33 percent lower in real, or inflation-adjusted, dollars than they were after the last general rate case in 1987.

Company Background

Q6. Would you please describe Montana-Dakota's operations and those of its parent company, MDU Resources Group, Inc.?

A. Montana-Dakota is a wholly-owned division of MDU Resources Group, Inc. ("MDU Resources") that is engaged in the generation, transmission and distribution of electricity, and the distribution of natural gas, in the states of North Dakota, Montana, South Dakota and Wyoming. Through other divisions and subsidiaries, MDU Resources is engaged in natural gas exploration, production and transmission and also produces and markets aggregates and other construction materials. MDU Resources also has subsidiaries engaged in utility infrastructure construction and a recently acquired division, Great Plains Natural Gas Company, distributes natural gas in southeastern North Dakota and western Minnesota.

In 2002, Montana-Dakota served a total of 116,000 residential, commercial and industrial electric customers. As shown on Exhibit No. ___ (JSG-2), Schedule 2, page 1, Montana-Dakota's electric assets comprised 10.6 percent of MDU Resources' total assets. In addition, the electric utility revenues and operating income accounted for 8.0 percent and 12.8 percent of MDU Resources' total, respectively. North Dakota accounted for 60 percent of the electric utility operating revenues, while Montana (23 percent), South Dakota (7 percent) and Wyoming (10 percent) accounted for the other 40 percent of electric utility revenues.

Most of Montana-Dakota's generation is derived from four coal-fired steam turbine generating stations. In addition, it has three combustion turbine peaking stations and currently has another gas turbine unit, Glendive No. 2, under construction. When the Glendive No. 2 unit is completed, the total generating capacity owned by the company will be approximately 473 MW.

II. REQUIRED RATE OF RETURN

Q7. What rate of return is Montana-Dakota requesting in this proceeding?

A. Based on its test period allocated electric utility capital structure, Montana-Dakota is requesting the following rate of return:

Source	Amount (000s)	Percent	Cost	Overall Rate of Return
Long-Term Debt	$145,100.0	44.674%	9.027%	4.033%
Preferred Stock	$16,250.0	5.003%	4.622%	0.231%
Common Equity	$163,446.7	50.323%	11.750%	5.913%
TOTAL	$324,796.7	100.00%		10.177%

As my testimony discusses, an overall allowed rate of return of 10.177 percent, with an 11.75 percent return on common equity, represents the cost of capital for Montana-Dakota.

Criteria for a Fair Rate of Return

Q8. Please describe the criteria which should be applied in determining a fair rate of return for a regulated company?

A. The United States Supreme Court has provided general guidance regarding the level of allowed rate of return that will meet constitutional requirements. In

Bluefield Water Works & Improvement Company v. Public Service Commission of West Virginia (262 U.S. 679, 693 (1923)), the Court indicated that:

> "The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally."

The Court has further elaborated on this requirement in its decision in *Federal Power Commission v. Hope Natural Gas Company (320 U.S. 591, 603 (1944)).* There the Court described the relevant criteria as follows:

> "From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock.... By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."

Thus, the standards established by the Court in *Hope* and *Bluefield* consist of three requirements. These are that the allowed rate of return should be:

1. commensurate with returns on enterprises with corresponding risks;
2. sufficient to maintain the financial integrity of the regulated company; and,
3. adequate to allow the company to attract capital on reasonable terms.

These legal criteria will be satisfied best by employing the economic concept of the "cost of capital" or "opportunity cost" in establishing the allowed rate of return on common equity. For every investment alternative, investors consider the risks attached to the investment and attempt to evaluate whether the return they expect to earn is adequate for the risks undertaken. Investors also consider whether there might be other investment opportunities that would provide a better return relative to the risk involved. This weighing of alternatives and the highly competitive nature of capital markets causes the prices of stocks and bonds to adjust in such a way that investors can expect to earn a return that is just adequate for the risks involved. Thus, for any given level of risk there is a return that investors must expect in order to induce them to voluntarily undertake that risk and not invest their money elsewhere. That return is referred to as the "opportunity cost" of capital or "investor required" return.

Q9. How should a fair rate of return be evaluated from the standpoint of consumers and the public?

A. The same standards should apply. When a regulated entity faces competition, consumers will implicitly determine the fair rate of return by their consumption decisions. When regulation is appropriate, consumers and the public have a long-term interest in seeing that the regulated company has an opportunity to earn returns that are not so high as to be excessive, but that also are sufficient to encourage continued replacement and maintenance, as well as needed expansions, extensions, and new services. Thus, the consumer and public interest also lies in establishing a return that will readily attract capital without being excessive.

Q10. How are the costs of preferred stock and long-term debt determined?

A. For purposes of setting regulated rates, the current, embedded costs of preferred stock and long-term debt are used in order to ensure that the company receives a return that is sufficient to pay the fixed dividend and interest obligations that are attached to these sources of capital.

Q11. How is the cost of common equity determined?

A. The practice in setting a fair rate of return on common equity is to use the current market cost of common equity in order to ensure that the return is adequate to attract capital and is commensurate with returns available on other investments with similar levels of risk. The current market cost of capital for securities that pay a fixed level of interest or dividends is relatively easy to determine. For example, the current market cost of debt for publicly-traded bonds can be calculated as the yield-to-maturity, adjusted for flotation costs, based on the current market price at which the bonds are selling. In contrast, because common stockholders receive only the residual earnings of the company, there are no fixed contractual payments which can be observed. This high degree of uncertainty associated with the dividends that eventually will be paid greatly complicates the task of estimating the cost of common equity capital. For purposes of this testimony, I have relied on several analytical approaches for estimating the cost of common equity. My primary approach relies on several DCF analyses. In addition, I have conducted Risk Premium and Alternative Equity Investment analyses in order to establish benchmarks for a reasonable rate of return. Each of these approaches are described later in this testimony.

Cost of Debt

Q12. What debt cost rates have you used for Montana-Dakota?

A. Calculation of the overall cost of long-term debt and the effective cost of each of the long-term debt issues is shown in the Prepared Direct Testimony of Craig Keller, the Controller for Montana-Dakota.

Q13. What cost of preferred stock did you use?

A. Montana-Dakota's annual cost of preferred stock is 4.622 percent, as shown also in the Prepared Direct Testimony of Craig Keller.

A. Financial Market Studies

Q14. What are the general economic factors that affect the cost of capital?

A. Investors are often influenced by their perceptions of the economy and both short- and long-term trends. Page 1 of Schedule 1 of Exhibit No.___(JSG-2) shows various general economic statistics. The economy has had a record of persistent growth during the past thirty years, with only temporary recessionary periods. Real growth in the Gross Domestic Product ("GDP") has averaged 3.1 percent annually during the past 30 years, 3.1 percent for the past 20 years and 3.2 percent for the past ten years. After shrinking during the first three quarters of 2001, the economy has been growing slowly lately but there are mixed signals such as a decline in employment, that another recession may be occurring. Utility stock prices in general have increased recently, but many utilities still have stock prices that are well below the levels achieved prior to September 11, 2001. During the past 2 years there has

been an increase in the perceived risk of common equity investments and also an increase in the perceived risk of utility investments.

Investors also are influenced by the level of inflation, which has been persistent in the past. During the past decade, the Consumer Price Index has increased at an average annual rate of 2.6 percent and the GDP Implicit Price Deflator, a measure of price changes for all goods produced in the United States, has increased at an average rate of 1.9 percent.

Companies attempting to attract common equity must compete with a variety of alternative investments. Prevailing interest rates provide a standard measure of returns currently available on less risky securities. As Page 2 of Schedule 1 of Exhibit No. ___(JSG-2) shows, long-term interest rates have remained relatively stable during the past two years. The recent yields on A-rated public utility bonds have been approximately 7.0 percent and the yields on Baa-rated public utility bonds have been approximately 7.5 percent.

Discounted Cash Flow ("DCF") Method

Q15. Please describe the DCF method of estimating the cost of common equity capital.

A. The DCF method reflects the assumption that the market price of a share of stock represents the discounted present value of the stream of all future dividends that investors expect the firm to pay. The DCF method suggests that investors in common stocks expect to realize returns from two sources: a current dividend yield, plus expected growth in the value of their shares as a result of future dividend increases. Estimating the cost of capital with the DCF method therefore is a matter

of calculating the current dividend yield and estimating the long-term future growth rate in dividends that investors reasonably expect from a company.

The dividend yield portion of the DCF method utilizes readily-available information regarding stock prices and dividends. The market price of a firm's stock reflects investors' assessments of risks and potential earnings as well as their assessments of alternative opportunities in the competitive financial markets. By using the market price to calculate the dividend yield, the DCF method implicitly recognizes investors' market assessments and alternatives. However, the other component of the DCF formula, investors' expectations regarding the future long-run growth rate of dividends, is not readily apparent from stock market data and must be estimated using informed judgment.

Q16. What is the appropriate DCF formula to use in this proceeding?

A. There can be many different versions of the basic DCF formula, depending on the assumptions that are most reasonable regarding the timing of future dividend payments. In my opinion, it is most appropriate to use a model that is based on the assumptions that dividends are paid quarterly and that the next annual dividend increase is a half year away. One version of this quarterly model assumes that the next dividend payment will be received in three months, or one quarter. This model multiplies the dividend yield by (1 + .75 g). Another version assumes that the next dividend payment will be received today. This model multiplies the dividend yield by (1 + .5 g). Since, on average, the next dividend payment is a half quarter away, the average of the results of these two models is a reasonable approximation of the average timing of dividends and dividend

increases that investors can expect from companies that pay dividends quarterly. The average of these two quarterly dividend models is:

$$K = \frac{D\,(1 + .625g)}{P} + g \qquad (1)$$

where: K = the cost of capital, or total return that investors expect to receive;

P = the current market price of the stock;

D = the current annual dividend rate; and

g = the future annual growth rate that investors expect.

In my opinion, this is the DCF model that is most appropriate for estimating the cost of common equity capital for companies that pay dividends quarterly, such as those used in my analysis.

Flotation Cost Adjustment

Q17. Does the investor return requirement that is estimated by a DCF analysis need to be adjusted for flotation costs in order to estimate the cost of capital?

A. Yes. There are significant costs associated with issuing new common equity capital and these costs must be considered in determining the cost of capital. Anyone who has ever taken out a mortgage to buy a house is aware that the "effective" interest rate is higher than the "stated" interest rate because the homebuyer pays loan origination fees, points and closing costs in connection with raising the capital to buy a house. This same concept applies to public utility companies: the "effective" cost of capital is higher than the "stated" cost of capital because there are flotation costs associated with raising new common equity capital.

The need for a flotation cost adjustment is especially acute when the cost of common equity is estimated by conducting a DCF analysis that is based on the prices of common stocks traded in the "secondary" markets on stock exchanges. Because the purpose of the allowed rate of return in a regulatory proceeding is to estimate the cost of capital that the regulated company would incur to raise money in the "primary" markets, a DCF estimate of the returns required by investors in the "secondary" markets must be adjusted for flotation costs in order to provide an estimate of the cost-of-capital that the regulated company requires in order to raise capital on reasonable terms in the "primary" markets.

Q18. Would you please describe the difference between "primary" and "secondary" markets for common equity?

A. When a company issues new common equity in order to raise cash for investment in plant, or to otherwise run its operations, it does so in the "primary" market. The "primary" market is defined very simply as the market in which the stock is first sold in order to raise cash funds to be used by the issuer. In this "primary" market, the company generally hires an investment banker, or a syndicate of bankers and brokers, to float its stock issue to the public. In connection with raising cash funds through a "primary" market sale of common stock a company incurs significant costs of preparing and filing documents with the Securities and Exchange Commission ("SEC"), as well as other regulatory agencies, and issuing prospectuses. In addition, in the "primary" market the issuing company generally must pay a significant percentage of the proceeds from the stock issuance to the investment banker, or the syndicate of bankers and

brokers, who undertakes to find investors who will provide cash to the issuing company.

Once stock has been issued to investors in the "primary market," those investors who initially provided cash to the issuing company may re-sell or "trade" the stock with other investors in the "secondary" market. Much of the trading in the "secondary" market occurs on stock exchanges and buyers and sellers are not required to file prospectuses with the SEC. The crucial difference between stock issued in the "primary" market and stock traded in the "secondary" market is that the issuing company does not receive any additional funds when its stock trades in the "secondary" market. Instead, the ownership of the stock merely changes hands between various investors. In addition, the brokerage fees associated with buying and selling stock in the "secondary" market generally are incurred by both the buyer and the seller, and are a small fraction of the level of the flotation costs incurred by a company that attempts to raise cash by issuing stock in the "primary" market.

Q19. Have you quantified the cost of raising capital by issuing stock in the "primary" market?

A. Yes. Schedule 3 of Exhibit No. ___(JSG-2) shows a representative sample of flotation costs incurred with 57 new common stock issues by electric transmission and distribution companies between 1996 and 2002. Flotation costs associated with these new issues averaged 3.85 percent. In fact, the most recent stock issuance shown on Schedule 3 is an MDU stock issuance on which it incurred flotation costs of 3.5 percent to raise new common equity capital. This

indicates that in order to be able to issue new common stock on reasonable terms, without diluting the value of the existing stockholders' investment, Montana-Dakota must have an expected return that places a value on its equity that is approximately 3.5 percent above book value. The cost of common equity capital is therefore the investor return requirement multiplied by 1.035.

One purpose of a flotation cost adjustment is to compensate common equity investors for past flotation costs by recognizing that their real investment in the company exceeds the equity portion of the rate base by the amount of past flotation costs. For example, the proxy companies generally have incurred flotation costs in the past and, thus, the cost of capital invested in these companies is the investor return requirement plus an adjustment for flotation costs. A more important purpose of a flotation cost adjustment is to establish a return that is sufficient to enable a company to attract capital on reasonable terms. This fundamental requirement of a fair rate of return is analogous to the well-understood basic principle that a firm, or an individual, should maintain a good credit rating even when they do not expect to be borrowing money in the near future. Regardless of whether a company can confidently predict its need to issue new common stock several years in advance, it should be in a position to do so on reasonable terms at all times without dilution of the book value of the existing investors' common equity. This requires that the flotation cost adjustment be applied to the entire common equity investment and not just a portion of it.

In summary, when a DCF analysis based on stock prices and dividend yields in the "secondary" market is used to estimate the required rate of return, a

flotation cost adjustment is essential in order to account for the difference between (i) stocks traded between investors in the secondary markets and (ii) stock issued in the primary market to raise capital for plant construction and utility operations.

DCF Study of Electric Utility Companies

Q20. Would you please describe the overall approach used in your DCF analysis of Montana-Dakota's cost of common equity?

A. Because Montana-Dakota must compete for capital with many other potential projects and investments, it is essential that it have an allowed return that matches returns potentially available from other similarly risky investments. The DCF method provides a good measure of the returns required by investors in the financial markets. However, the DCF method requires a market price of common stock to compute the dividend yield component of the DCF analysis. Since Montana-Dakota is a division of MDU Resources and does not have publicly-traded common stock, a direct, market-based DCF analysis of Montana-Dakota's electric operation as a stand-alone company is not possible. To get around this problem, I have used a proxy group of companies that is most nearly similar in risk to the regulated electric utility operations of Montana-Dakota. Consequently, my estimate of the rate of return which investors require for Montana-Dakota is primarily determined by conducting market-based DCF analyses of a group of publicly-traded electric utility proxy companies with a range of risks that includes risks that are comparable to the risks of Montana-Dakota's operations. These analyses of a group

that includes comparable companies suggest the level of returns that is appropriate for Montana-Dakota's North Dakota electric operations.

Q21. How did you select a group of electric utility proxy companies?

A. I started with the electric utility and combination companies that derived at least 75 percent of their revenues from regulated electric utility operations. From that group I eliminated any companies that did not have investment-grade bond ratings with both Standard & Poor's and Moody's (now called Mergent). In addition, I excluded any companies that did not pay dividends or that did not have future growth rate estimates provided by both Value Line and Zack's. As shown on Exhibit No. ___(JSG-2), page 1 of Schedule 2, 13 electric utility proxy companies met these criteria.

Q22. How did you calculate the dividend yields for the companies in your comparison group?

A. These calculations are shown on page 3 of Schedule 2 of Exhibit No. __(JSG-2). For the price component of the calculation I used the average of the high and low stock prices experienced by each company during the six month period from September 2002 to February 2003. The dividend yields were calculated for each company by dividing the indicated annual dividend by the average of the stock prices for each company. These dividend yields can be multiplied by the quarterly DCF model factor (1 + .625 g) to arrive at the dividend yield component of the DCF model.

Q23. Please describe the method you used in estimating the future growth rate that investors expect from this group of companies?

A. I developed three different DCF analyses of the proxy companies based on three different growth rate estimation methods. There are many methods that reasonably can be employed in formulating a growth rate estimate, but an analyst must attempt to ensure that the end result is an estimate that fairly reflects the forward-looking growth rate that investors expect.

In the first approach I calculated a DCF rate of return using a combination of securities analysts' growth projections and the Value Line retention growth forecasts to produce a Second-Stage Retention Growth analysis. As a second approach, I conducted a Basic DCF analysis that relied solely on the analysts' forecasts for the growth rate component of the model. Finally, my Primary DCF uses a variety of sources and analyses to develop an estimate of the composite growth rate that investors would expect from the sample group of proxy companies.

Second-Stage Retention Growth Analysis

Q24. How did you use your Second-Stage Retention Growth analysis to estimate investors' long-term growth rate expectations for the proxy companies?

A. The Second-Stage Retention Growth rate approach combines: (i) estimates of long-term growth for each company that are published by various investment analysts and (ii) Value Line retention growth forecasts.

Q25. How did you estimate the first stage of expected future growth?

A. Among the best sources of information regarding investors' growth rate expectations are the long-term earnings growth rate forecasts of investment analysts. Zack's is a service that collects estimates by professional investment analysts and publishes a summary of the consensus forecasts. I have used the Zack's consensus forecasts as the source for analysts' forecasts in my calculations. As shown on Exhibit No. ___ (JSG-2), Schedule 2, page 5, the average of the analysts' long-term growth rate estimates for the electric utility proxy companies is 5.6 percent.

Q26. Would you please describe the second stage, retention growth rate component of your analysis?

A. In addition to analysts' growth rate forecasts, I have relied upon Value Line projections of the retention growth rates that the proxy companies are expected to begin maintaining three to five years in the future. Although companies may experience extended periods of growth for other reasons, in the long-run, growth in earnings and dividends per share depends in part on the amount of earnings that are being retained and reinvested in a company. Thus, the primary determinants of growth for the proxy companies will be (i) their ability to find and develop profitable opportunities; (ii) their ability to generate profits that can be reinvested in order to sustain growth; and, (iii) their willingness and inclination to reinvest available profits. Expected future retention rates provide a general measure of these determinants of expected growth, particularly items (ii) and (iii).

Q27. How can a company's earnings retention rate affect its future growth?

A. Retention of earnings causes an increase in the book value per share and, other factors being equal, increases the amount of earnings that are generated per share of common stock. The retention growth rate can be estimated by multiplying the expected retention rate (b) times the rate of return on common equity (r) that a company is expected to earn in the future. For example, a company that is expected to earn a return of 15 percent and retain 80 percent of its earnings might be expected to have a growth rate of 12 percent, computed as follows:

$$.80 \times 15\% = 12\%$$

On the other hand, another company that is also expected to earn 15 percent but only retains 20 percent of its earnings might be expected to have a growth rate of 3 percent, computed as follows:

$$.20 \times 15\% = 3\%$$

Thus, the rate of growth in a firm's book value per share is primarily determined by the level of earnings and the proportion of earnings retained in the company.

Q28. How did you calculate the expected future retention rates of the proxy companies?

A. For most companies, Value Line publishes forecasts of data that can be used to estimate the retention rates that its analysts expect individual companies to have 3-5 years in the future. Since these retention rates are projected for several years in the future they should be indicative of a normal expectation for a primary underlying determinant of growth that would be sustainable indefinitely beyond the period covered by analysts' forecasts. While companies may have either

accelerating or decelerating growth rates for extended periods of time, the retention growth rates expected to be in effect 3-5 years in the future generally represent a minimum "cruising speed" that companies can be expected to maintain indefinitely. It is important to stress, however, that companies generally have several other sources of growth in addition to earnings retention. The derivation of Value Line's retention growth rate forecasts for each of the proxy companies is shown on page 4 of Schedule 2 of Exhibit No.___(JSG-2). The projected earnings per share and projected dividends per share can be used to calculate the percentage of earnings per share that are being retained and reinvested in the company. This earnings retention rate is multiplied times the projected return on common equity to arrive at the projected retention growth rate. The average retention growth rate for the proxy companies is 4.5 percent.

Q29. How did you utilize the projected earnings retention rates in estimating expected growth for the proxy companies?

A. As shown on page 5 of Schedule 2 of Exhibit No.___(JSG -2), I calculated a weighted average of the analysts' projected growth rates and the projected retention growth rates to derive long-term growth rate estimates for each of the proxy companies. In these calculations, I gave a two-thirds weighting to the analysts' growth rate projections to reflect the fact that analysts are attempting to evaluate all sources of growth and not just growth that is expected to result from retained earnings. This weighting also reflects the fact that the analysts' long-term growth forecasts can be expected to prevail for a relatively long period of time in the future. This two-thirds weighting for analysts' forecasts is the same weighting

that the FERC used in Opinion No. 414-A for setting the allowed return on equity for natural gas pipeline companies. *Transcontinental Gas Pipeline Co.*, 80 FERC ¶ 61,084 (1998). The average of the weighted average growth rates for the proxy companies is 4.9 percent and the median is 4.7 percent.

Q30. How did you utilize these Second-Stage Retention Growth rate estimates in estimating the return on common equity capital that investors require from the proxy companies?

A. The dividend yield for each company shown on page 3 of Schedule 2 of Exhibit No.___(JSG-2) is multiplied times the quarterly dividend adjustment factor (1 + .625g) and this product is added to the growth rate estimate to arrive at the investor-required return. Finally, the investor return requirement is multiplied times the flotation cost adjustment factor, 1.035 to arrive at the cost of common equity capital for the proxy companies. These calculations are shown on page 6 of Schedule 2 of Exhibit No.___(JSG-2). This Second-Stage Retention Growth DCF analysis indicates that the cost of common equity capital for the electric utility proxy companies is in a range between 9.38 percent and 14.0 percent. The median for the group is 10.35 percent and the average for the group is 10.8 percent.

Basic DCF Analysis

Q31. What approach did you use in conducting a Basic DCF analysis?

A. This analysis is conducted in substantially the same manner as the Second-Stage Retention Growth Rate analysis. However, the growth rate component of the analysis is based solely on the analysts' forecasts for each company and the retention

growth rate component is omitted from the analysis. This Basic DCF analysis recognizes that the consensus of analysts' forecasts reflects the most important component of investors' growth rate expectations and it assumes that the analysts' forecasts incorporate all information required to estimate a long-term expected growth rate for a company.

Q32. How did you calculate the cost of capital using the Basic DCF analysis?

A. These calculations are shown on page 7 of Schedule 2 of Exhibit No.___(JSG-2). Again, the annual dividend yield is multiplied times the quarterly dividend adjustment factor (1 + .625g) and this product is added to the growth rate estimate to arrive at the investor-required return. Then, the investor return requirement is multiplied times the flotation cost adjustment factor, 1.035 to arrive at the Basic DCF estimate of the cost of common equity capital for the proxy companies. The Basic DCF analysis indicates a median cost of common equity for the proxy companies of 10.8 percent and an average cost of 11.0 percent.

Primary DCF Analysis

Q33. Would you please describe your Primary DCF analysis?

A. My primary DCF approach refines the growth rate estimates to reflect my analysis of the appropriate range of growth rate expectations that are implicit in the stock prices and dividend yields of this group. As the following analysis indicates, my primary analysis indicates a DCF required rate of return that is quite close to the level that is indicated by both the Second-Stage Retention Growth DCF analysis and the Basic DCF analysis.

Q34. In your opinion, what are the factors that will affect growth rates for the proxy companies in the future?

A. One important factor will be growth in the overall economy. Page 1 of Schedule 1 of Exhibit No.___(JSG-2) shows that the United States Gross Domestic Product has grown at an average annual rate of 7.4 percent during the past 30 years. During the past decade U.S. GDP growth has averaged 5.2 percent. It is reasonable to expect that long-term future growth in the economy generally will be comparable to past growth rates. For example, Global Insight forecasts that the U.S. GDP will grow at a rate of approximately 5.9 percent over the long-term.

Another factor will be growth in demand for electricity and related energy products. The U.S. Department of Energy forecasts that electricity output will increase at an annual rate of 1.7 percent during the next 20 years. Increasing amounts of generation, transmission and distribution facilities should be needed to achieve this growth.

In my opinion, investors reasonably expect the 13 companies in this comparison group to grow at a rate that is somewhere in the range of 4.75 percent to 5.75 percent. This range encompasses the middle one-third of the analysts' growth rate estimates and also reflects the expectation that these companies will be able to grow somewhat faster than their expected retention growth rates. In addition, given the 5.9 percent long-term growth rate forecast for the economy, increasing demands for electricity, and my review of these companies, I consider this growth rate range to be a reasonable estimate of the future growth expectations that are implicit in current dividend yields. This growth rate range is also consistent with the retention

growth rates projected for these companies and their ability to grow by means other than retained earnings.

Q35. What does your primary DCF analysis indicate with regard to investors' current market rate of return requirements?

A. Page 8 of Schedule 2 of Exhibit No. ___(JSG-2) shows the calculation of the cost of capital based on my primary DCF growth rate estimates. The dividend yield used in this analysis is the average dividend yield for the electric utility proxy companies that is developed on page 3 of Schedule 2. This market-based primary DCF analysis indicates that the cost of capital for the proxy companies is approximately in the range of **10.7 percent** to **11.8 percent**.

Risk Premium Analyses

Q36. Have you conducted additional analyses in determining the cost of capital to Montana-Dakota?

A. Yes. The risk premium approach provides a general guideline for determining the level of returns that investors expect from an investment in common stocks. Investments in the common stocks of companies carry considerably greater risk than investments in bonds of those companies since common stockholders receive only the residual income that is left after the bondholders have been paid. In addition, in the event of bankruptcy or liquidation of the company, the stockholders' claims on the assets of a company are subordinated to the claims of bondholders. This superior standing provides bondholders with greater assurances that they will receive the return on investment that they expect and that they will receive a return

of their investment when the bonds mature. Accompanying the greater risk associated with common stocks is a requirement by investors that they can expect to earn, on average, a return that is greater than the return they could earn by investing in less risky bonds. Thus, the risk premium approach estimates the return investors require from common stocks by utilizing current market information that is readily available in bond yields and adding to those yields a premium for the added risk of investing in common stocks.

Investors' expectations for the future are influenced to a large extent by their knowledge of past experience. Ibbotson Associates annually publishes extensive data regarding the returns that have been earned on stocks, bonds and U.S. Treasury bills since 1926. Historically, the annual returns on large company common stocks have exceeded the yields on Long-Term U.S. Government Bonds by an average of 700 basis points (7.0 percent). However, the returns on relatively small company stocks in the size range of Montana-Dakota's electric operations have been 1,210 basis points (12.1 percent) above the yields on long-term government bonds. As shown on page 1 of Schedule 2 of Exhibit No. ___ (JSG-2), Montana-Dakota is a fraction of the size of any of the proxy companies. In recent months, the yield on long-term U.S. Government bonds has been approximately 5.0 percent. Adding a 7.0 percent premium to a yield of 5.0 percent indicates that investors in large company common stocks expect a return of at least 12.0 percent. Adding the 12.1 percent premium for companies in Montana-Dakota's size range suggests a required return of 17.1 percent.

Another risk premium approach is to examine the long-term premium of large company common stock returns as compared with returns on corporate bonds. This premium has averaged 660 basis points (6.6 percent) annually over a long period of time in the past. When this premium is added to the 6.6 percent yield on Moody's corporate bonds that has prevailed in recent months, the result is an investor return requirement for large company stocks of 13.2 percent. However, over the long-term companies in Montana-Dakota's size range have had a premium of 1,170 basis points (11.7 percent) over the average returns on long-term corporate bonds. When added to the recent average corporate bond yields, this size-related premium suggests an expected return of 18.3 percent.

Alternative Equity Investment Analysis

Q37. Have you analyzed the returns available on common equity investments in other industries?

A. Yes. When investors consider whether to invest their funds in a particular company or line of business, they evaluate the returns potentially available from other companies. This process whereby projects and companies compete for scarce equity capital ensures that capital resources are deployed efficiently. As a result, regulated electric utility operations must bid against other companies and other possible projects within the same company for equity capital by offering potential returns that investors find attractive relative to the risks involved.

Q38. What level of returns are potentially available to unregulated companies?

A. The potential returns are often considerably above 20 percent and the average returns for broad-based, diversified portfolios have averaged 20.0 percent or more in recent years. For example, page 3 of Schedule 1 of Exhibit No. ___(JSG-2) shows the average return on equity book value earned by companies in the S&P 500 each year from 1977 to 2000. It can be seen, in fact, that average returns for the S&P 500 companies were generally close to 20 percent in the latter years shown. Undoubtedly these returns have been lower in the past two years, but this more recent data have been unavailable from S&P in recent years. For purposes of comparison with allowed returns for regulated electric utility operations, a better indicator of earnings on alternative equity investments is provided by data on 702 industrial companies published by *The Value Line Investment Survey*. Excluding extraordinary and non-recurring items, the average returns on the original cost book value of common equity for these companies in recent years has been:

1997	29.31
1998	28.62
1999	30.28
2000	31.85
2001	24.61
5-year Average	**28.93%**

Q39. Is it appropriate to set the allowed rate of return for an electric utility company equal to the average return available to industrial companies?

A. The average return for industrials serves as a useful indicator of the cost of capital because electric utility companies must offer potential returns that are competitive with other investments in order to attract capital. It is important to

remember that an industrial company has an opportunity to earn returns far in excess of 20 percent. In fact, the average company has earned normal returns on the book value of equity well in excess of 20 percent in recent years. This average reflects many companies that experienced enormous losses as well as those with large returns.

Similarly, when a regulator sets an allowed return it is providing only an *opportunity* to earn that return. In exceptionally good times a regulated company might earn slightly more than this amount, but it might earn substantially less than the allowed return. Electric utility companies generally have risks that are less than those of the average large industrial company. Consequently, it would be appropriate to view average returns earned by a broad cross-section of industry as being only a general indicator for reasonable allowed returns.

As a benchmark, allowed returns for electric utility companies can be compared to returns on book value for large companies. Normal returns for industrial and other companies have averaged 28.9 percent during the past five years. As this comparison indicates, an allowed return of 11.75 percent for Montana-Dakota would be quite low in comparison with the returns earned by other large companies.

B. Relative Risk Analysis

Q40. Have you compared the risks faced by Montana-Dakota's North Dakota electric utility operations with the risks faced by the proxy group of companies?

A. Yes. There are four broad categories of risk that concern investors. These include:

i. Business Risk;
ii. Regulatory Risk;
iii. Financial Risk; and,
iv. Market Risk.

Q41. Would you please describe the business risks inherent in the electric industry?

A. Business risk refers to the ability of the firm to generate revenues that exceed its cost of operations. Business risk exists because forecasts of both demand and costs are inherently uncertain. Markets change and the level of demand for the firm's output may be sufficient to cover its costs at one time and later become insufficient. Sunk investments in long-lived electric utility assets, for which cost recovery occurs over a period of thirty years or more, are subject to enormous uncertainties and risks that demand, costs, supply and competition may change in ways that adversely affect the value of the investment.

One of the current sources of risk and uncertainty include the possibility of open-access transmission and customer choice programs that could introduce widespread competition for electric generating customers. Because a large portion of the costs of electric generation are long-lived, fixed costs, there is a possibility that competitive electric generation markets could result in excess capacity that could take many years to subside. In any competitive market characterized by excess capacity there will be a tendency for prices to reflect short-run marginal costs. In other words, competitive prices could be so low that companies would be unable to recover all, or a portion of the sunk, fixed costs of their generating plants.

The business model of Montana-Dakota and other major utilities is based on the fact that traditionally electricity has been provided most efficiently by

large, centralized generating plants connected to the market with extensive networks of transmission and distribution lines. However, in the future, demand for Montana-Dakota's electric services could be affected by the adoption of distributed generation technologies that allow customers to generate their own power instead of relying on utility generation, transmission or distribution. The overall efficiency of these technologies has improved significantly in recent years and some electricity consumers have begun installing and using distributed generation equipment. Shifts in the overall cost of distributed generation relative to the fuel and network costs of centralized utility generation could imperil the ability of some utilities to recover the investments they have made under the traditional "public utility model" of electricity supply.

In addition, the constantly-changing mandates of environmental laws disproportionately impact electric utilities, especially coal-burning utilities. Litigation expenses and exposure to tort claims also is an increasingly important consideration for electric utility investors.

Q42. What are some of the business risks faced by Montana-Dakota's North Dakota electric operations?

A. These operations face many of the same risks that are associated with other electric utilities. However, Montana-Dakota faces four risks that distinguish it from many other utilities.

First, nearly all of its generation is from a single fuel source: coal. Utilities that are heavily weighted toward one fuel source face greater risks that adverse circumstances will arise that render all of their generating capacity

uneconomic. Montana-Dakota's customers have benefited greatly from the company's use of low-cost coal, but there is an element of risk associated with this undiversified generating mix. For example, during the past decade there have been repeated discussions of the possibility that carbon dioxide emissions might be severely limited. If restrictions on carbon dioxide were to be enacted, coal-fired generation would be disproportionately impacted. Similarly, if prices for natural gas were to decline significantly, Montana-Dakota could find that its generating mix is uneconomic. In fact, most new generation constructed in recent years has been fueled with natural gas as a result of low gas prices and new, efficient generating technologies.

Second, as shown on Exhibit No. ___ (JSG-2), Schedule 2, page 1, Montana-Dakota's electric utility operations are considerably smaller than the operations of any of the proxy companies and a small fraction of the size of the typical proxy company. For example, Montana-Dakota's electric utility assets are equal to only 3.5 percent of the assets of the median proxy company. Similarly, Montana-Dakota's electric operating revenues and operating income are only 6.0 percent and 3.1 percent of the level for the median proxy company. Thus, depending upon the measure of size, the typical proxy company is somewhere between 16 and 32 times the size of Montana-Dakota's electric utility operations.

This smaller size has significant implications for business risks. As noted earlier, Ibbotson Associates has documented the significantly higher returns that generally have been associated with small companies. On a practical level, Montana-Dakota's relatively small electric utility operations are heavily

dependent upon a relatively undiversified local economy. Factors that negatively influence the local economy can reduce demand for Montana-Dakota's electric services and adversely impact investments in facilities used to provide those services. Considering only its smaller size, Montana-Dakota might require a return that is more than 100 basis points higher than the return required for the typical proxy company.

Third, perhaps more important than Montana-Dakota's small size is the fact that North Dakota ranked 50th among the 50 states in terms of population growth between 1990 and 2000. This ranking is shown on page 4 of Schedule 1 of Exhibit No. ___(JSG-2). A major long-term problem and source of risk for Montana-Dakota derives from the fact that many of the small towns that it serves are experiencing declining populations. Once electric utility facilities are constructed to serve such towns, the facilities cannot be easily moved even if the population declines significantly. The population shifts that are occurring in Montana-Dakota's service territory pose a significant risk that it may at some point be unable to recover the cost of its electric utility investments.

Fourth, Montana-Dakota faces direct competition for new and existing load and is at a disadvantage in this competition. For example, much of the load growth in North Dakota is occurring in the larger cities. However, the larger cities served by Montana-Dakota in North Dakota are essentially ringed by rural electric cooperatives ("REC's"). Under the North Dakota Territorial Integrity Act, REC's are given control over service in the areas outside a city including territory annexed by a city as the city grows. Consequently, as the cities served

by Montana-Dakota grow geographically, Montana-Dakota generally is unable to grow along with its larger cities. Since the smaller towns served by Montana-Dakota are generally losing population, there are few opportunities to offset this loss of population in smaller towns with growth in the larger cities. This disadvantage in attracting new load in North Dakota places Montana-Dakota at risk that its efficient facilities will become underutilized and that it will be unable to recover those costs.

The existence of adjacent and surrounding electric cooperatives also means that Montana-Dakota faces competitive threats to its existing load. For example, in August 2001, Watford City, North Dakota held a referendum on whether to condemn Montana-Dakota's electric distribution facilities and contract with McKenzie Electric Cooperative for electric service. If this referendum had passed, generation and transmission facilities of Montana-Dakota might have been stranded.

With its undiversified generating sources, small size, limited growth opportunities and competitive threats and disadvantages, Montana-Dakota's North Dakota electric operations face greater overall business risk than the typical company in the electric utility proxy group.

Q43. What are the regulatory risks faced by Montana-Dakota's North Dakota utility operations?

A. Regulatory risk is closely related to business risk and might be considered just another aspect of business risk. To the extent that the market demand for an electric utility company's services is sufficiently strong that the

company could conceivably recover all of its costs, regulators may nevertheless set the rates at a level that will not allow full cost recovery. In effect, the binding constraint on electric utilities is often posed by regulation rather than by the working of market forces. One purpose of regulation is to provide a substitute for competition where markets are not workably competitive. As such, regulation often attempts to replicate the type of cost discipline and risks that might typically be found in highly competitive industries. In fact, after the experiences of the 1980s, investors are concerned with the risks associated with after-the-fact prudence reviews and possible regulatory cost disallowances. In addition, investors are aware that ill-conceived regulatory restrictions associated with electric utility restructuring in California played a decisive role in causing Pacific Gas & Electric Company to declare bankruptcy and massive losses at Southern California Edison Company.

Moreover, there is the perceived risk that regulators may set allowed returns so low as to effectively undermine investor confidence and jeopardize the ability of electric utilities to finance their operations. Thus, in some instances regulation may substitute for competition and in other instances it may limit the potential returns available to successful competitors. In either case, regulatory risk is an important consideration for investors and has a significant effect on the cost of capital for all firms in the electric utility industry.

Value Line rates the regulatory climate in North Dakota as being "average." However, in 2002 the rating of regulatory climate in North Dakota was reduced by at least one ratings service as a result of a 2002 decision that ordered a

rate decrease based on a clearly unrealistic projection of Montana-Dakota's future pool sales revenues. Although this decision was later overturned by the court, informed investors must now be quite concerned about the level of regulatory risks that are faced by Montana-Dakota in North Dakota – its largest service territory. Investors' perception of increased regulatory risk in North Dakota increases the cost of capital associated with Montana-Dakota's existing and future investments in its North Dakota electric utility operations.

Q44. Would you please describe Montana-Dakota's relative financial risks?

A. Financial risk exists to the extent a company incurs fixed obligations in financing its operations. These fixed obligations increase the level of income which must be generated before common stockholders receive any return and serve to magnify the effects of business and regulatory risks. Fixed financial obligations also increase the probability of bankruptcy by reducing the company's financial flexibility and ability to respond to adverse circumstances. One possible indicator of investors' perceptions of relative financial risk in this case might be obtained from bond ratings. Because Montana-Dakota does not have its own bonds outstanding, it is difficult to make direct comparisons between the ratings of Montana-Dakota and the proxy group. However, page 2 of Schedule 2 of Exhibit No. ___ (JSG-2) shows the bond ratings assigned by Moody's and Standard & Poor's to each of the companies in the comparison group and to MDU Resources bonds that are secured by the assets of Montana-Dakota Utilities. The median bond ratings for companies in the proxy group are BBB+ for Standard & Poor's and A3 for Moody's. In comparison, MDU Resources bonds carry an A-

rating with Standard & Poor's and an A2 rating with Moody's. This suggests that the perceived risk of MDU Resources' bonds is slightly less than that of the typical company in the comparison group. Examination of the capital structure data shown on page 9 of Exhibit No. ___ (JSG-2), Schedule 2 shows that three of the proxy companies have common equity ratios greater than Montana-Dakota's filed common equity ratio, 50.3 percent, and the others have common equity ratios less than Montana-Dakota's. This common equity ratio, combined with its bond rating, suggests slightly below average financial risk for Montana-Dakota's North Dakota electric utility operations.

Q45. Would you please describe Montana-Dakota's market risks?

A. Market risk is associated with the changing value of all investments because of business cycles, inflation and fluctuations in the general cost of capital throughout the economy. Different companies are subject to different degrees of market risk largely as a result of differences in their business and financial risks. Because of the substantial similarity in their operations, Montana-Dakota's degree of market risk is not significantly different from that of the companies in the electric utility comparison group.

Q46. How do the overall risks of the proxy companies compare with the risks faced by Montana-Dakota's electric utility operations?

A. Montana-Dakota faces overall risks that are above average relative to those of the proxy companies. Montana-Dakota has above-average business risks due primarily to its exceptionally small size relative to the proxy companies and its exposure to a relatively undiversified local economy that features population

declines in large parts of its service territory. In addition, it has financial risks that are slightly below average relative to the proxy companies. These factors and the recent perceptions of a below-average regulatory climate in North Dakota, lead me to conclude that investors appraise the overall risks of Montana-Dakota's North Dakota electric utility operations to be above average relative to the risks of the proxy companies. Consequently, Montana-Dakota requires an allowed rate of return that is at the top of the narrow range defined by my Primary DCF analysis.

C. Summary of Rate of Return Conclusions and Recommendation

Q47. Would you please summarize the results of your cost of capital study?

A. Yes. I conducted several DCF analyses on a group of electric utility companies that have a range of risks that includes risks roughly comparable to those of Montana-Dakota. The results of my various analyses can be summarized as follows:

	Cost of Common Equity Capital	
	Median/Average	Range
DCF Analyses		
Electric Utility Proxies:		
- Second-Stage Retention Growth	10.4%/10.8%	9.3% - 14.0%
- Basic DCF	10.8%/11.0%	8.9% - 14.7%
- Primary DCF	11.25%	10.7% - 11.8%
Benchmark Analyses		
Risk Premium Return Based On:		
- U.S. Treasury Bonds		
v. Large Companies	12.0	
v. Small Companies	17.1	
- Corporate Bonds		
v. Large Companies	13.2	
v. Small Companies	18.3	
Alternative Investments		
- S&P 500 (to 2000)	21.5	
- Value Line Industrials	28.9	

My second-stage retention growth analysis indicates a median cost of common equity capital of 10.4 percent and an average cost of 10.8 percent. Because projected retention growth is sustainable indefinitely and it is directly related to the growth rate expectations for an individual company, it is a good indicator of the minimum growth rate that a company can maintain in the very long run. However, companies can achieve growth through means in addition to retained earnings. Consequently, the Second-Stage Retention growth rates somewhat understate investors' growth rate expectations for these companies at this time. Instead, analysts' forecasts provide a better measure of the long-term growth that investors can reasonably expect from these proxy companies. The

Basic DCF analysis, which is based solely on the analysts' forecasts, indicates a median required rate of return of 10.8 percent and an average rate of return of 11.0 percent.

My primary approach has been to analyze a variety of sources of information, including investment analysts' forecasts, in order to estimate a weighted average annual growth rate that investors reasonably can expect the electric utility comparison companies to achieve during a long period of time in the future. This primary DCF analysis indicates that the cost of capital for electric utility companies with risks comparable to those of Montana-Dakota is in a range between 10.7 percent and 11.8 percent.

My risk premium analyses indicate that my DCF estimates produce a premium over corporate bond yields that is below the average long-run risk premium available from common stocks. The DCF return estimates provide a premium over the return on corporate bonds that is considerably below the average premium experienced by companies in Montana-Dakota's relative size range. In addition, my examination of returns available on alternative equity investments suggests that my DCF estimates generally are significantly below the average returns of around 20 percent earned by the S&P 500 companies during the past five years. Moreover, the DCF returns are far below the 28.9 percent average normal returns earned by the Value Line Industrials in recent years.

Q48. What rate of return on common equity do you recommend for Montana-Dakota in this proceeding?

A. My analyses indicate that an appropriate rate of return on common equity for Montana-Dakota's North Dakota electric utility operations at this time would be **11.75 percent**. This recommended return reflects my assessment that because it has high business and regulatory risks relative to those of the electric utility proxy companies, Montana-Dakota's overall risks are above average relative to the proxy group. A return of 11.75 percent is at the top of the narrow range indicated by my Primary DCF analysis, and it is comfortably within the ranges indicated by my Second-Stage Retention Growth and Basic DCF analyses.

III. CLASS COST OF SERVICE STUDY

Q49. Were Statements G and M prepared by you or under your direction?

A. Yes.

Q50. Are you also sponsoring the filed tariff and rate design changes?

A. Yes. I have had primary responsibility for working with Montana-Dakota employees in designing the rate and tariff changes proposed in this filing. If there are questions concerning the changes in electrical equipment requirements, or other revisions to tariff Rate 110, these will be addressed by an appropriate Montana-Dakota witness.

A. Rate Design Objectives and Principles

Q51. What are the primary objectives of a rate (price) structure for the services that are offered by a regulated company?

A. As a general matter, the following eight criteria of Professor James C. Bonbright have remained viable and resilient over the four decades since their first publication (*Principles of Public Utility Rates*, 1961, page 291):

1. The related, "practical" attributes of simplicity, understandability, public acceptability, and feasibility of application.

2. Freedom from controversies as to proper interpretations.

3. Effectiveness in yielding total revenue requirements under the fair-return standard.

4. Revenue stability from year to year.

5. Stability of the rates themselves, with minimum of unexpected changes seriously adverse to existing customers. (Compare "The best tax is an old tax.")

6. Fairness of the specific rates in the apportionment of total costs of service among the different consumers.

7. Avoidance of "undue discrimination" in rate relationships.

8. Efficiency of the rate classes and rate blocks in discouraging wasteful use of service while promoting all justified types and amount of use:
   (a) in the control of the total amounts of service supplied by the company;
   (b) in the control of the relative uses of alternative types of service (on-peak versus off peak electricity,....)

Q52. Are these foregoing general criteria for rate structures all consistent with one another?

A. No, they need not be. By illustration, a given rate structure that embodies the ultimate in rate *stability* could soon become unacceptable with respect to other criteria, e.g., achieving a fair rate of return, or relative fairness among customer classes. Thus, there can be tensions and conflict among these rate criteria, based on the specific facts and circumstances of any company.

Q53. Does each of these foregoing rate criteria carry equal importance and weight?

A. No. I agree with Professor Bonbright's assessment (page 292) that the rate criteria designated as items (3), (6) and (8) above are the three primary ones. Many rate design and rate structure disputes revolve around the tensions that can arise between items (6) and (8), i.e., the potential conflict between standards of "fairness" and "efficiency" as among the affected customer classes. From these potential conflicts arise many current rate debates, such as the proper nature and form(s) of marginal-cost pricing. However, the importance of the "fair return"

criteria for a rate structure is hard to overstate. A set of rates that putatively meet all of the other rate criteria, but that fails to generate an acceptable return on and return of capital, can jeopardize the basic viability of the operation and its ability to render service. Consequently, rates that comport with fair return standards are a predicate for a viable privately-owned operating entity that can seek to satisfy all of these other applicable rate criteria.

Q54. How have you employed these principles and objectives of rate design in developing the proposed rates for Montana-Dakota's electric services?

A. Most importantly, the rates are set at a level that is designed to recover the overall cost of service without major disruptions in load or overall cost recovery.

Next in importance is an attempt to reflect the costs of providing services to individual customers. Through the cost allocation process, the relative costs of providing service to each class of customers are identified. However, in order to mitigate the impacts of the indicated rate changes for some of the classes of customers, I have limited the percentage rate change for each major class of service to two times the overall average rate increase required.

The rate design attempts to promote fairness and efficiency in several ways. First, by increasing the degree to which the costs recovered in each rate component (i.e., Base Charge, Energy Charge and Demand Charge) correspond to the manner in which costs are incurred by Montana-Dakota. A fair and efficient rate design recognizes that most costs, especially rate base, depreciation and return on rate base, are fixed costs and that recovery of these fixed costs should

not vary widely with usage, particularly usage variations that result from the vicissitudes of weather. Moreover, such fixed costs should be recovered primarily from those customers for whom the costs have been incurred, regardless of the amount of their energy usage.

Second, the rates are designed to reflect the lower cost of providing service during off-peak periods so that customers will choose to use electricity for tasks that are economically advantageous during off-peak periods. Similarly, the proposed rates are designed to reflect the higher cost of providing service during peak periods so that customers will have price signals that promote efficient use of electric services and so that higher peak costs are apportioned to those who require the higher cost.

Finally, because it is difficult to precisely assign all joint and common costs incurred to provide service to customers with widely divergent usage characteristics, and because fully cost-based rates could cause especially large rate increases for many customers, I have somewhat tempered the magnitude of those changes in rate design that would be required in order to fully reflect the manner in which costs are incurred.

In my opinion, the proposed rate structure should be easy to understand and administer because the proposed rates generally do not require significantly different measures of usage or billing components than those currently in effect. Moreover, a reduction in the number of rate schedules to eliminate most of the closed, end-use rate schedules should simplify the tariff and its administration.

All of the various features of the proposed rate design described herein involve the application of the principles of ratemaking enumerated by Professor Bonbright.

B. Proposed Rate Design and Tariff Changes

Q55. Would you please summarize the major elements of the proposed rate design and tariff changes?

A. The major changes include consolidation or re-organization of several rate schedules, introduction of seasonal rates, a reduction in the portion of fixed costs recovered in the variable, energy charge component of rates, and a change in the method of providing a discount for customers who provide certain distribution equipment. In addition, various revisions in the Terms and Conditions of Service (Rate 110) are being proposed in order to bring the tariff up to date with current electrical codes and practices. A comparison between the current rates and rate schedules and the rates and rate schedules proposed in this rate filing appears as Schedule 1 of Exhibit No. ___(JSG-3).

Consolidation and Reorganization of Rate Schedules

Q56. Would you please describe the proposed consolidation of the rate schedules?

A. Montana-Dakota has several "end-use" rate schedules that have been closed to new customers for at least the past 17 years. In this rate filing, the company is proposing to eliminate the closed rate schedules and consolidate those services into either the Rate 10 Residential rate schedule, the Rate 20 Small General Service rate schedule, or the Rate 30 General Service rate schedule. For

example, the proposed Rate 10 rate schedule would continue to apply to the existing Rate 10 customers and now also would apply to the usage under the following residential end-use rate schedules:

Rate Schdl.	Description
11	Residential -Dual Fuel Space Heating
13	Residential -Thermal Energy Storage Service
50	Residential General Electric Water Heating Service
56	Residential General Electric Space Heating Service

Currently, in order to be eligible for service under these rate schedules a customer must also take service under the general residential rate schedule, Rate 10. In other words, the customers on Rates 11, 13, 50 and 56 currently take some of their service under Rate 10 and the rest of their service under one of these special end-use rate schedules. Such multiple-service customers currently pay two Base Charges each month: one for Rate 10, and one for their end-use rate schedule. Under the proposed consolidation, all of the usage by these customers would be billed under Rate 10 and the customer would pay only one Base Charge each month. Because the energy usage that is currently billed under Rate 10 will be combined with the usage under the end-use rate schedule, a customer's energy usage that currently is billed separately under Rates 11, 13, 50 or 56 may pay the new, consolidated Rate 10 tail-block rate for all, or a portion, of the energy usage that currently is billed under Rates 11, 13, 50 or 56.

Q57. Is a similar consolidation of rate schedules being proposed for the Small General Service class?

A. Yes. There are several closed "end-use" rate schedules in the Small General Service class that will be consolidated with Rate 20, or possibly Rate 30, in a manner similar to the Rate 10 consolidation. These rate schedules include:

23 Thermal Energy Storage Services
50 General Electric Water Heating Service
56 General Electric Space Heating Service

As with the Residential rate schedules, usage under these Small General Service end-use rate schedules will generally be combined with each customer's Rate 20 usage, and the end-use rate schedule customers will no longer pay two Base Charges.

Rate 22, Special General Electric Dual Fuel Space Heating service will also be discontinued. Smaller customers who are currently taking service under Rate 22, will have their usage combined with their usage under Rate 20. This generally will result in these smaller customers paying the low Rate 20 winter tail-block rate for most of their space heating usage that is currently on Rate 22. Those customers currently on Rate 22 who have sufficient overall demand and usage characteristics that they would require a demand meter will be offered service under a proposed new rate schedule, Rate 32 – General Electric Space Heating, that recognizes the off-peak nature of this load.

Rate 40, Municipal Electric Service is another closed rate schedule that will be eliminated and consolidated with either Rate 20 or Rate 30, depending upon whether the customer has a demand meter.

Rate 27, Feed Grinding Service is another closed rate schedule that is being eliminated. For grandfathered customers who began taking Rate 27 service before this rate schedule was closed many years ago, the current rate requires a minimum bill instead of a monthly Base Charge. Rate 27 requires that customers use the service during the off-peak, evening hours. Consequently, these customers will be given a choice between moving to the Rate 20, Small General Service rate schedule or the Rate 26, Small General Service Time-of-Day rate schedule. Many of these customers may find that Rate 26 is more economical because it offers a significantly lower energy charge during the off-peak hours.

Q58. Are there other proposed reorganization changes to the rate structure?

A. Yes. Another proposed feature of the reorganized rate schedules is to separate Rate 20 customers who have "demand" meters (i.e., meters that measure the customers' peak monthly KW demand) from those Rate 20 customers that do not have demand meters. Under the current rate structure, customers with demand meters and those without demand meters both receive service under the same rate schedule. The current Rate 20 is therefore designed with: (i) a Base Charge, (ii) block rates for the Energy Charge that recover a significant amount of fixed costs of service in the Energy Charge, and (iii) a Demand Charge which applies only to those Rate 20 customers who have demand meters. Because customers with demand meters currently pay a significant portion of fixed, or demand-related, costs in the blocked Energy Charge, their Demand Charge applies only to the amount of their metered peak demand that exceeds 10 KW. In other words, they currently do not pay a charge for the first 10 KW of monthly

demand because they also pay a large amount of fixed, or demand-related, costs through a high Energy Charge.

In place of the current Rate 20 structure, the proposed rate structure identifies those Rate 20 customers who have demand meters and combines these customers with the Rate 30 Large General Service customers. This leaves the proposed Rate 20 with only those General Service customers who are too small (in terms of demand and usage) to justify the extra expense of a demand meter. For these customers, a block rate structure that recovers some fixed, or demand-related, costs in the Energy Charge is appropriate. As a general matter, the current Rate 20 customers with demand meters are significantly larger than the Rate 20 customers who do not have demand meters. Thus, by combining these larger customers currently on Rate 20 with the Rate 30 customers, the new Rate 20 will apply to a smaller range of customers.

Q59. Are there any changes to the lighting rate schedules?

A. Currently, Montana-Dakota offers two lighting services: Rate 41, Street Lighting and Rate 52, Private Lighting. Both of these services will be continued, however, the proposed new lighting rates will eliminate the current distinction in rates for electric service that exists between customers who rent lights from Montana-Dakota and those customers who provide their own lights. This change will offer the same rate for electric service regardless of the source and ownership of the lighting fixtures.

In addition, eligibility for Rate 52 has been broadened to include facilities such as parks or sports facilities that use lights in the evenings on a sporadic basis throughout the year.

Q60. What changes are proposed for the Rate 25, Irrigation Power rate schedule?

A. Currently, Rate 25, Irrigation Power Service does not require a monthly Base Charge. Instead, the current rate schedule requires customers to pay an annual minimum bill that is determined by the horsepower of the customer's connected load. The proposed Rate 25 will include a monthly Base Charge in order to recognize that the generating plant, transmission and distribution lines, transformers, meters and other equipment required to provide service to the Rate 25 customers involve fixed costs that must be recovered regardless of whether the customer uses the service in a particular month.

In addition, although many of the Rate 25 customers have demand meters that record their peak monthly demand, the current Rate 25 levies a demand charge based on the horsepower of the customer's pump. The proposed Rate 25 would base the demand charge on the actual metered KW demand of a customer in each month.

Introduction of Seasonal Rates

Q61. Why is Montana-Dakota proposing seasonal rates at this time?

A. During the past 20 years, Montana-Dakota has gone from being a bi-modal-peaking utility to being a decidedly summer-peaking utility. Much of this change is attributable to the increased use of air conditioning by customers in its service territory. At the time of the last rate proceeding, Montana-Dakota was a

bi-modal peaking utility with periods of high, essentially equivalent demand in both the summer and winter. At that time it was not clear whether the peak demand on the system would occur during the summer or the winter. However, during the past decade, summer peak usage has grown more rapidly than winter peak usage and the system planning and operation is now based on the existence of a definite summer peak.

Peak usage has also been growing more rapidly than average usage so that the average load factor on the system has been declining slightly. This means that an increasing portion of the plant and facilities required to serve the summer peak demand on the system are underutilized during the rest of the year. Since the marginal cost of using these underutilized facilities during the off-peak periods is extremely low, and not much more than the cost of fuel for generation, a seasonal rate structure with lower rates during off-peak periods may, over time, allow customers to use the available electric utility facilities more efficiently.

Seasonal rates also provide a more accurate method for collecting costs from those customers who cause the costs to be incurred. Because Montana-Dakota is required to construct facilities with adequate capacity to serve the anticipated peak demand on its system, and because its peak demand is so pronounced, some of its capacity is used for only a relatively few hours in the year. Consequently, the cost per hour of use of such facilities is far higher than the average cost of capacity on the system. These higher costs occur in the form of somewhat higher costs of transmission and distribution lines, more expensive transformers with greater capacity, and additional generating plant. In addition,

the cost of fuel for generation generally is higher during peak periods because the utility usually is required to run its least efficient plants during the peak periods. Thus, it is appropriate to design rates that reflect the higher costs of providing service during peak periods.

In order to reflect the seasonal cost differences, the proposed seasonal rates will collect a relatively greater portion of the overall costs from those customers who tend to concentrate their usage during the more costly summer peak period. Conversely, the proposed seasonal rates will collect a relatively smaller portion of the overall costs from those customers for whom consumption is more heavily concentrated during the lower-cost, off-peak periods.

Q62. Would you please describe the proposed seasonal variations in rates?

A. Most of the proposed rate schedules have proposed rates that are lower in some way for bills rendered during the off-peak months of October through May. For customers that do not have demand meters, such as those customers on Rate 10, Residential service and Rate 20, Small General service, the seasonal rate variation occurs in the form of a reduced tail-block rate in the energy charge during off-peak months. For example, during the summer months of June through September the Rate 10 customers will pay approximately 6.3 cents per kwh for all of their energy usage. However, in the off-peak months of October through May the customers will also pay approximately 6.3 cents per kwh for the first 750 kwh they use each month, but the rate for usage in excess of 750 kwh will be reduced to approximately 3.4 cents per kwh.

Larger customers that have demand meters will generally see a seasonal rate difference of $3.00 per KW in their demand charge under the proposed rates. For example, Rate 30, Secondary General Service customers would pay approximately $11.20 per KW of demand per month in the summer months, but the Demand Charge would be only $8.20 per KW in the off-peak months.

Q63. For customers on Rates 10 and 20, will the structure of block rates in the Energy Charge changed?

A. Yes. Currently the Rate 10 Residential rates contain a declining-block structure that recovers a large portion of the fixed costs through the energy charge. This recovery of fixed costs currently is accomplished through a charge of 6.77 cents for a customer's first 450 kwh of energy consumption, a somewhat lower charge of 6.37 cents for the next 300 kwh of energy consumption, and a charge of 5.77 cents any energy consumed beyond 750 kwh in a month. Under the proposed new structure, a customer will pay a flat 6.3 cents for all kwh during the summer peak months. During the off-peak months the customer would still pay 6.3 cents for the first 750 kwh, but the charge would decline to 3.4 cents for all energy usage beyond 750 kwh. In other words, the middle block will be eliminated. This flatter structure of the Energy Charge is appropriate because a greater share of the fixed cost recovery will be provided by the increased Based Charge.

Rate 20, Small General service customers will see the size of their first block reduced from 2,000 kwh per month to 750 kwh per month. Since the larger of the current Rate 20 customers are being moved to Rate 30, this change in block

structure reflects the fact that the remaining Rate 20 customers who do not have demand meters consume approximately the same average monthly kwh as the residential customers.

Q64. Is Montana-Dakota proposing a seasonal differential in the lighting rates?

A. No. However, this rate filing proposes a significant reduction in lighting rates and a uniform rate all year. These changes recognize the fact that essentially all street and other outdoor lighting is now provided during off-peak periods. Because days are significantly longer in the summer than in the winter, street and other outdoor lights come on late in the afternoon in the winter, but not until late in the evening during the summer. When Montana-Dakota was a winter-peaking or a bi-modal-peaking utility, the outdoor lighting load that comes on late in the afternoon during the winter coincided with the overall annual peak of the utility system. Thus, during that previous era the outdoor lighting loads contributed to the overall system peak, and required the utility to construct or otherwise provide capacity specifically to serve the lighting customers.

Now that Montana-Dakota is clearly a summer-peaking utility, the lighting load that comes on late on a summer evening generally occurs after the system peak load that is closely associated with air conditioning use during the afternoon and early evening hours. Similarly, when lighting load comes on late in the afternoon during the winter, the total load on the system now is significantly less than the annual system peak that occurs during the summer. Thus, Montana-Dakota generally has plenty of capacity available to serve lighting customers as a by-product of constructing capacity to meet summer afternoon peak demand. The

proposed reduction in lighting rates recognizes that, as a result of fundamental change in the characteristics of the system, Montana-Dakota is no longer required to build much, if any, additional capacity solely to serve the outdoor lighting customers.

Q65. In addition to the introduction of seasonal rates, is Montana-Dakota proposing any changes in the structure of its time-of-day rates?

A. Yes. Under the time-of-day rate schedules (Rates 16, 26 and 31) the higher peak rates are in effect from 9:00 a.m. – 9:00 p.m. at the present. In this filing, Montana-Dakota is proposing to reduce the number of daily peak hours so that the higher peak rates would be in effect only from 12:00 p.m. – 8:00 p.m. These are the hours when the system experiences the highest probabilities of exceeding the available generating capacity. By offering the lower, off-peak rate throughout the morning hours when there is a low probability of a peak occurring, there will be more opportunities for some customers to either shift their load or to take advantage of the fact that their load is naturally concentrated in the morning hours.

Reduction in Fixed Costs Recovered in Energy Charge

Q66. Are you proposing a reduction in the proportion of Montana-Dakota's fixed costs that are recovered in the Energy Charge?

A. Yes. Montana-Dakota's current rates do not provide a good reflection of the manner in which the company's costs are incurred. As a result, in a large number of instances there is a serious misallocation of costs and cost responsibility among individual customers within a class of service. This

misallocation occurs because a large portion of fixed costs are recovered through very large markups applied to the Energy Charge (kwh) component of the rates. A more efficient and reasonable rate design would recover Montana-Dakota's various costs in a manner more closely related to the factors that cause these costs. For example, to the extent a large portion of the cost of service is recovered through large markups on the Energy Charge, customers may be artificially discouraged from using electricity for some functions that could be efficiently and cost-effectively performed with electric energy.

Much of the cost of providing electric service is unrelated to the total amount of energy that a customer consumes. Instead, costs such as metering, meter reading, installation and maintenance of distribution lines and transformers, billing, customer service and other costs are more closely a function of the number of customers on the system. Regardless of whether a customer uses zero electricity, or a large amount of electricity, during a month, Montana-Dakota has incurred substantial costs to install and maintain facilities to serve that customer. These fixed, customer-related costs should be recovered primarily through a similarly fixed, Base Charge each month.

In addition to fixed costs that vary primarily with the number of customers, many other fixed costs vary with the amount of power that a customer consumes. For example, the amount and cost of generating plant that the utility must construct is determined to a large extent by the amount of peak demand (in kilowatts) that the customers impose on the system. The utility must construct or otherwise arrange for sufficient generating capacity to meet the customers' peak

demand and, once constructed, the costs of that capacity are fixed and essentially do not increase or decrease if the capacity is used to generate more or less energy. Similarly, although much of the fixed cost of the distribution system is related to the number of customers served, some of these fixed costs vary by the amount of demand expected at particular points on the system. For example, if demand is expected to be particularly high at some points, more expensive transformers or other equipment are often needed to accommodate the higher level of peak demand required to serve a particular customer or group of customers on the system. For this reason, costs that are deemed to be primarily related to the peak demand on the system should be recovered, at least in part, in a demand charge that is related to a customer's peak whenever feasible.

Q67. Does Montana-Dakota currently have two- and three-part rates that levy a Base Charge, an Energy Charge and, for the larger customers, a Demand Charge?

A. Yes. However, the proportion of fixed costs that are recovered in the Energy Charge is quite high. In order to generally reduce the Energy Charges and more appropriately reflect the manner in which Montana-Dakota's costs are incurred, I am proposing that the Base Charges be increased to collect a greater proportion of the customer-related costs and the Demand Charges also be increased to collect a greater proportion of the demand-related costs. In this way, the proposed rates will move closer to a rate structure that reflects Montana-Dakota's costs of serving specific customers, and allow those customers to more accurately pay for the costs that they cause to be incurred.

Discount for Customer-Owned Equipment

Q68. What changes are you proposing for the rates charged to customers who provide their own distribution equipment?

A. Currently, Montana-Dakota provides a flat five percent discount on the bill of customers on the General Service rate schedules who take service at primary voltage and provide their own transformer and service line from the street to the building. This five percent discount applies to all components of the customers' bill, including the Base Charge, Energy Charge and Demand Charge. In place of the five percent discount, this filing proposes to charge a separate "Primary" service rate that is based on specific costs allocated to the primary, customer-owned services. In this way, the cost savings will better reflect the form and extent of the cost savings experienced by the utility when customers take the primary, customer-owned service.

Ancillary Charges and Penalties

Q69. Does Montana-Dakota propose to change the level of any other charges or penalties?

A. Yes. The current fee for re-connecting service is $12.00, as established in 1987. Since that time, the cost of labor and other equipment has increased significantly so that the current re-connection fee does not recover the costs that are caused by those customers who have service discontinued and later require re-connection. In order to recover only the labor costs required for a re-connection, Montana-Dakota needs to collect a Reconnection Fee of $20.00. Consequently, that is the new fee that I am recommending at this time. It should be noted that a

fee of $20.00 does not include an allocation of any overhead costs, nor does it include the costs of trucks or tools.

Montana-Dakota's tariff requires customers to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month is currently billed at $1.75 per Kvar of such excess demand. This Kvar penalty is designed to act as a penalty so that customers will have an incentive to maintain an adequate power factor and not incur the penalty.

Power factor in electricity is like efficiency and the best power factor is 100%. Many people find it easiest to understand power factor through an analogy. Consider a child on a swing. If you push them when they are going backwards, you will actually slow them down. In order to push with maximum efficiency, the motion of the swing and your push must be "in phase". Similarly in electricity, voltage and current must be in phase for optimum performance. Equipment such as motors and some lighting ballasts tend to move voltage and current out of phase with each other.

When a customer's power factor is less than 100%, the electric system is out of phase causing the efficiency and the capacity of the electric system to be reduced. In order to reflect this fact, and to provide an appropriate penalty, the amount of the penalty should be related to the level of the demand charges. In this case, Montana-Dakota generally is proposing to increase its Demand Charges.

In connection with this change, the new Kvar penalty is proposed to be set at $3.35, which is 30 percent of the summer demand charge for Rate 30.

C. Description of Class Cost of Service Study

Q70. How did you calculate the amount of costs to be recovered in the rates?

A. I started with the North Dakota jurisdictional cost of service calculated by Montana-Dakota witness Mr. Larry A. Crowley. The derivation of this cost of service is described in Mr. Crowley's Prepared Direct Testimony, Exhibit No. ___(LAC-1), and in Statements C-F, J-L, N and O of this rate filing. As those exhibits indicate, the cost of service based on the 12-month Base Period that ended June 30, 2002, as adjusted for known and measurable changes to reflect a 12-month Test Period ending December 31, 2003, is $95,930,500. It should be noted that this is the cost of service prior to any credits the retail customers will receive for off-system pool sales margins under the proposed Margin Credit Adjustment. Thus, the class cost of service study is designed to develop rates that will recover a Test Period cost of service of approximately $95.9 million. After applying the Margin Credit Adjustment it is anticipated that the proposed actual revenues collected from retail customers will be $93.5 million, or a rate increase of approximately $7.8 million.

Q71. How did you determine the amount of costs to be recovered from each class of customers?

A. These calculations are shown on the various sub-statements of Statement M. I began by categorizing costs associated with the plant and facilities into the

functions that the plant serves. For example, generating plant is one functional category, transmission plant is another category. The distribution plant is functionalized into rights-of-way and conduits, distribution lines, transformers, meters, service lines to the customers' premises and lights.

Next, I classified the transmission- and production-related plant costs by dividing these costs into: (i) a "Base" category for costs incurred to serve a base or intermediate amount of demand on the system for more than just a few hours of the year; and, (ii) a "Peak" category for costs that are associated with plant that is required to provide service only for relatively short peak periods of time each year.

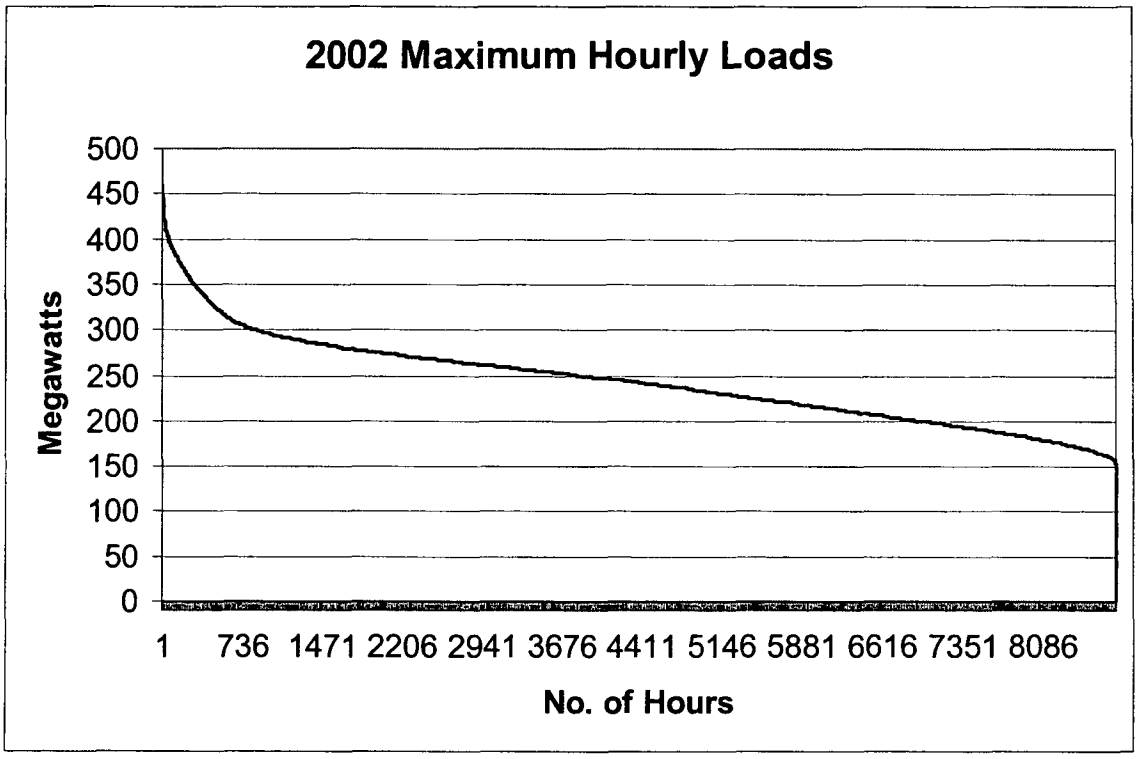
This functionalization and classification of plant-related costs was applied to the amount of plant investment in the rate base, the amount of depreciation on the plant and, implicitly, the property taxes, income taxes and return on investment associated with the plant. The total amount of each of these plant-related costs, as well as a detailed breakdown of the Operation and Maintenance and Administrative and General costs can be seen in the column labeled "Total North Dakota" on Statement M-3.

Q72. Would you explain the concepts of "base" demand and "peak" demand as they apply to Montana-Dakota's operations?

A. Montana-Dakota, like any other electric utility, must maintain sufficient capacity on its system to serve the anticipated peak demand of its customers. However, the level of usage on the system varies diurnally, during different hours of the day and night, and seasonally, as the months change. In addition, system-

wide usage fluctuates significantly in response to unpredictable weather patterns. Consequently, Montana-Dakota can anticipate that much of its capacity, particularly generation and transmission capacity, will be used continuously throughout the year to satisfy a base-load level of demand, but that a significant portion of its capacity will be used for a relatively few number of peak hours each year.

The levels of base demand and peak demand for a system can be seen by constructing a "Load Duration Curve" that takes the level of system demand recorded during each of the 8,760 hours during the year and sorts these demands from highest to lowest. The resulting graph shows how many hours during the year the system demand reached any particular level of megawatts ("MW"). Montana-Dakota's Load Duration Curve during 2002 had the following shape:



It can be seen that the peak demand was approximately 459 MW, but that the curve declines rapidly until it reaches approximately 300 MW, where it begins to flatten. Approximately 150 MW is the level of demand that is on the system at all hours of the year. Although MDU must be prepared to serve a load that exceeds 459 MW by a comfortable margin, the load exceeded 300 MW slightly less than 10 percent of the time. For purposes of this study, I have classified one-third of the generation costs as being clearly associated with peak demand.

Q73. How did you allocate the functionalized and classified costs to individual services and rate schedules?

A. I developed approximately four dozen sets of allocation factors that were used to allocate the various costs to individual services or rate schedules on a basis that corresponds with the relative cost responsibility of the customer classes. These allocators are shown on Statement M-4. The most important of these allocators are the number of bills/customers on a particular rate schedule, the amount of energy (kwh) consumed by the customers, and the estimated non-coincident peak demand (KW) and coincident peak demand (KW) of each of the customer classes.

"Non-coincident peak" refers to the highest level of demand that a class experienced during the year. This non-coincident peak may coincide with the overall system peak, but in some instances it occurs at other times. "Coincident peak" refers to the demand of a class at the time when the overall system demand is at a peak.

Because a significant portion of the distribution system costs are incurred simply to attach a customer to the system, and are the same regardless of the amount of energy that the customer might consume, significant portions of the distribution system costs and customer-related costs are allocated to classes using allocators that are related to the number of customers in the class. However, because there generally is a very wide difference between the customer classes in terms of the level of customer-related costs required per customer, many of the allocations of customer-related costs are weighted to reflect the relative differences in the average cost per customer of providing these facilities or services for particular classes of customers. Thus, customer-related costs such as meters, transformers, service lines and meter-reading are allocated based on the cost-weighted number of customers in each class.

Variable costs related to fuel used to generate electricity were allocated to classes and rate schedules using the relative kwh of generation required by each customer class.

Since all customer classes shared the use of a base amount of plant, the non-coincident peak usage of each class was used to allocate the portion of generation and transmission plant costs that were classified as being related to "base" usage. On the other hand, it is appropriate to attach cost responsibility for peak-related plant to customer classes in proportion to their tendency to use electricity during the system peak. Consequently, the estimated coincident peak demand of each class is used to allocate costs classified as being "peak-related."

Q74. Do you have an exhibit that shows the allocation of costs to specific classes and rate schedules?

A. Statement M-3 shows the allocation of Montana-Dakota's Test Period costs to individual rate schedules and rate components. The statement is organized by the proposed reorganized rate classes so that the costs allocated to each rate class are shown on the following pages:

Class	Pages
Residential Service	1 – 10
Small General Service	11 – 20
General Service	21 – 30
Lighting	31 – 40
Irrigation and Pumping	41 – 50

Statement M-5 shows a summary of the costs allocated to each rate schedule and rate component. This statement organizes the costs allocated to each rate schedule according to whether the costs are classified as being related to: the number of customers, base demand, peak demand, or energy usage.

Q75. What does Statement M-2 show?

A. Statement M-2 is a summary of the costs allocated to each of the current major classes of service and a calculation of the percentage rate increase that would be required from each class if there were no consolidation or reorganization of the existing rate schedules. Because the initial cost allocation indicated that Residential and Pumping customers could require rate increases in excess of 40 percent, while Lighting and Large General Service customers could receive large rate decreases, some of the initially-allocated costs were reallocated

so that the Residential and Pumping classes would have rate increases that are less than two times the overall average rate increase. This reallocation, in order to mitigate the effects of major rate shocks, was accomplished by holding the average proposed rate change for the Large General Service class to zero and the decrease in Lighting rates to approximately 14 percent. This mitigation of changes resulting from cost allocation produced allocated costs that indicated the following rate changes for the existing major classes of service:

Current Rate Class	Average Allocated Increase in Rates[1]
Residential	15.7 %
Small General Service	14.7 %
Large General Service	0.0 %
Lighting	(14.0 %)
Pumping	3.9 %
Average	**9.1 %**

The costs allocated to the current rate schedules and classes were then consolidated and reorganized in order to calculate the rates that are being proposed in this filing.

[1] Includes a Margin Credit Adjustment of $2.4 million.

D. Revenue Impacts

Q76. Have you calculated the changes in revenue that Montana-Dakota is expected to collect from each customer class as a result of the proposed rate changes?

A. Yes. As shown on page 2 of Statement M-1, Montana-Dakota would expect to collect Test Period retail revenues of approximately $85.7 million at its current rates. However, the proposed rates would collect approximately $93.5 million after providing a pool sales margin credit to North Dakota retail customers of approximately $2.4 million. Because a number of rate schedules are being consolidated and reorganized in this rate filing, it is important to make "apples-to-apples" comparisons that do not mix the current rate schedules and class groupings with the proposed rate schedules and class groupings. Statement M-1 compares the revenues at current rates with the estimated revenues at proposed rates, assuming that the rate schedules are not consolidated and reorganized as proposed in this rate filing. The revenue changes that are expected to occur as a result of this filing generally range from a 15 percent decrease for the lighting customers to a potential 75 percent increase for the irrigation customers. However, as I will discuss later in this testimony, the proposed rate changes offer the irrigation customers an option that could eliminate most of the effects of this large potential rate increase.

In addition, within each rate schedule some customers will experience a greater or lesser overall rate change depending upon their individual usage characteristics. Changes in cost responsibility among customers within each rate

class will occur as a result of reducing the portion of fixed costs recovered in the Energy Charge component of the rates, and the introduction of seasonal rates.

For example, by moving a greater portion of fixed costs from the Energy Charge to the Base Charge and, where applicable, to the Demand Charge components of the rates, high load factor customers generally will experience overall rate increases that are below the average for customers on the rate schedule. However, low-load factor customers, or customers who do not use much electricity will experience above-average rate increases because the proposed rates would move toward requiring such customers to pay a Base Charge and/or Demand Charge that covers a greater share of the costs of the facilities that are constructed to connect them to the network. The additional charges for using energy will be correspondingly lower, thereby reducing the cost burden on those high load factor customers who do not require any more wires, transformers or meters than the low load factor customers who take the same service.

In addition, the introduction of seasonal rates will provide below-average rate increases to customers who use proportionately more energy during the off-peak periods, and above-average rate increases to customers who have their usage concentrated during the summer peak periods. By reflecting the differences between the costs of usage during peak and off-peak periods, there will be a closer correspondence between rates and cost responsibility. In addition, the improved pricing signals associated with seasonal rates may encourage more efficient usage of electricity and the electrical system.

Q77. Have you examined the impact of the proposed rate changes on various sub-groups of customers?

A. Yes. Schedules 2-5 of Exhibit No.___(JSG-3) show the revenue impacts on customers with various usage characteristics. Customers on Rate 10 (Schedule 2) and Rate 20 (Schedule 3) who do not use much electricity will experience percentage rate increases that appear to be very large, but the total dollars are small because those customers have small bills to begin with. For example, a residential customer who does not use any energy will see his or her monthly bill increase from $3.50 per month to $17.00. This translates into a high percentage rate increase, but the total dollar increase is only $13.50 per month. That higher cost generally reflects the cost required to connect the customer to the system, and to provide facilities and a network so that electric service will be available at those times when the customer wants to use electric energy.

In contrast, customers who use a larger amount of electricity generally will experience relatively smaller percentage increases in their rates, and may even experience overall rate decreases if their usage tends to be concentrated in the off-peak months. This effect tends to occur because the new rates increase the degree to which costs of providing fixed-cost facilities and a network are unbundled from the cost of providing energy.

Rate 30 customers who use more energy generally also will experience relatively smaller rate increases. Moreover, as Schedules 4 and 5 of Exhibit No. ___(JSG-3) indicate, the increased level of Demand Charges accomplished by unloading the share of fixed costs recovered in the Energy Charge will also allow

higher load factor customers (i.e., customers who use a large number of kwh relative to their KW of demand) to experience relatively lower rate increases and perhaps rate decreases.

Q78. The Irrigation class of customers would receive the largest increase under the proposed rates. Is there anything that these customers can do to mitigate the impacts?

A. Yes. The Irrigation class consists of approximately 31 customers who are primarily golf courses and some nurseries. Their usage is virtually zero during the winter months, and heavily concentrated during the peak summer months when the cost of providing service tends to be highest. By switching to one of the time-of-day rate schedules, Rate 26 or 31 depending on the size of the customer, and limiting usage to off-peak periods, a typical customer in the Irrigation class could drastically reduce the impact of these rate changes and thereby experience only a very small increase in its annual bill. Undoubtedly many, if not all, of these customers have the ability to shift their usage to low-cost, off-peak hours. In fact, many may already be using the service primarily during off-peak hours, but without a time-of-day meter Montana-Dakota cannot offer them the low, off-peak rate. However, if some customers prefer to concentrate their electricity consumption during the summer, peak hours, it is appropriate that these customers should pay the higher costs required to provide such service.

A similar observation may apply to grain elevators that have concentrated usage during the summer months and may be able to migrate to a time-of-day rate in order to offset the impacts of the proposed rate changes. Because Montana-Dakota

is proposing to reduce the number of hours subject to the peak rates in its time-of-day rate schedules, the time-of-day rate option may be an economical alternative for some customers to avoid the impacts of the rate changes proposed in this filing.

Q79. What impact will the proposed rates have on municipalities in North Dakota?

A. Because most municipalities take service under several different rate schedules, the impacts on each municipality will depend on its specific usage characteristics. Overall, rates for general electric service provided to municipal buildings and municipal pumping service would increase. However, because of the proposed large decrease in lighting rates, virtually all municipalities will experience only a relatively modest increase in their total electric bills.

Q80. Does this conclude your Prepared Direct Testimony?

A. Yes.

Montana-Dakota Utilities Co.

General Economic Statistics

1972-2002

Year	Percentage Price Changes: Consumer Price Index	Percentage Price Changes: GDP Implicit Price Deflator	Real GDP Growth	Nominal GDP (Billions)
1972	3.2%	4.3%	5.4%	1,240.4
1973	6.2%	5.6%	5.8%	1,385.5
1974	11.0%	9.0%	-0.6%	1,501.0
1975	9.1%	9.3%	-0.4%	1,635.2
1976	5.8%	5.7%	5.6%	1,823.9
1977	6.5%	6.4%	4.6%	2,031.4
1978	7.6%	7.1%	5.5%	2,295.9
1979	11.3%	8.3%	3.2%	2,566.4
1980	13.5%	9.2%	-0.2%	2,795.6
1981	10.3%	9.3%	2.5%	3,131.3
1982	6.2%	6.2%	-2.0%	3,259.2
1983	3.2%	4.0%	4.3%	3,534.9
1984	4.3%	3.7%	7.3%	3,932.7
1985	3.6%	3.1%	3.8%	4,213.0
1986	1.9%	2.2%	3.4%	4,452.9
1987	3.6%	3.0%	3.4%	4,742.5
1988	4.1%	3.4%	4.2%	5,108.3
1989	4.8%	3.8%	3.5%	5,489.1
1990	5.4%	3.9%	1.8%	5,803.2
1991	4.2%	3.6%	-0.5%	5,986.2
1992	3.0%	2.4%	3.0%	6,318.9
1993	3.0%	2.4%	2.7%	6,642.3
1994	2.6%	2.1%	4.0%	7,054.3
1995	2.8%	2.2%	2.7%	7,400.5
1996	3.0%	1.9%	3.6%	7,813.2
1997	2.3%	1.9%	4.4%	8,318.4
1998	1.6%	1.2%	4.3%	8,781.5
1999	2.2%	1.4%	4.1%	9,274.3
2000	3.4%	2.1%	3.8%	9,824.6
2001	2.8%	2.4%	0.3%	10,082.2
2002	1.6%	1.1%	2.4%	10,446.2
Average Rate of Change: 1/				
1972-2002	5.0%	4.3%	3.1%	7.4%
1982-2002	3.3%	2.8%	3.1%	6.0%
1992-2002	2.6%	1.9%	3.2%	5.2%

1/ Nominal GDP growth rates are based on the geometric average rate of change in nominal GDP.

Source: *Economic Report of the President* , February 2003 and *Economic Indicators* , March 2003.

Montana-Dakota Utilities Co.

Mergent Bond Yield Averages
January 2001 - March 2003

		Average Corporate	Public Utility Bonds	
			A-Rated	Baa-Rated
2001	JAN	7.55	7.80	7.99
	FEB	7.50	7.74	7.94
	MAR	7.41	7.68	7.85
	APR	7.63	7.94	8.06
	MAY	7.69	7.99	8.11
	JUN	7.56	7.85	8.02
	JUL	7.51	7.78	8.05
	AUG	7.37	7.59	7.95
	SEP	7.54	7.75	8.12
	OCT	7.41	7.63	8.02
	NOV	7.32	7.57	7.96
	DEC	7.55	7.83	8.27
2002	JAN	7.38	7.66	8.13
	FEB	7.32	7.54	8.18
	MAR	7.57	7.76	8.32
	APR	7.49	7.57	8.26
	MAY	7.49	7.52	8.33
	JUN	7.36	7.42	8.26
	JUL	7.27	7.31	8.07
	AUG	7.06	7.17	7.74
	SEP	6.87	7.08	7.62
	OCT	7.07	7.23	7.99
	NOV	7.01	7.14	7.76
	DEC	6.90	7.07	7.61
2003	JAN	6.84	7.06	7.47
	FEB	6.62	6.93	7.17
	MAR	6.53	6.79	7.05

Source: Mergent Bond Record.

Montana-Dakota Utilities Co.

Average Return on Book Value of Equity for S&P 500 Companies

	Average Return on Equity	5-Year Moving Average ROE
2000	23.17	21.47
1999	23.49	20.69
1998	18.50	19.77
1997	20.89	18.99
1996	21.30	17.33
1995	19.27	15.12
1994	18.90	14.10
1993	14.57	13.43
1992	12.60	13.88
1991	10.25	13.97
1990	14.20	14.20
1989	15.53	13.70
1988	16.81	13.31
1987	13.05	12.35
1986	11.43	11.99
1985	11.67	12.51
1984	13.59	13.07
1983	12.00	13.50
1982	11.24	13.99
1981	14.04	14.50
1980	14.46	
1979	15.76	
1978	14.45	
1977	13.77	

Census 2000 PHC-T-2. Ranking Tables for States: 1990 and 2000

Table 2. States Ranked by Numeric Population Change: 1990 to 2000

Rank	Area	Census Population		Change, 1990 to 2000	
		April 1, 2000	April 1, 1990	Number	Percent
1	California	33,871,648	29,760,021	4,111,627	13.8
2	Texas	20,851,820	16,986,510	3,865,310	22.8
3	Florida	15,982,378	12,937,926	3,044,452	23.5
4	Georgia	8,186,453	6,478,216	1,708,237	26.4
5	Arizona	5,130,632	3,665,228	1,465,404	40.0
6	North Carolina	8,049,313	6,628,637	1,420,676	21.4
7	Washington	5,894,121	4,866,692	1,027,429	21.1
8	Colorado	4,301,261	3,294,394	1,006,867	30.6
9	Illinois	12,419,293	11,430,602	988,691	8.6
10	New York	18,976,457	17,990,455	986,002	5.5
11	Virginia	7,078,515	6,187,358	891,157	14.4
12	Tennessee	5,689,283	4,877,185	812,098	16.7
13	Nevada	1,998,257	1,201,833	796,424	66.3
14	New Jersey	8,414,350	7,730,188	684,162	8.9
15	Michigan	9,938,444	9,295,297	643,147	6.9
16	Oregon	3,421,399	2,842,321	579,078	20.4
17	Minnesota	4,919,479	4,375,099	544,380	12.4
18	Indiana	6,080,485	5,544,159	536,326	9.7
19	South Carolina	4,012,012	3,486,703	525,309	15.1
20	Maryland	5,296,486	4,781,468	515,018	10.8
21	Utah	2,233,169	1,722,850	510,319	29.6
22	Ohio	11,353,140	10,847,115	506,025	4.7
23	Missouri	5,595,211	5,117,073	478,138	9.3
24	Wisconsin	5,363,675	4,891,769	471,906	9.6
25	Alabama	4,447,100	4,040,587	406,513	10.1
26	Pennsylvania	12,281,054	11,881,643	399,411	3.4
27	Kentucky	4,041,769	3,685,296	356,473	9.7
28	Massachusetts	6,349,097	6,016,425	332,672	5.5
29	Arkansas	2,673,400	2,350,725	322,675	13.7
30	Oklahoma	3,450,654	3,145,585	305,069	9.7
31	New Mexico	1,819,046	1,515,069	303,977	20.1
32	Idaho	1,293,953	1,006,749	287,204	28.5
33	Mississippi	2,844,658	2,573,216	271,442	10.5
34	Louisiana	4,468,976	4,219,973	249,003	5.9
35	Kansas	2,688,418	2,477,574	210,844	8.5
36	Iowa	2,926,324	2,776,755	149,569	5.4
37	Nebraska	1,711,263	1,578,385	132,878	8.4
38	New Hampshire	1,235,786	1,109,252	126,534	11.4
39	Connecticut	3,405,565	3,287,116	118,449	3.6
40	Delaware	783,600	666,168	117,432	17.6
41	Hawaii	1,211,537	1,108,229	103,308	9.3
42	Montana	902,195	799,065	103,130	12.9
43	Alaska	626,932	550,043	76,889	14.0
44	South Dakota	754,844	696,004	58,840	8.5
45	Maine	1,274,923	1,227,928	46,995	3.8
46	Vermont	608,827	562,758	46,069	8.2
47	Rhode Island	1,048,319	1,003,464	44,855	4.5
48	Wyoming	493,782	453,588	40,194	8.9
49	West Virginia	1,808,344	1,793,477	14,867	0.8
50	**North Dakota**	**642,200**	**638,800**	**3,400**	**0.5**
(N/A)	District of Columbia	572,059	606,900	-34,841	-5.7
(N/A)	**United States**	281,421,906	248,709,873	32,712,033	13.2

Source: U.S. Census Bureau, Census 2000 Redistricting Data (P.L. 94-171) Summary File and 1990 Census.

Montana-Dakota Utilities Co.

Electric Utility Proxy Companies
Most Recent Year Fiscal Operating Data

	Electric Revenue (%)	Assets ($000,000)	Operating Revenues ($000,000)	Operating Income ($000,000)
Ameren Corp.	92	$11,499	$3,841	$1,304
DPL, Inc	99	$4,176	$1,186	$609
DQE, Inc. 1/ 3/	84	$3,226	$1,019	$462
Empire District Elec. 1/ 3/	98	$882	$306	$75
Entergy Corp. 1/	79	$25,910	$8,305	$2,027
FirstEnergy Corp. 1/ 2/ 3/	77	$37,352	$7,999	$2,575
FPL Group 1/	87	$17,463	$8,475	$2,180
Hawaiian Electric	75	$8,877	$1,654	$407
NSTAR 1/ 3/	83	$5,328	$2,719	$695
Pinnacle West 1/ 3/	78	$7,982	$2,637	$1,103
PNM Resources	77	$3,027	$1,169	$225
Progress Energy#	80	$21,845	$8,005	$4,159
Southern Company	86	$31,799	$10,549	$3,628
High	99	$37,352	$10,549	$4,159
Median	**83**	**$8,877**	**$2,719**	**$1,103**
Low	75	$882	$306	$75
Montana-Dakota Electric		**$310**	**$163**	**$34**
MDU Resources Group, Inc.		$2,937	$2,031	$266
Montana-Dakota Electric % of:				
- Proxy Company Median		**3.5%**	**6.0%**	**3.1%**
- MDU Resources Group, Inc.		10.6%	8.0%	12.8%

Sources: Zacks.com; C.A. Turner Reports, March 2003; Annual and Quarterly Reports.
1/ Assets as of 12/31/01.
2/ Operating Revenues and Income as of 12/31/01.
3/ Operating Income as of 12/31/01.

Montana-Dakota Utilities Co.

Bond Ratings of
Electric Utility Proxy Companies

	Standard & Poor's	Moody's (Mergent)
Ameren Corp.	A-	A1
DPL, Inc	BBB	A2
DQE, Inc.	BBB+	Baa1
Empire District Elec.	BBB	Baa1
Entergy Corp.	BBB	Baa2
FirstEnergy Corp.	BBB	A3
FPL Group	A	Aa3
Hawaiian Electric	BBB	Baa1
NSTAR	A	A1
Pinnacle West	A-	A3
PNM Resources	BBB-	Baa3
Progress Energy	BBB+	A3
Southern Company	A+	A1
Median	BBB+	A3
MDU Resources Group	A-	A2

Source: C.A. Turner, *Utility Reports* , March 2003.

Montana-Dakota Utilities Co.

Electric Utility Proxy Companies
Dividend Yields
September 2002 - February 2003

		Stock Price September '02 - February '03				
		High	Low	Average	Dividend	Yield
Ameren Corp.	AEE	$ 44.73	$ 37.43	$ 41.08	$ 2.54	6.18%
DPL, Inc	DPL	$ 18.47	$ 11.75	$ 15.11	$ 0.94	6.22%
DQE, Inc.	DQE	$ 16.65	$ 13.16	$ 14.91	$ 1.00	6.71%
Empire District Elec.	EDE	$ 19.71	$ 15.06	$ 17.39	$ 1.28	7.36%
Entergy Corp.	ETR	$ 48.38	$ 36.80	$ 42.59	$ 1.40	3.29%
FirstEnergy Corp.	FE	$ 35.19	$ 25.60	$ 30.40	$ 1.50	4.94%
FPL Group	FPL	$ 61.40	$ 48.35	$ 54.88	$ 2.40	4.37%
Hawaiian Electric	HE	$ 49.00	$ 38.20	$ 43.60	$ 2.48	5.69%
NSTAR	NST	$ 46.12	$ 36.90	$ 41.51	$ 2.16	5.20%
Pinnacle West	PNW	$ 37.13	$ 21.70	$ 29.42	$ 1.70	5.78%
PNM Resources	PNM	$ 24.67	$ 17.47	$ 21.07	$ 0.92	4.37%
Progress Energy	PGN	$ 46.37	$ 32.84	$ 39.61	$ 2.24	5.66%
Southern Company	SO	$ 31.14	$ 24.80	$ 27.97	$ 1.37	4.90%
Average						5.44%
Median						5.66%

Sources: America Online and S&P Stock Guide, March 2003.

Montana-Dakota Utilities Co.

Projected Earnings Retention Growth Rates for Electric Utility Proxy Companies

	Value Line Forecast 2006-2008			Retention	Retention
	EPS	DPS	ROE	Rate	Growth
Ameren Corp.	$ 3.30	$ 2.62	13.00%	20.61%	2.7%
DPL, Inc	$ 2.20	$ 0.94	20.00%	57.27%	11.5%
DQE, Inc.	$ 1.45	$ 1.00	14.00%	31.03%	4.3%
Empire District Elec.	$ 1.75	$ 1.28	11.00%	26.86%	3.0%
Entergy Corp.	$ 4.15	$ 1.66	9.00%	60.00%	5.4%
FirstEnergy Corp.*	$ 1.25	$ 1.80	11.50%	-44.00%	0.0%
FPL Group	$ 5.70	$ 2.72	11.50%	52.28%	6.0%
Hawaiian Electric	$ 3.25	$ 2.50	19.50%	23.08%	4.5%
NSTAR	$ 4.00	$ 2.33	13.00%	41.75%	5.4%
Pinnacle West	$ 3.35	$ 2.03	9.50%	39.40%	3.7%
PNM Resources	$ 2.30	$ 1.03	7.00%	55.22%	3.9%
Progress Energy	$ 4.20	$ 2.50	11.00%	40.48%	4.5%
Southern Company	$ 2.30	$ 1.61	13.50%	30.00%	4.1%
Average					4.5%
MDU Resources	$ 2.25	$ 1.10	10.00%	51.11%	5.1%

* Negative retention growth estimated as zero.

Source: *Value Line*, January 3, 2003, February 14, 2003, and March 7, 2003.

Montana-Dakota Utilities Co.

Second-Stage Retention Growth Rate
Estimates for Electric Utility Proxy Companies

		2/3 Zacks 5-Yr Earnings Growth Est.	1/3 Retention Growth	Weighted Average
Ameren Corp.	AEE	3.56%	2.7%	3.27%
DPL, Inc	DPL	4.83%	11.5%	7.04%
DQE, Inc.	DQE	4.33%	4.3%	4.33%
Empire District Elec.	EDE	6.50%	3.0%	5.32%
Entergy Corp.	ETR	7.00%	5.4%	6.47%
FirstEnergy Corp.	FE	5.86%	0.0%	3.91%
FPL Group	FPL	5.92%	6.0%	5.95%
Hawaiian Electric	HE	2.83%	4.5%	3.39%
NSTAR	NST	4.25%	5.4%	4.64%
Pinnacle West	PNW	5.14%	3.7%	4.67%
PNM Resources	PNM	5.00%	3.9%	4.62%
Progress Energy	PGN	4.96%	4.5%	4.79%
Southern Company	SO	5.08%	4.1%	4.74%
Average		5.0%	4.5%	**4.9%**
Median				**4.7%**

Sources: Zacks.com and page 4.

Montana-Dakota Utilities Co.

Second-Stage Retention Growth DCF Calculation for Electric Utility Proxy Companies

	Dividend Yield	Dividend Yield Times (1 + .625g)	Expected Growth Rate (g)	Investor Required Return	Flotation Cost Adjustment	Cost of Capital
Ameren Corp.	6.18%	6.31%	3.27%	9.58%	1.0350	9.91%
DPL, Inc	6.22%	6.49%	7.04%	13.53%	1.0350	14.01%
DQE, Inc.	6.71%	6.89%	4.33%	11.23%	1.0350	11.62%
Empire District Elec.	7.36%	7.61%	5.32%	12.93%	1.0350	13.38%
Entergy Corp.	3.29%	3.42%	6.47%	9.89%	1.0350	10.23%
FirstEnergy Corp.	4.94%	5.06%	3.91%	8.96%	1.0350	9.28%
FPL Group	4.37%	4.54%	5.95%	10.49%	1.0350	10.85%
Hawaiian Electric	5.69%	5.81%	3.39%	9.20%	1.0350	9.52%
NSTAR	5.20%	5.35%	4.64%	10.00%	1.0350	10.35%
Pinnacle West	5.78%	5.95%	4.67%	10.62%	1.0350	10.99%
PNM Resources	4.37%	4.49%	4.62%	9.11%	1.0350	9.43%
Progress Energy	5.66%	5.83%	4.79%	10.62%	1.0350	10.99%
Southern Company	4.90%	5.04%	4.74%	9.78%	1.0350	10.12%
Average	5.44%		4.86%	10.46%		**10.82%**
High				13.53%		14.01%
Median				10.00%		**10.35%**
Low				8.96%		9.28%

Case No. _____
Exhibit No. ___(JSG-2)
Schedule 2
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Montana-Dakota Utilities Co.

Basic DCF Calculation
for Electric Utility Proxy Companies

	Dividend Yield	Dividend Yield Times (1 + .625g)	Expected Growth Rate (g)	Investor Required Return	Flotation Cost Adjustment	Cost of Capital
Ameren Corp.	6.18%	6.32%	3.56%	9.88%	1.0350	10.23%
DPL, Inc	6.22%	6.41%	4.83%	11.24%	1.0350	11.63%
DQE, Inc.	6.71%	6.89%	4.33%	11.22%	1.0350	11.61%
Empire District Elec.	7.36%	7.66%	6.50%	14.16%	1.0350	14.66%
Entergy Corp.	3.29%	3.43%	7.00%	10.43%	1.0350	10.80%
FirstEnergy Corp.	4.94%	5.12%	5.86%	10.98%	1.0350	11.36%
FPL Group	4.37%	4.54%	5.92%	10.46%	1.0350	10.82%
Hawaiian Electric	5.69%	5.79%	2.83%	8.62%	1.0350	8.92%
NSTAR	5.20%	5.34%	4.25%	9.59%	1.0350	9.93%
Pinnacle West	5.78%	5.97%	5.14%	11.11%	1.0350	11.49%
PNM Resources	4.37%	4.50%	5.00%	9.50%	1.0350	9.84%
Progress Energy	5.66%	5.83%	4.96%	10.79%	1.0350	11.17%
Southern Company	4.90%	5.05%	5.08%	10.13%	1.0350	10.49%
Average	5.44%		5.02%	10.62%		**11.00%**
High				14.16%		14.66%
Median				10.46%		**10.82%**
Low				8.62%		8.92%

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Montana-Dakota Utilities Co.

Primary DCF Analysis
Computation of the Cost of Capital
for Electric Utility Proxy Companies

Growth Rate Estimate (g)	4.75%	5.75%
Current Dividend Yield (D/P)	5.44%	5.44%
Quarterly Model Dividend Yield Factor (1 + .625 g)	X 1.030	X 1.036
DCF Dividend Yield Component (Y)	5.60%	5.63%
Investor Required Return (Y + g)	10.35%	11.38%
Flotation Cost Adjustment	X 1.035	X 1.035
Cost of Capital	10.71%	11.78%
Mid-Point	**11.25%**	

Montana-Dakota Utilities Co.

Electric Utility Proxy Companies
Capital Structures as of December 31, 2002

	Long-Term Debt (Millions)	%	Preferred Stock (Millions)	%	Common Equity (Millions)	%	Total Capital
Ameren Corp.	$ 3,772.00	48.22%	$ 194.00	2.48%	$ 3,856.0	49.30%	$ 7,822.0
DPL, Inc	$ 2,142.30	65.82%	$ 23.00	0.71%	$ 1,089.5	33.47%	$ 3,254.8
DQE, Inc.*	$ 1,203.60	61.75%	$ 93.40	4.79%	$ 652.1	33.46%	$ 1,949.1
Empire District Elec.**	$ 308.84	44.88%	$ -	0.00%	$ 379.3	55.12%	$ 688.2
Entergy Corp.**	$ 8,553.17	50.47%	$ 573.66	3.39%	$ 7,820.0	46.14%	$ 16,946.8
FirstEnergy Corp.**	$ 12,570.23	59.50%	$ 764.18	3.62%	$ 7,792.8	36.89%	$ 21,127.2
FPL Group**	$ 6,997.00	51.63%	$ 226.00	1.67%	$ 6,330.0	46.71%	$ 13,553.0
Hawaiian Electric	$ 1,106.27	47.30%	$ -	0.00%	$ 1,232.4	52.70%	$ 2,338.7
NSTAR*	$ 1,861.52	59.18%	$ -	0.00%	$ 1,283.8	40.82%	$ 3,145.4
Pinnacle West**	$ 3,139.35	54.79%	$ -	0.00%	$ 2,590.3	45.21%	$ 5,729.7
PNM Resources	$ 953.91	47.39%	$ 12.80	0.64%	$ 1,046.1	51.97%	$ 2,012.8
Progress Energy	$ 10,022.68	61.31%	$ 92.83	0.57%	$ 6,232.9	38.13%	$ 16,348.4
Southern Company	$ 10,297.00	47.63%	$ 2,600.12	12.03%	$ 8,721.3	40.34%	$ 21,618.4
Average		**53.84%**		**2.30%**		**43.86%**	
Median		**51.63%**		**0.71%**		**45.21%**	

Sources: Zacks.com.
*Data as of 06/30/02
**Data as of 09/30/02

Montana-Dakota Utilities Co.

Flotation Costs Associated With Electric Company Common Stock Issues 1996-2002

COMPANY	Year	Month	Day	Number of Shares	Price to Public	Issue Cost as a Percent of Net Proceeds
MDU Resources Group	2002	NOV	29	2,100	$ 24.000	3.50%
TXU Corp	2002	NOV	25	30,500	$ 14.770	3.45%
Great Plains Energy Inc	2002	NOV	21	6,000	$ 22.000	3.90%
MDU Resources Group	2002	NOV	19	2,100	$ 24.000	3.09%
PSE&G	2002	NOV	12	15000	$ 26.550	3.45%
Progress Energy, Inc	2002	NOV	6	14,670	$ 41.900	2.55%
Puget Energy	2002	NOV	5	5000	$ 20.700	3.63%
Puget Energy	2002	OCT	31	5,000	$ 20.700	3.63%
TECO Energy, Inc	2002	OCT	10	17,000	$ 11.000	3.20%
Duke Energy	2002	SEP	25	54,500	$ 18.350	2.67%
PPL Corp	2002	SEP	12	14,500	$ 30.500	3.37%
Ameren Corp.	2002	SEP	10	7,000	$ 42.000	3.52%
DQE	2002	JUN	20	15,000	$ 13.500	4.16%
DTE Energy	2002	JUN	19	5,500	$ 43.250	3.47%
FPL Group	2002	JUN	6	5,000	$ 56.600	3.19%
FPL Group (F)	2002	JUN	6	8,800	$ 50.000	3.27%
American Electric Power Co.	2002	JUN	5	16,000	$ 40.900	3.15%
TECO Energy, Inc	2002	JUN	4	13,500	$ 23.000	3.09%
TXU Corp	2002	MAY	31	11,000	$ 51.150	3.14%
Empire District Electric Co.	2002	MAY	16	2,500	$ 20.750	4.44%
Cleco Corp	2002	MAY	2	1,750	$ 33.000	3.01%
Calpine Corporation	2002	APR	24	66,000	$ 11.500	3.41%
Xcel Energy Co.	2002	FEB	28	20,000	$ 22.500	3.42%
FPL Group	2002	JAN	29	10,000	$ 50.000	3.25%
Utilicorp	2002	JAN	25	11,000	$ 23.000	3.36%
Empire District Electric	2001	DEC	4	1,750	$ 20.370	4.46%
Hawaiian Electric Industries	2001	NOV	19	1,500	$ 37.700	4.17%
Alliant Energy Corp	2001	NOV	15	8,500	$ 28.000	4.09%
Sierra Pacific	2001	AUG	15	20,500	$ 15.000	4.04%

COMPANY	Year	Month	Day	Number of Shares	Price to Public	Issue Cost as a Percent of Net Proceeds
Progressive Energy	2001	AUG	14	11,000	$ 40.000	3.63%
WPS Resource Corp	2001	MAY	2	2,000	$ 34.360	3.62%
Reliant Resources, Inc	2001	APR	30	52,000	$ 30.000	5.26%
Aquila, Inc	2001	APR	27	12,250	$ 24.000	6.10%
Utilicorp United Inc	2001	APR	27	5,250	$ 24.000	6.10%
Allegheny Energy Inc	2001	APR	26	12,400	$ 48.250	3.10%
Black Hills Corporation	2001	APR	18	3,000	$ 52.000	5.82%
Constellation Energy	2001	MAR	21	12,000	$ 39.900	1.58%
Duke Energy	2001	MAR	13	25,000	$ 38.980	2.72%
Utilicorp United Inc	2001	MAR	9	10,000	$ 29.760	2.83%
TECO Energy, Inc	2001	MAR	6	7,500	$ 27.750	3.22%
CMS Energy	2001	FEB	23	10,000	$ 29.750	0.64%
ALLETE	2001	JAN	24	6,500	$ 23.680	4.41%
CMS Energy	2000	OCT	16	11,000	$ 18.250	2.70%
Dynegy, Inc.	2000	OCT	12	10,000	$ 52.875	0.42%
TNPC	2000	OCT	4	24,000	$ 21.000	6.11%
NRG Energy Inc.	2000	MAY	30	28,170	$ 15.000	6.38%
Southern Company	2000	DEC	7	25,000	$ 28.500	3.41%
Dynegy, Inc.	2000	APR	18	8,500	$ 55.000	3.63%
AES	1998	SEP	4	3,361	$ 44.625	3.34%
Niagara Mohawk	1998	JUN	25	22,399	$ 14.125	4.51%
GPU	1998	FEB	12	6,100	$ 39.563	2.87%
Northern States Pwr	1997	SEP	17	4,500	$ 49.563	2.63%
TNP Enterprises	1996	SEP	25	1,750	$ 24.375	3.85%
Calpine	1996	SEP	19	18,045	$ 16.000	5.96%
Pacificorp	1996	MAR	5	8,500	$ 20.875	3.26%
Gothic Energy	1996	JAN	25	2,300	$ 6.000	17.20%
Central & Southwest	1996	FEB	21	13,500	$ 26.375	3.08%
AVERAGE						3.85%

Source: Public Utility Finance Tracker.

Montana-Dakota Utilities Co.

Summary of Proposed North Dakota Electric
Rates and Reorganized Rate Schedules

Description	RESIDENTIAL								
	10 General						16 TOD		
	Proposed Secondary	10&18 Current	11 Current	13 Current	50 Current	56 Current	Proposed Secondary	Current Rate	
Base Charge	**$ 17.00**	$ 3.50	$ 6.15	$ 5.50	$ 2.00	$ 2.00	**$ 22.00**	$ 5.50	
Energy Charge									
First Block Ending kwh	**750**	**450**	-	-			-		
First Block Charge/kwh - Year-Round/Off-Peak	**$ 0.06307**	$ 0.06771	$ 0.03014	$ 0.02721	$ 0.04867	$ 0.05599	**$ 0.03431**	$ 0.02504	
Second Block Ending kwh	-	**750**							
Second Block Charge/kwh		$ 0.06371							
Last Block/kwh (Oct - May)	**$ 0.03431**	$ 0.05771							
Last Block/kwh (June-Sept)	**$ 0.06307**	$ 0.05771							
On-Peak Charge/kwh (Oct-May)				$ 0.10882			**$ 0.10170**	$ 0.12783	
On-Peak Charge/kwh (June-Sept)				$ 0.10882			**$ 0.14170**	$ 0.12783	
Demand Charge									
Demand-Charge/KW (Oct-May)									
Demand Charge/KW (June-Sept)									
On-Peak Demand Charge/KW (Oct-May)									
Off-Peak Demand Charge/KW > Peak (Oct-May)									
Peak Demand Charge/KW (June-Sept)									
Off-Peak Demand Charge/KW > Peak (June-Sept)									
Monthly Demand Charge/HP									
First 10 KW									
Over 10 KW									
Over 10 KW - On-Peak Hours									
Over 10 KW - Off-Peak Hours									

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Montana-Dakota Utilities Co.

Summary of Proposed North Dakota Electric Rates and Reorganized Rate Schedules

Description	SMALL GENERAL									
	20 - Secondary General							26 TOD		
	Proposed Secondary No D-Meter	20 Current	22 Current No D-Meter	23 Current	40 Current No D-Meter	50 Current	56 Current	Proposed Secondary	26 Current	27 Current
Base Charge	$ 35.00	$ 12.00	$ 10.18	$ 9.15	$ 12.00	$ 2.00	$ 2.00	$ 37.00	$ 13.75	
Energy Charge										
First Block Ending kwh	750	2,000	-		2,000	-	-	$ -		2,000
First Block Charge/kwh - Year-Round/Off-Peak	$ 0.06307	$ 0.07395	$ 0.03028	$ 0.02933	$ 0.05063	$ 0.04867	$ 0.05599	$ 0.03431	$ 0.02415	$ 0.07671
Second Block Ending kwh		10,000			10,000					
Second Block Charge/kwh		$ 0.05495			$ 0.03563					
Last Block/kwh (Oct - May)	$ 0.03431	$ 0.04995			$ 0.03063					$ 0.05671
Last Block/kwh (June-Sept)	$ 0.06307	$ 0.04995			$ 0.03063					$ 0.05671
On-Peak Charge/kwh (Oct-May)				$ 0.09871				$ 0.10170	$ 0.09638	
On-Peak Charge/kwh (June-Sept)				$ 0.09871				$ 0.14170	$ 0.09638	
Demand Charge										
Demand-Charge/KW (Oct-May)										
Demand Charge/KW (June-Sept)										
On-Peak Demand Charge/KW (Oct-May)								$ -		
Off-Peak Demand Charge/KW > Peak (Oct-May)								$ -		
Peak Demand Charge/KW (June-Sept)								$ -		
Off-Peak Demand Charge/KW > Peak (June-Sept)								$ -		
Monthly Demand Charge/HP										$ 1.700
First 10 KW		$ -			$ -				$ -	
Over 10 KW		$ 5.250			$ 5.250					
Over 10 KW - On-Peak Hours									$ 5.250	
Over 10 KW - Off-Peak Hours									$ 2.000	

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Montana-Dakota Utilities Co.

Summary of Proposed North Dakota Electric
Rates and Reorganized Rate Schedules

Description	LARGE GENERAL 30 General Proposed Secondary	Current Rate 30 Secondary	20 Current W/ D-Meter	40 Current W/ D-Meter	Proposed Primary	Current Rate 30 Primary	20 Current Primary
Base Charge	$ 35.00	$ 15.00	$ 12.00	$ 12.00	$ 90.00	$ 14.25	$ 11.40
Energy Charge							
First Block Ending kwh		2,000	2,000	2,000		2,000	2,000
First Block Charge/kwh - Year-Round/Off-Peak	$ 0.03505	$ 0.06024	$ 0.07395	$ 0.05063	$ 0.03424	$ 0.05710	$ 0.07013
Second Block Ending kwh		10,000	10,000	10,000		10,000	10,000
Second Block Charge/kwh		$ 0.04724	$ 0.05495	$ 0.03563		$ 0.04475	$ 0.05208
Last Block/kwh (Oct - May)		$ 0.04124	$ 0.04995	$ 0.03063		$ 0.03905	$ 0.04733
Last Block/kwh (June-Sept)		$ 0.04124	$ 0.04995	$ 0.03063		$ 0.03905	$ 0.04733
On-Peak Charge/kwh (Oct-May)							
On-Peak Charge/kwh (June-Sept)							
Demand Charge							
Demand-Charge/KW (Oct-May)	$ 8.224	$ 5.250			$ 5.254	$ 4.990	
Demand Charge/KW (June-Sept)	$ 11.224	$ 5.250			$ 8.254	$ 4.990	
On-Peak Demand Charge/KW (Oct-May)							
Off-Peak Demand Charge/KW > Peak (Oct-May)							
Peak Demand Charge/KW (June-Sept)							
Off-Peak Demand Charge/KW > Peak (June-Sept)							
Monthly Demand Charge/HP							
First 10 KW			$ -	$ -			$ -
Over 10 KW			$ 5.250	$ 5.250			$ 4.990
Over 10 KW - On-Peak Hours							
Over 10 KW - Off-Peak Hours							

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Montana-Dakota Utilities Co.

Summary of Proposed North Dakota Electric
Rates and Reorganized Rate Schedules

Description	LARGE GENERAL (Cont.)							
	31 TOD			Proposed 32 Dual-Fuel Space Heating			39 IT	
	Proposed Secondary	Current Rate	Proposed Primary	Proposed Secondary	Proposed Primary	22 Current Eligible for D-Meter	Proposed Primary	Current Rate
Base Charge	$ 37.00	$ 17.00	$ 92.00	$ 10.00	$ 10.00	$ 10.18	Negotiated	$ 297.50
Energy Charge								
First Block Ending kwh						-		
First Block Charge/kwh - Year-Round/Off-Peak	$ 0.03505	$ 0.02738	$ 0.03424	$ 0.03505	$ 0.03424	$ 0.03028	$ 0.03424	$ 0.02860
Second Block Ending kwh								
Second Block Charge/kwh								
Last Block/kwh (Oct - May)								
Last Block/kwh (June-Sept)								
On-Peak Charge/kwh (Oct-May)	$ 0.03919	$ 0.08547	$ 0.03575					
On-Peak Charge/kwh (June-Sept)	$ 0.05919	$ 0.08547	$ 0.05575					
Demand Charge								
Demand-Charge/KW (Oct-May)							$ 5.254	$ 1.700
Demand Charge/KW (June-Sept)							$ 5.254	$ 1.700
On-Peak Demand Charge/KW (Oct-May)	$ 7.457	$ 5 250	$ 4.344					
Off-Peak Demand Charge/KW > Peak (Oct-May)	$ -	$ 2.000	$ -					
Peak Demand Charge/KW (June-Sept)	$ 10.457	$ 5 250	$ 7.344					
Off-Peak Demand Charge/KW > Peak (June-Sept)	$ -	$ 2.000	$ -					
Monthly Demand Charge/HP								
First 10 KW								
Over 10 KW								
Over 10 KW - On-Peak Hours								
Over 10 KW - Off-Peak Hours								

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Montana-Dakota Utilities Co.

Summary of Proposed North Dakota Electric
Rates and Reorganized Rate Schedules

Description	LIGHTING 41 & 52 Proposed Secondary	LIGHTING 41 & 52 Proposed Primary	LIGHTING 41 & 52 Street Current Rate	LIGHTING 41 & 52 Private Current Rate	Pumping 25 Irrigation Proposed Secondary	Pumping 25 Irrigation Current Rate	Pumping 48 Pumping Proposed Secondary	Pumping 48 Pumping Current Rate	Pumping 48 Pumping Proposed Primary	Pumping 48 Pumping Current Rate
Base Charge	$ -				$ 10.00	$ 190.30	$ 10.00	$ 13.00	$ 12.00	$ 12.35
Energy Charge										
First Block Ending kwh										
First Block Charge/kwh - Year-Round/Off-Peak	$ 0.05627	$ 0.05221	$ 0.06611	$ 0.07501	$ 0.03484		$ 0.03484	$ 0.04117	$ 0.03461	$ 0.03911
Second Block Ending kwh										
Second Block Charge/kwh										
Last Block/kwh (Oct - May)						$ 0.02760				
Last Block/kwh (June-Sept)						$ 0.02760				
On-Peak Charge/kwh (Oct-May)										
On-Peak Charge/kwh (June-Sept)										
Demand Charge										
Demand-Charge/KW (Oct-May)					$ 3.060		$ 3.060	$ 2.250	$ 1.150	$ 2.138
Demand Charge/KW (June-Sept)					$ 6.060		$ 6.060	$ 2.250	$ 4.150	$ 2.138
On-Peak Demand Charge/KW (Oct-May)										
Off-Peak Demand Charge/KW > Peak (Oct-May)										
Peak Demand Charge/KW (June-Sept)										
Off-Peak Demand Charge/KW > Peak (June-Sept)										
Monthly Demand Charge/HP						$ 2.000		$ 2.250		$ 2.138
First 10 KW										
Over 10 KW										
Over 10 KW - On-Peak Hours										
Over 10 KW - Off-Peak Hours										

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MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
RESIDENTIAL - BILL COMPARISON
RATE 10

SUMMER (June-Sept)

KWH	CURRENT RATE 10 1/	PROPOSED FINAL RATE 10 2/	AMOUNT INCREASE	% INCREASE
0	$3.50	$17.00	$13.50	385.71%
50	6.89	20.06	13.17	191.15%
100	10.27	23.13	12.86	125.22%
300	23.81	35.38	11.57	48.59%
500	37.16	47.64	10.48	28.20%
750	53.08	62.95	9.87	18.59%
1,000	67.51	78.27	10.76	15.94%
1,500	96.37	108.91	12.54	13.01%
2,000	125.22	139.54	14.32	11.44%
3,000	182.93	200.81	17.88	9.77%
4,000	240.64	262.08	21.44	8.91%
5,000	298.35	323.35	25.00	8.38%

WINTER (Oct-May)

KWH	CURRENT RATE 10 1/	PROPOSED FINAL RATE 10 2/	AMOUNT INCREASE	% INCREASE
0	$3.50	$17.00	$13.50	385.71%
50	6.89	20.06	13.17	191.15%
100	10.27	23.13	12.86	125.22%
300	23.81	35.38	11.57	48.59%
500	37.16	47.64	10.48	28.20%
750	53.08	62.95	9.87	18.59%
1,000	67.51	71.08	3.57	5.29%
1,500	96.37	87.34	($9.03)	-9.37%
2,000	125.22	103.59	($21.63)	-17.27%
3,000	182.93	136.10	($46.83)	-25.60%
4,000	240.64	168.61	($72.03)	-29.93%
5,000	298.35	201.12	($97.23)	-32.59%

CURRENT RATE 1/		**PROPOSED RATE 2/**	
Base Rate:	$3.50	Base Rate:	$17.00
Energy Charge:		Energy Charge:	
First 450 kWh	0.06771	First 750 kWh	0.06127
Next 300 kWh	0.06371	Over 750 kWh (O-M)	0.03251
Over 750 kWh	0.05771	Over 750 kWh (J-S)	0.06127

1/ Energy charge reflects a fuel clause adjustment of $(0.00251).
Rate effective per Rate Case PU-399-01-186.
2/ Energy charge includes margin credit adjustment of $(0.0018) per kWh.

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
SMALL GENERAL SERVICE - SECONDARY - BILL COMPARISON
RATE 20

SUMMER (June-Sept)

KWH	CURRENT RATE 20 1/	PROPOSED FINAL RATE 20 2/	AMOUNT INCREASE	% INCREASE
0	$12.00	$35.00	$23.00	191.67%
50	15.70	38.06	22.36	142.42%
100	19.40	41.13	21.73	112.01%
300	34.19	53.38	19.19	56.13%
500	48.98	65.64	16.66	34.01%
750	67.46	80.95	13.49	20.00%
1,000	85.95	96.27	10.32	12.01%
1,500	122.93	126.91	3.98	3.24%
2,000	159.90	157.54	(2.36)	-1.48%
3,000	214.85	218.81	3.96	1.84%
4,000	269.80	280.08	10.28	3.81%
5,000	324.75	341.35	16.60	5.11%

WINTER (Oct-May)

KWH	CURRENT RATE 20 1/	PROPOSED FINAL RATE 20 2/	AMOUNT INCREASE	% INCREASE
0	$12.00	$35.00	$23.00	191.67%
50	15.70	38.06	22.36	142.42%
100	19.40	41.13	21.73	112.01%
300	34.19	53.38	19.19	56.13%
500	48.98	65.64	16.66	34.01%
750	67.46	80.95	13.49	20.00%
1,000	85.95	89.08	3.13	3.64%
1,500	122.93	105.34	(17.59)	-14.31%
2,000	159.90	121.59	(38.31)	-23.96%
3,000	214.85	154.10	(60.75)	-28.28%
4,000	269.80	186.61	(83.19)	-30.83%
5,000	324.75	219.12	(105.63)	-32.53%

CURRENT RATE 1/		**PROPOSED RATE 2/**	
Base Rate:	$12.00	Base Rate:	$35.00
Energy Charge:		Energy Charge:	
First 2,000 kWh	0.07395	First 750 kWh	0.06127
Next 8,000 kWh	0.05495	Over 750 kWh (O-M)	0.03251
Over 10,000 kWh	0.04995	Over 750 kWh (J-S)	0.06127

1/ Energy charge reflects a fuel clause adjustment of $(0.00251).
Rate effective per Rate Case PU-399-01-186.
2/ Energy charge includes margin credit adjustment of $(0.0018) per kWh.

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
LARGE GENERAL ELECTRIC SERVICE - SECONDARY SERVICE - BILL COMPARISON
RATE 30

	KWH	DEMAND KW	CURRENT RATE 30 1/	PROPOSED FINAL RATE 30 2/	AMOUNT INCREASE	% INCREASE
50 KW	SUMMER (June-Sept)					
	5,000	50	$539.70	762.45	222.75	41.27%
	10,000	50	775.90	928.70	152.80	19.69%
	20,000	50	1,188.30	1,261.20	72.90	6.13%
	40,000	50	2,013.10	1,926.20	(86.90)	-4.32%
	60,000	50	2,837.90	2,591.20	(246.70)	-8.69%
	100,000	50	4,487.50	3,921.20	(566.30)	-12.62%
	150,000	50	6,549.50	5,583.70	(965.80)	-14.75%
	300,000	50	12,735.50	10,571.20	(2,164.30)	-16.99%
	WINTER (October-May)					
	5,000	50	$539.70	612.45	72.75	13.48%
	10,000	50	775.90	778.70	2.80	0.36%
	20,000	50	1,188.30	1,111.20	(77.10)	-6.49%
	40,000	50	2,013.10	1,776.20	(236.90)	-11.77%
	60,000	50	2,837.90	2,441.20	(396.70)	-13.98%
	100,000	50	4,487.50	3,771.20	(716.30)	-15.96%
	150,000	50	6,549.50	5,433.70	(1,115.80)	-17.04%
	300,000	50	12,735.50	10,421.20	(2,314.30)	-18.17%
100 KW	SUMMER (June-Sept)					
	5,000	100	$802.20	1,323.65	521.45	65.00%
	10,000	100	1,038.40	1,489.90	451.50	43.48%
	20,000	100	1,450.80	1,822.40	371.60	25.61%
	40,000	100	2,275.60	2,487.40	211.80	9.31%
	60,000	100	3,100.40	3,152.40	52.00	1.68%
	100,000	100	4,750.00	4,482.40	(267.60)	-5.63%
	150,000	100	6,812.00	6,144.90	(667.10)	-9.79%
	300,000	100	12,998.00	11,132.40	(1,865.60)	-14.35%
	WINTER (October-May)					
	5,000	100	$802.20	1,023.65	221.45	27.61%
	10,000	100	1,038.40	1,189.90	151.50	14.59%
	20,000	100	1,450.80	1,522.40	71.60	4.94%
	40,000	100	2,275.60	2,187.40	(88.20)	-3.88%
	60,000	100	3,100.40	2,852.40	(248.00)	-8.00%
	100,000	100	4,750.00	4,182.40	(567.60)	-11.95%
	150,000	100	6,812.00	5,844.90	(967.10)	-14.20%
	300,000	100	12,998.00	10,832.40	(2,165.60)	-16.66%

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
LARGE GENERAL ELECTRIC SERVICE - SECONDARY SERVICE - BILL COMPARISON
RATE 30

	KWH	DEMAND KW	CURRENT RATE 30 1/	PROPOSED FINAL RATE 30 2/	AMOUNT INCREASE	% INCREASE
200 KW	SUMMER (June-Sept)					
	5,000	200	$1,327.20	2,446.05	1,118.85	84.30%
	10,000	200	1,563.40	2,612.30	1,048.90	67.09%
	20,000	200	1,975.80	2,944.80	969.00	49.04%
	40,000	200	2,800.60	3,609.80	809.20	28.89%
	60,000	200	3,625.40	4,274.80	649.40	17.91%
	100,000	200	5,275.00	5,604.80	329.80	6.25%
	150,000	200	7,337.00	7,267.30	(69.70)	-0.95%
	300,000	200	13,523.00	12,254.80	(1,268.20)	-9.38%
	WINTER (October-May)					
	5,000	200	$1,327.20	1,846.05	518.85	39.09%
	10,000	200	1,563.40	2,012.30	448.90	28.71%
	20,000	200	1,975.80	2,344.80	369.00	18.68%
	40,000	200	2,800.60	3,009.80	209.20	7.47%
	60,000	200	3,625.40	3,674.80	49.40	1.36%
	100,000	200	5,275.00	5,004.80	(270.20)	-5.12%
	150,000	200	7,337.00	6,667.30	(669.70)	-9.13%
	300,000	200	13,523.00	11,654.80	(1,868.20)	-13.81%
300 KW	SUMMER (June-Sept)					
	5,000	300	$1,852.20	3,568.45	1,716.25	92.66%
	10,000	300	2,088.40	3,734.70	1,646.30	78.83%
	20,000	300	2,500.80	4,067.20	1,566.40	62.64%
	40,000	300	3,325.60	4,732.20	1,406.60	42.30%
	60,000	300	4,150.40	5,397.20	1,246.80	30.04%
	100,000	300	5,800.00	6,727.20	927.20	15.99%
	150,000	300	7,862.00	8,389.70	527.70	6.71%
	300,000	300	14,048.00	13,377.20	(670.80)	-4.78%
	WINTER (October-May)					
	5,000	300	$1,852.20	2,668.45	816.25	44.07%
	10,000	300	2,088.40	2,834.70	746.30	35.74%
	20,000	300	2,500.80	3,167.20	666.40	26.65%
	40,000	300	3,325.60	3,832.20	506.60	15.23%
	60,000	300	4,150.40	4,497.20	346.80	8.36%
	100,000	300	5,800.00	5,827.20	27.20	0.47%
	150,000	300	7,862.00	7,489.70	(372.30)	-4.74%
	300,000	300	14,048.00	12,477.20	(1,570.80)	-11.18%

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
LARGE GENERAL ELECTRIC SERVICE - SECONDARY SERVICE - BILL COMPARISON
RATE 30

	KWH	DEMAND KW	CURRENT RATE 30 1/	PROPOSED FINAL RATE 30 2/	AMOUNT INCREASE	% INCREASE
400 KW	SUMMER (June-Sept)					
	5,000	400	$2,377.20	4,690.85	2,313.65	97.33%
	10,000	400	2,613.40	4,857.10	2,243.70	85.85%
	20,000	400	3,025.80	5,189.60	2,163.80	71.51%
	40,000	400	3,850.60	5,854.60	2,004.00	52.04%
	60,000	400	4,675.40	6,519.60	1,844.20	39.44%
	100,000	400	6,325.00	7,849.60	1,524.60	24.10%
	150,000	400	8,387.00	9,512.10	1,125.10	13.41%
	300,000	400	14,573.00	14,499.60	(73.40)	-0.50%
	WINTER (October-May)					
	5,000	400	$2,377.20	3,490.85	1,113.65	46.85%
	10,000	400	2,613.40	3,657.10	1,043.70	39.94%
	20,000	400	3,025.80	3,989.60	963.80	31.85%
	40,000	400	3,850.60	4,654.60	804.00	20.88%
	60,000	400	4,675.40	5,319.60	644.20	13.78%
	100,000	400	6,325.00	6,649.60	324.60	5.13%
	150,000	400	8,387.00	8,312.10	(74.90)	-0.89%
	300,000	400	14,573.00	13,299.60	(1,273.40)	-8.74%
500 KW	SUMMER (June-Sept)					
	5,000	500	$2,902.20	5,813.25	2,911.05	100.30%
	10,000	500	3,138.40	5,979.50	2,841.10	90.53%
	20,000	500	3,550.80	6,312.00	2,761.20	77.76%
	40,000	500	4,375.60	6,977.00	2,601.40	59.45%
	60,000	500	5,200.40	7,642.00	2,441.60	46.95%
	100,000	500	6,850.00	8,972.00	2,122.00	30.98%
	150,000	500	8,912.00	10,634.50	1,722.50	19.33%
	300,000	500	15,098.00	15,622.00	524.00	3.47%
	WINTER (October-May)					
	5,000	500	$2,902.20	4,313.25	1,411.05	48.62%
	10,000	500	3,138.40	4,479.50	1,341.10	42.73%
	20,000	500	3,550.80	4,812.00	1,261.20	35.52%
	40,000	500	4,375.60	5,477.00	1,101.40	25.17%
	60,000	500	5,200.40	6,142.00	941.60	18.11%
	100,000	500	6,850.00	7,472.00	622.00	9.08%
	150,000	500	8,912.00	9,134.50	222.50	2.50%
	300,000	500	15,098.00	14,122.00	(976.00)	-6.46%

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
LARGE GENERAL ELECTRIC SERVICE - SECONDARY SERVICE - BILL COMPARISON
RATE 30

KWH	DEMAND KW	CURRENT RATE 30 1/	PROPOSED FINAL RATE 30 2/	AMOUNT INCREASE	% INCREASE

CURRENT RATE 1/		**PROPOSED RATE 2/**	
Base Rate:	$15.00	Base Rate:	$35.00
Energy Charge:		Energy Charge:	0.03325
First 2,000 kWh	0.06024	Demand Charge:	
Next 8,000 kWh	0.04724	(Oct-May)	$8.224
Over 10,000 kWh	0.04124	(June-Sept)	11.224
Demand Charge:			
First 10 KW	$5.25		
Over 10 KW	5.25		

1/ Energy charge reflects a fuel clause adjustment of $(0.00251).
Rate effective per Rate Case PU-399-01-186.

2/ Energy charge includes margin credit adjustment of $(0.0018) per kWh.

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
LARGE GENERAL ELECTRIC SERVICE - PRIMARY SERVICE - BILL COMPARISON
RATE 30

	KWH	DEMAND KW	CURRENT RATE 30 1/	PROPOSED FINAL RATE 30 2/	AMOUNT INCREASE	% INCREASE
200 KW	SUMMER (June-Sept)					
	50,000	200	$3,046.45	3,362.80	316.35	10.38%
	100,000	200	4,998.95	4,984.80	(14.15)	-0.28%
	300,000	200	12,808.95	11,472.80	(1,336.15)	-10.43%
	500,000	200	20,618.95	17,960.80	(2,658.15)	-12.89%
	750,000	200	30,381.45	26,070.80	(4,310.65)	-14.19%
	1,000,000	200	40,143.95	34,180.80	(5,963.15)	-14.85%
	2,000,000	200	79,193.95	66,620.80	(12,573.15)	-15.88%
	WINTER (October-May)					
	50,000	200	$3,046.45	2,762.80	(283.65)	-9.31%
	100,000	200	4,998.95	4,384.80	(614.15)	-12.29%
	300,000	200	12,808.95	10,872.80	(1,936.15)	-15.12%
	500,000	200	20,618.95	17,360.80	(3,258.15)	-15.80%
	750,000	200	30,381.45	25,470.80	(4,910.65)	-16.16%
	1,000,000	200	40,143.95	33,580.80	(6,563.15)	-16.35%
	2,000,000	200	79,193.95	66,020.80	(13,173.15)	-16.63%
500 KW	SUMMER (June-Sept)					
	50,000	500	$4,543.45	5,839.00	1,295.55	28.51%
	100,000	500	6,495.95	7,461.00	965.05	14.86%
	300,000	500	14,305.95	13,949.00	(356.95)	-2.50%
	500,000	500	22,115.95	20,437.00	(1,678.95)	-7.59%
	750,000	500	31,878.45	28,547.00	(3,331.45)	-10.45%
	1,000,000	500	41,640.95	36,657.00	(4,983.95)	-11.97%
	2,000,000	500	80,690.95	69,097.00	(11,593.95)	-14.37%
	WINTER (October-May)					
	50,000	500	$4,543.45	4,339.00	(204.45)	-4.50%
	100,000	500	6,495.95	5,961.00	(534.95)	-8.24%
	300,000	500	14,305.95	12,449.00	(1,856.95)	-12.98%
	500,000	500	22,115.95	18,937.00	(3,178.95)	-14.37%
	750,000	500	31,878.45	27,047.00	(4,831.45)	-15.16%
	1,000,000	500	41,640.95	35,157.00	(6,483.95)	-15.57%
	2,000,000	500	80,690.95	67,597.00	(13,093.95)	-16.23%

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
LARGE GENERAL ELECTRIC SERVICE - PRIMARY SERVICE - BILL COMPARISON
RATE 30

	KWH	DEMAND KW	CURRENT RATE 30 1/	PROPOSED FINAL RATE 30 2/	AMOUNT INCREASE	% INCREASE
800 KW	SUMMER (June-Sept)					
	50,000	800	$6,040.45	8,315.20	2,274.75	37.66%
	100,000	800	7,992.95	9,937.20	1,944.25	24.32%
	300,000	800	15,802.95	16,425.20	622.25	3.94%
	500,000	800	23,612.95	22,913.20	(699.75)	-2.96%
	750,000	800	33,375.45	31,023.20	(2,352.25)	-7.05%
	1,000,000	800	43,137.95	39,133.20	(4,004.75)	-9.28%
	2,000,000	800	82,187.95	71,573.20	(10,614.75)	-12.92%
	WINTER (October-May)					
	50,000	800	$6,040.45	5,915.20	(125.25)	-2.07%
	100,000	800	7,992.95	7,537.20	(455.75)	-5.70%
	300,000	800	15,802.95	14,025.20	(1,777.75)	-11.25%
	500,000	800	23,612.95	20,513.20	(3,099.75)	-13.13%
	750,000	800	33,375.45	28,623.20	(4,752.25)	-14.24%
	1,000,000	800	43,137.95	36,733.20	(6,404.75)	-14.85%
	2,000,000	800	82,187.95	69,173.20	(13,014.75)	-15.84%
1,500 KW	SUMMER (June-Sept)					
	50,000	1,500	$9,533.45	14,093.00	4,559.55	47.83%
	100,000	1,500	11,485.95	15,715.00	4,229.05	36.82%
	300,000	1,500	19,295.95	22,203.00	2,907.05	15.07%
	500,000	1,500	27,105.95	28,691.00	1,585.05	5.85%
	750,000	1,500	36,868.45	36,801.00	(67.45)	-0.18%
	1,000,000	1,500	46,630.95	44,911.00	(1,719.95)	-3.69%
	2,000,000	1,500	85,680.95	77,351.00	(8,329.95)	-9.72%
	WINTER (October-May)					
	50,000	1,500	$9,533.45	9,593.00	59.55	0.62%
	100,000	1,500	11,485.95	11,215.00	(270.95)	-2.36%
	300,000	1,500	19,295.95	17,703.00	(1,592.95)	-8.26%
	500,000	1,500	27,105.95	24,191.00	(2,914.95)	-10.75%
	750,000	1,500	36,868.45	32,301.00	(4,567.45)	-12.39%
	1,000,000	1,500	46,630.95	40,411.00	(6,219.95)	-13.34%
	2,000,000	1,500	85,680.95	72,851.00	(12,829.95)	-14.97%

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC UTILITY - NORTH DAKOTA
LARGE GENERAL ELECTRIC SERVICE - PRIMARY SERVICE - BILL COMPARISON
RATE 30

KWH	DEMAND KW	CURRENT RATE 30 1/	PROPOSED FINAL RATE 30 2/	AMOUNT INCREASE	% INCREASE
CURRENT RATE 1/			**PROPOSED RATE 2/**		
Base Rate:		$14.25	Base Rate:		$90.00
Energy Charge:			Energy Charge:		0.03244
First 2,000 kWh		0.05710	Demand Charge:		
Next 8,000 kWh		0.04475	(Oct-May)		$5.254
Over 10,000 kWh		0.03905	(June-Sept)		8.254
Demand Charge:					
First 10 KW		$4.99			
Over 10 KW		4.99			

1/ Energy charge reflects a fuel clause adjustment of $(0.00251).
Rate effective per Rate Case PU-399-01-186.

2/ Energy charge includes margin credit adjustment of $(0.0018) per kWh.

MONTANA-DAKOTA UTILITIES CO.

CASE NO. PU-399-03-___

STATEMENTS A - O

In the Matter of the Notice of
Montana-Dakota Utilities Co.
For an Electric Rate Change

MDU RESOURCES GROUP, INC.
NONCONSOLIDATED BALANCE SHEET
JUNE 30, 2001 AND
JUNE 30, 2002
STATEMENT A

	2001	2002
Assets and Other Debits		
Utility Plant	$816,121,930	$829,675,682
Construction Work in Progress	8,480,008	10,958,320
Less Acc. Provision for Depreciation and Amortization	461,088,649	484,268,567
Net Utility Plant	363,513,289	356,365,435
Gas Stored Underground - Noncurrent	1,195,374	2,795,330
Other Property and Investments		
Nonutility Property	136,603	141,898
(Less) Accum. Prov. for Depr. And Amort.	30,724	42,064
Investment in Subsidiary Companies	864,268,803	1,015,453,576
Other investments	24,030,708	25,962,623
Net Other Property and Investments	888,405,390	1,041,516,033
Current and Accrued Assets		
Cash	(1,840,467)	5,538,010
Special Deposits	1,200	1,200
Working Funds	17,031	15,962
Temporary Cash Investments	8,813,879	3,971,642
Customer Accounts Receivable	25,934,859	18,330,962
Other Accounts Receivable	2,395,281	1,305,667
(Less) Accum.Prov. For Uncollectible Acct. - Credit	511,028	327,644
Accounts Receivable from Assoc.Companies	12,563,869	13,768,368
Fuel Stock	2,019,109	2,163,934
Plant Materials and Operating Supplies	6,514,143	6,503,328
Merchandise	944,277	929,133
Stores Expense Undistributed	6,345	4,670
Gas Stored Underground - Current	4,355,827	1,585,814
Prepayments	4,171,126	4,496,053
Accured Utility Revenues	5,503,068	4,654,916
Miscellaneous Current and Accrued Assets	673,128	13,616,667
Total Current and Accrued Assets	71,561,647	76,558,682
Deferred Debits		
Unamortized Debt Expense	1,324,799	1,190,635
Other Regulatory Assets	3,654,473	3,286,453
Prelim. Survey and Investigation Charges	66,233	902,352
Clearing Accounts	(309,267)	39,895
Miscellaneous Deferred Debits	8,249,217	18,561,545
Unamortized Loss on Reaquired Debt	7,477,047	6,228,403
Accumulated Deferred Income Taxes	20,182,201	21,046,248
Unrecovered Purchased Gas Costs	(14,054,229)	(18,674,874)
Total Deferred Debits	26,590,474	32,580,657
Total Assets and Other Debits	$1,351,266,174	$1,509,816,137

MDU RESOURCES GROUP, INC.
NONCONSOLIDATED BALANCE SHEET
JUNE 30, 2001 AND
JUNE 30, 2002

	2001	2002
Liabilities and Other Credits		
Proprietary Capital		
Common Stock Issued	$68,273,213	$71,664,751
Preferred Stock Issued	16,500,000	16,400,000
Premium on Capital Stock	604,458,340	691,793,325
Other Paid in Capital	0	(1,685,461)
(Less) Capital Stock Expense	2,931,286	2,981,130
Retained Earnings	41,383,425	41,972,483
Unappropriated Undistributed Sub Earnings	305,460,452	368,251,110
Total Proprietary Capital	1,033,144,144	1,185,415,078
Long-Term Debt		
Bonds	130,850,000	130,850,000
Other Long-Term Debt	2,740,019	7,000,000
(Less) Unamortized Discount on Long-Term Debt-Debit	47,784	43,339
Total Long-Term Debt	133,542,235	137,806,661
Other Noncurrent Liabilities		
Accumulated Provision for Injuiries and Damages	1,421,290	1,482,288
Accumulated Provision for Pensions and Benefits	17,269,907	24,893,593
Accumulated Provision for Rate Refunds	0	373,172
Total Other Noncurrent Liabilities	18,691,197	26,749,053
Current and Accrued Liabilities		
Accounts Payable	14,543,161	12,725,250
Accounts Payable to Associated Companies	5,299,881	4,565,562
Customer Deposits	1,216,050	1,449,250
Taxes Accrued	15,496,777	13,689,029
Interest Accrued	2,300,213	2,293,662
Dividends Declared	15,157,424	16,616,834
Tax Collections Payable	1,265,891	1,165,038
Miscellaneous Current and Accrued Liabilities	13,414,190	10,477,436
Total Current and Accrued Assets	68,693,587	62,982,061
Deferred Credits		
Customer Advances for Construction	2,737,891	1,755,967
Accumulated Deferred Investment Tax Credit	4,003,204	3,340,916
Other Deferred Credits	3,020,149	9,189,344
Other Regulatory Liabilities	15,928,271	16,863,069
Accumulated Deferred Income Taxes	71,505,496	65,713,988
Total Deferred Credits	97,195,011	96,863,284
Total Liabilities and Equity	$1,351,266,174	$1,509,816,137

MDU RESOURCES GROUP, INC.
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

June 30, 2002 and 2001
(Unaudited)

1. **Basis of presentation**

The accompanying consolidated interim financial statements were prepared in conformity with the basis of presentation reflected in the consolidated financial statements included in the Annual Report to Stockholders for the year ended December 31, 2001 (2001 Annual Report), and the standards of accounting measurement set forth in Accounting Principles Board Opinion No. 28 and any amendments thereto adopted by the Financial Accounting Standards Board. Interim financial statements do not include all disclosures provided in annual financial statements and, accordingly, these financial statements should be read in conjunction with those appearing in the Company's 2001 Annual Report. The information is unaudited but includes all adjustments which are, in the opinion of management, necessary for a fair presentation of the accompanying consolidated interim financial statements.

2. **Allowance for doubtful accounts**

The Company's allowance for doubtful accounts as of June 30, 2002 and 2001, and December 31, 2001 was $8.4 million, $4.3 million and $5.8 million, respectively.

3. **Seasonality of operations**

Some of the Company's operations are highly seasonal and revenues from, and certain expenses for, such operations may fluctuate significantly among quarterly periods. Accordingly, the interim results for particular segments, and for the Company as a whole, may not be indicative of results for the full fiscal year.

4. **Cash flow information**

Cash expenditures for interest and income taxes were as follows:

	Six Months Ended June 30,	
	2002	2001
	(In thousands)	
Interest, net of amount capitalized	$ 19,236	$ 20,399
Income taxes	$ 40,589	$ 45,754

5. **Reclassifications**

Certain reclassifications have been made in the financial statements for the prior period to conform to the current presentation. Such reclassifications had no effect on net income or stockholders' equity as previously reported.

6. **New accounting standards**

In June 2001, the Financial Accounting Standards Board (FASB) approved Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for the recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company will adopt SFAS No. 143 on January 1, 2003, but has not yet quantified the effects of adopting SFAS No. 143 on its financial position or results of operations.

In April 2002, the FASB approved Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS No. 145). FASB No. 4 required all gains or losses from extinguishment of debt to be classified as extraordinary items net of income taxes. SFAS No. 145 requires that gains and losses from extinguishment of debt be evaluated under the provisions of Accounting Principles Board Opinion No. 30, and be classified as ordinary items unless they are unusual or infrequent or meet the specific criteria for treatment as an extraordinary item. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. The Company has not yet quantified the effects of adopting SFAS No. 145 on its financial position or results of operations.

In June 2002, the Emerging Issues Task Force (EITF) adopted the position in EITF Issue No. 02-3, "Recognition and Reporting of Gains and Losses on Energy Trading Contracts under EITF Issues No. 98-10, 'Accounting for Contracts Involved in Energy Trading and Risk Management Activities,' and No. 00-17, 'Measuring the Fair Value of Energy-related Contracts in Applying Issue No. 98-10'" (EITF No. 02-3) that mark-to-market gains and losses on energy trading contracts should be reported net in the income statement whether or not settled physically in financial statements issued for periods ending after July 15, 2002. EITF No. 02-3 states that all comparative financial

statements should be reclassified to conform to this consensus. Although this new accounting guidance will require the Company's mark-to-market gains and losses on energy trading contracts to be shown net on the income statement, it is not expected to impact the overall financial position or results of operations of the Company. The Company will apply this consensus to financial statements issued for periods ending after July 15, 2002, but has not yet quantified the financial statement effect from this guidance.

In June 2002, the FASB approved Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146). SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF No. 94-3). SFAS No. 146 requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company has not yet determined the effect, if any, of the adoption of SFAS No. 146.

7. **Derivative instruments**

The Company utilizes derivative instruments, including natural gas and oil price swap and natural gas collar agreements, to manage a portion of the market risk associated with fluctuations in the price of natural gas and oil on the Company's forecasted sales of natural gas and oil production. The following information should be read in conjunction with Note 3 in the Company's Notes to Consolidated Financial Statements in the 2001 Annual Report.

For the three months and six months ended June 30, 2002 and 2001, the amount of hedge ineffectiveness recognized was immaterial. For the three months and six months ended June 30, 2002 and 2001, the Company did not exclude any components of the derivative instruments' gain or loss from the assessment of hedge effectiveness and there were no reclassifications into earnings as a result of the discontinuance of hedges.

As of June 30, 2002, the maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions is 18 months. The Company estimates that net gains of approximately $2.1 million will be reclassified from accumulated other comprehensive income into earnings, subject to changes in natural gas and oil market prices, as the hedged transactions

affect earnings within the twelve months between July 1, 2002 and June 30, 2003.

8. **Comprehensive income**

On January 1, 2001, the Company recorded a cumulative-effect adjustment in accumulated other comprehensive loss to recognize all derivative instruments designated as hedges at fair value. As of June 30, 2002 and 2001, the Company has recorded unrealized gains and losses on natural gas and oil price swap and collar agreements and an interest rate swap agreement which qualify for hedge accounting. As of June 30, 2002, the Company also recorded a minimum pension liability adjustment. These amounts are reflected in the following table.

The Company's comprehensive income, and the components of other comprehensive income, net of taxes, were as follows:

	Three Months Ended June 30,	
	2002	2001
	(In thousands)	
Net income	$ 24,853	$ 43,417
Other comprehensive income (loss) --		
Net unrealized gain on derivative instruments qualifying as hedges:		
Net unrealized gain on derivative instruments arising during the period, net of tax of $1,110 and $2,413 in 2002 and 2001, respectively	1,700	3,755
Less: Reclassification adjustment for gain (loss) on derivative instruments included in net income, net of tax of $58 and $172 in 2002 and 2001, respectively	90	(263)
Net unrealized gain on derivative instruments qualifying as hedges	1,610	4,018
Minimum pension liability adjustment, net of tax of $2,781	(4,340)	---
	(2,730)	4,018
Comprehensive income	$ 22,123	$ 47,435

	Six Months Ended June 30,	
	2002	2001
	(In thousands)	
Net income	$ 48,575	$ 76,103
Other comprehensive income (loss) --		
Net unrealized gain (loss) on derivative instruments qualifying as hedges:		
Unrealized loss on derivative instruments at January 1, 2001, due to cumulative effect of a change in accounting principle, net of tax of $3,970	---	(6,080)
Net unrealized gain on derivative instruments arising during the period, net of tax of $574 and $3,428 in 2002 and 2001, respectively	880	5,309
Less: Reclassification adjustment for gain (loss) on derivative instruments included in net income, net of tax of $888 and $2,472 in 2002 and 2001, respectively	1,360	(3,786)
Net unrealized gain (loss) on derivative instruments qualifying as hedges	(480)	3,015
Minimum pension liability adjustment, net of tax of $2,781	(4,340)	---
	(4,820)	3,015
Comprehensive income	$ 43,755	$ 79,118

9. **Goodwill and other intangible assets**

In June 2001, the FASB approved Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 142 changes the accounting for goodwill and intangible assets and requires that goodwill no longer be amortized but be tested for impairment at least annually at the reporting unit level in accordance with SFAS No. 142. Recognized intangible assets with determinable useful lives should be amortized over their useful life and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001, except for provisions related to the nonamortization and amortization of goodwill and intangible assets acquired after June 30, 2001, which were subject immediately to the provisions of SFAS No. 142. The Company adopted SFAS No. 142 on January 1, 2002. SFAS No. 142 requires a transitional goodwill impairment test at each reporting unit within six months of the date of adoption of SFAS No. 142. However, the amounts used in the transitional goodwill impairment testing shall be measured as of January 1, 2002. The Company completed its transitional goodwill impairment testing and determined that no impairment exists as of January 1, 2002. Therefore, no impairment loss has been recorded for

the three months and six months ended June 30, 2002, in connection with the adoption of SFAS No. 142.

On January 1, 2002, in accordance with SFAS No. 142, the Company ceased amortization of its goodwill recorded in business combinations which occurred on or before June 30, 2001. The following information is presented as if SFAS No. 142 was adopted as of January 1, 2001. The reconciliation of previously reported earnings and earnings per share to the amounts adjusted for the exclusion of goodwill amortization net of the related income tax effect is as follows:

	Three Months Ended June 30,	
	2002	2001
	(In thousands, except per share amounts)	
Reported earnings on common stock	$ 24,664	$ 43,226
Add: Goodwill amortization, net of tax	---	913
Adjusted earnings on common stock	$ 24,664	$ 44,139
Reported earnings per common share -- basic	$ .35	$ .64
Add: Goodwill amortization, net of tax	---	.02
Adjusted earnings per common share -- basic	$ .35	$ .66
Reported earnings per common share -- diluted	$ .35	$ .63
Add: Goodwill amortization, net of tax	---	.02
Adjusted earnings per common share -- diluted	$ .35	$ .65

	Six Months Ended June 30,	
	2002	2001
	(In thousands, except per share amounts)	
Reported earnings on common stock	$ 48,197	$ 75,722
Add: Goodwill amortization, net of tax	---	1,793
Adjusted earnings on common stock	$ 48,197	$ 77,515
Reported earnings per common share -- basic	$ .69	$ 1.14
Add: Goodwill amortization, net of tax	---	.03
Adjusted earnings per common share -- basic	$ .69	$ 1.17
Reported earnings per common share -- diluted	$ .68	$ 1.13
Add: Goodwill amortization, net of tax	---	.02
Adjusted earnings per common share -- diluted	$ .68	$ 1.15

The changes in the carrying amount of goodwill for the six months ended June 30, 2002, by business segment are as follows:

	Balance as of January 1, 2002	Net Goodwill Acquired During the Year	Balance as of June 30, 2002
		(~~In~~ thousands)	
Electric	$ ---	$ ---	$ ---
Natural gas distribution	---	---	---
Utility services	61,909	(738)	61,171
Pipeline and energy services	9,336	158	9,494
Natural gas and oil production	---	---	---
Construction materials and mining	102,752	8,604	111,356
Total	$ 173,997	$ 8,024	$ 182,021

Included in other intangible assets on the Company's Consolidated Balance Sheets are the following:

	June 30, 2002	June 30, 2001	December 31, 2001
		(In thousands)	
Amortizable intangible assets:			
Leasehold rights	$ 79,005	$ 65,580	$ 72,955
Accumulated amortization	(1,524)	(868)	(1,149)
	77,481	64,712	71,806
Noncompete agreements	12,090	12,030	12,034
Accumulated amortization	(9,096)	(8,456)	(8,811)
	2,994	3,574	3,223
Other	5,149	1,347	1,377
Accumulated amortization	(215)	(133)	(172)
	4,934	1,214	1,205
Total	$ 85,409	$ 69,500	$ 76,234

Amortization expense for intangible assets for the three months and six months ended June 30, 2002, was approximately $472,000 and $703,000, respectively. Estimated amortization expense for intangible assets is $2.3 million in 2002, $2.6 million in 2003, $2.3 million in 2004, $2.3 million in 2005, $2.3 million in 2006 and $74.3 million thereafter.

10. **Common stock**

At the Annual Meeting of Stockholders held on April 23, 2002, the Company's common stockholders approved an amendment to the Certificate of Incorporation increasing the authorized number of common shares from 150 million shares to 250 million shares with a par value of $1.00 per share.

11. **Business segment data**

The Company's reportable segments are those that are based on the Company's method of internal reporting, which generally segregates the strategic business units due to differences in products, services and regulation.

The Company's operations are conducted through six business segments. The vast majority of the Company's operations are located within the United States. The Company also has investments in foreign countries, which largely consists of an investment in a natural gas fired electric generating station in Brazil. The electric segment generates, transmits and distributes electricity and the natural gas distribution segment distributes natural gas. These operations also supply related value-added products and services in the northern Great Plains. The utility services segment consists

of a diversified infrastructure company specializing in engineering, design and build capability for electric, gas and telecommunication utility construction, as well as industrial and commercial electrical, exterior lighting and traffic signalization throughout most of the United States. Utility services provides related specialty equipment manufacturing sales and rental services. The pipeline and energy services segment provides natural gas transportation, underground storage and gathering services through regulated and nonregulated pipeline systems primarily in the Rocky Mountain and northern Great Plains regions of the United States. Energy-related marketing and management services as well as cable and pipeline locating services also are provided. The pipeline and energy services segment includes investments in domestic and international growth opportunities. The natural gas and oil production segment is engaged in natural gas and oil acquisition, exploration and production activities primarily in the Rocky Mountain region of the United States and in the Gulf of Mexico. The construction materials and mining segment mines aggregates and markets crushed stone, sand, gravel and other related construction materials, including ready-mixed concrete, cement and asphalt, as well as value-added products and services in the north central and western United States, including Alaska and Hawaii.

In 2001, the Company sold its coal operations to Westmoreland Coal Company for $28.2 million in cash, including final settlement cost adjustments. The sale of the coal operations was effective April 30, 2001. Included in the sale were active coal mines in North Dakota and Montana, coal sales agreements, reserves and mining equipment, and certain development rights at the former Gascoyne Mine site in North Dakota. The Company retains ownership of coal reserves and leases at its former Gascoyne Mine site. The Company recorded a gain of $11.0 million ($6.6 million after tax) included in other income - net on the Company's Consolidated Statements of Income from the sale in the second quarter of 2001.

Segment information follows the same accounting policies as described in Note 1 of the Company's 2001 Annual Report. Segment information included in the accompanying Consolidated Statements of Income is as follows:

	External Operating Revenues	Inter-segment Operating Revenues	Earnings on Common Stock
		(In thousands)	
Three Months Ended June 30, 2002			
Electric	$ 36,292	$ ---	$ 1,673
Natural gas distribution	34,120	---	(815)
Utility services	116,344	---	834
Pipeline and energy services	36,110	9,267	2,750
Natural gas and oil production	27,775	15,989	9,341
Construction materials and mining	229,577	---	10,881
Intersegment eliminations	---	(25,256)	---
Total	$ 480,218	$ ---	$ 24,664
Three Months Ended June 30, 2001			
Electric	$ 38,036	$ ---	$ 2,152
Natural gas distribution	41,246	---	(1,547)
Utility services	77,183	---	3,873
Pipeline and energy services	147,111	7,432	3,383
Natural gas and oil production	40,517	14,884	17,888
Construction materials and mining	201,153	1,172*	17,477
Intersegment eliminations	---	(22,316)	---
Total	$ 545,246	$ 1,172*	$ 43,226

* In accordance with the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Regulation" (SFAS No. 71), intercompany coal sales are not eliminated.

	External Operating Revenues	Inter-segment Operating Revenues	Earnings on Common Stock
		(In thousands)	
Six Months Ended June 30, 2002			
Electric	$ 76,362	$ ---	$ 5,164
Natural gas distribution	105,832	---	3,701
Utility services	224,631	---	2,184
Pipeline and energy services	55,910	32,017	5,577
Natural gas and oil production	76,509	29,663	30,411
Construction materials and mining	322,909	---	1,160
Intersegment eliminations	---	(61,680)	---
Total	$ 862,153	$ ---	$ 48,197
Six Months Ended June 30, 2001			
Electric	$ 80,989	$ ---	$ 6,959
Natural gas distribution	182,100	---	1,127
Utility services	144,502	4	5,917
Pipeline and energy services	395,387	28,806	5,761
Natural gas and oil production	89,732	37,301	45,920
Construction materials and mining	289,939	5,016*	10,038
Intersegment eliminations	---	(66,111)	---
Total	$1,182,649	$ 5,016*	$ 75,722

* In accordance with the provisions of SFAS No. 71, intercompany coal sales are not eliminated.

On April 1, 2000, Fidelity Exploration & Production Company (Fidelity), an indirect wholly owned subsidiary of the Company, purchased substantially all of the assets of Preston Reynolds & Co., Inc. (Preston), a coalbed natural gas development operation based in Colorado with related oil and gas leases and properties in Montana and Wyoming. Pursuant to the asset purchase and sale agreement, Preston could, but was not obligated to purchase, acquire and own an undivided 25 percent working interest (Seller's Option Interest) in certain oil and gas leases or properties acquired and/or generated by Fidelity. Fidelity had the right, but not the obligation, to purchase Seller's Option Interest for an amount as specified in the agreement. On July 10, 2002, Fidelity purchased the Seller's Option Interest.

12. **Acquisitions**

During the first six months of 2002, the Company acquired construction materials and mining businesses in Minnesota and Montana, an energy development company in Montana and a utility services company in California, none of which was individually material. The total purchase consideration for these businesses, consisting of the Company's common stock and cash, was $56.8 million.

The above acquisitions were accounted for under the purchase method of accounting and accordingly, the acquired assets and liabilities assumed have been preliminarily recorded at their respective fair values as of the date of acquisition. Final fair market values are pending the completion of the review of the relevant assets, liabilities and issues identified as of the acquisition date. The results of operations of the acquired businesses are included in the financial statements since the date of each acquisition. Pro forma financial amounts reflecting the effects of the above acquisitions are not presented as such acquisitions were not material to the Company's financial position or results of operations.

13. **Regulatory matters and revenues subject to refund**

On June 10, 2002, Montana-Dakota filed with the Wyoming Public Service Commission (WYPSC) for a natural gas rate increase. The Company is requesting a total of $662,000 annually or 5.6 percent above current rates.

On May 20, 2002, Montana-Dakota filed with the Montana Public Service Commission (MTPSC) for a natural gas rate increase. The Company is requesting a total of $3.6 million annually or 6.5 percent above current rates.

On April 12, 2002, Montana-Dakota filed with the North Dakota Public Service Commission (NDPSC) for a natural gas rate increase. The Company is requesting a total of $2.8 million annually or 4.1 percent above current rates.

The NDPSC authorized its Staff to initiate an investigation into the earnings levels of Montana-Dakota's North Dakota electric operations based on Montana-Dakota's 2000 Annual Report to the NDPSC. The investigation was based on a complaint filed with the NDPSC on September 7, 2001, by the NDPSC Staff. On April 24, 2002, the NDPSC issued an Order requiring Montana-Dakota to reduce its North Dakota electric rates by $4.3 million annually, effective May 8, 2002. On April 25, 2002, Montana-Dakota filed an appeal of the NDPSC Order in the North Dakota South Central Judicial District Court (District Court). The filing also requested a stay of the effectiveness of the NDPSC Order while the appeal is pending.

Montana-Dakota is challenging the NDPSC's determination of the level of electricity sales to other utilities expected to be received by Montana-Dakota. On May 2, 2002, the District Court granted Montana-Dakota's request for a stay of a portion of the $4.3 million annual rate reduction ordered by the NDPSC. Accordingly, Montana-Dakota implemented an annual rate reduction of $800,000 effective with service rendered on and after May 8, 2002, rather than the $4.3 million annual reduction ordered by the NDPSC. The remaining $3.5 million is subject to refund if Montana-Dakota does not prevail in this proceeding.

Reserves have been provided for the revenues that have been collected subject to refund with respect to Montana-Dakota's pending electric rate reduction.

In December 1999, Williston Basin Interstate Pipeline Company (Williston Basin), an indirect wholly owned subsidiary of the Company, filed a general natural gas rate change application with the Federal Energy Regulatory Commission (FERC). Williston Basin began collecting such rates effective June 1, 2000, subject to refund. In May 2001, the Administrative Law Judge issued an initial decision on Williston Basin's natural gas rate change application, which matter is currently pending before and subject to revision by the FERC.

Reserves have been provided for a portion of the revenues that have been collected subject to refund with respect to Williston Basin's pending regulatory proceeding. Williston Basin believes that such reserves are adequate based on its assessment of the ultimate outcome of the proceeding.

14. **Litigation**

In January 2002, Fidelity Oil Co. (FOC), one of the Company's natural gas and oil production subsidiaries, entered into a compromise agreement with the former operator of certain of FOC's oil production properties in southeastern Montana. The compromise agreement resolved litigation involving the interpretation and application of contractual provisions regarding net proceeds interests paid by the former operator to FOC for a number of years prior to 1998. The terms of the compromise agreement are confidential. As a result of the compromise agreement, the natural gas and oil production segment reflected a nonrecurring gain in its financial results for the first quarter of 2002 of approximately $16.6 million after-tax. As part of the settlement, FOC gave the former operator a full and complete release, and FOC is not asserting any such claim against the former operator for periods after 1997.

In March 1997, 11 natural gas producers filed suit in North Dakota Southwest Judicial District Court (North Dakota District Court) against Williston Basin and the Company. The natural gas producers had processing agreements with Koch Hydrocarbon Company (Koch). Williston Basin and the Company had natural gas purchase contracts with Koch. The natural gas producers alleged they were entitled to damages for the breach of Williston Basin's and the Company's contracts with Koch although no specific damages were stated. A similar suit was filed by Apache Corporation (Apache) and Snyder Oil Corporation (Snyder) in North Dakota Northwest Judicial District Court in December 1993. The North Dakota Supreme Court in December 1999 affirmed the North Dakota Northwest Judicial District Court decision dismissing Apache's and Snyder's claims against Williston Basin and the Company. Based in part upon the decision of the North Dakota Supreme Court affirming the dismissal of the claims brought by Apache and Snyder, Williston Basin and the Company filed motions for summary judgment to dismiss the claims of the 11 natural gas producers. The motions for summary judgment were granted by the North Dakota District Court in July 2000. In March 2001, the North Dakota District Court entered a final judgment on the July 2000 order granting the motions for summary judgment. In May 2001, the 11 natural gas producers appealed the North Dakota District Court's decision by filing a Notice of Appeal with the North Dakota Supreme Court. Oral argument was held before the North Dakota Supreme Court in December 2001. On April 16, 2002, the North Dakota Supreme Court affirmed the summary judgment entered by the North Dakota District Court. On April 30, 2002, the 11 natural gas producers filed a petition for rehearing by the North Dakota Supreme Court. On May 17, 2002, the North Dakota Supreme Court denied the 11 natural gas producers petition for rehearing.

Williston Basin and the Company believe the claims of the 11 natural gas producers are without merit and intend to continue vigorously contesting this suit. Williston Basin and the Company believe it is not probable that the 11 natural gas producers will ultimately succeed given the current status of the litigation.

In July 1996, Jack J. Grynberg (Grynberg) filed suit in United States District Court for the District of Columbia (U.S. District Court) against Williston Basin and over 70 other natural gas pipeline companies. Grynberg, acting on behalf of the United States under the Federal False Claims Act, alleged improper measurement of the heating content and volume of natural gas purchased by the defendants resulting in the underpayment of royalties to the United States. In March 1997, the U.S. District Court dismissed the suit without prejudice and the dismissal was affirmed by the United States Court of Appeals for the D.C. Circuit in October 1998. In June 1997, Grynberg filed a similar Federal False Claims Act suit against

Williston Basin and Montana-Dakota and filed over 70 other separate similar suits against natural gas transmission companies and producers, gatherers, and processors of natural gas. In April 1999, the United States Department of Justice decided not to intervene in these cases. In response to a motion filed by Grynberg, the Judicial Panel on Multidistrict Litigation consolidated all of these cases in the Federal District Court of Wyoming (Federal District Court). Oral argument on motions to dismiss was held before the Federal District Court in March 2000. In May 2001, the Federal District Court denied Williston Basin's and Montana-Dakota's motion to dismiss. The matter is currently pending.

The Quinque Operating Company (Quinque), on behalf of itself and subclasses of gas producers, royalty owners and state taxing authorities, instituted a legal proceeding in State District Court for Stevens County, Kansas, (State District Court) against over 200 natural gas transmission companies and producers, gatherers, and processors of natural gas, including Williston Basin and Montana-Dakota. The complaint, which was served on Williston Basin and Montana-Dakota in September 1999, contains allegations of improper measurement of the heating content and volume of all natural gas measured by the defendants other than natural gas produced from federal lands. In response to a motion filed by the defendants in this suit, the Judicial Panel on Multidistrict Litigation transferred the suit to the Federal District Court for inclusion in the pretrial proceedings of the Grynberg suit. Upon motion of plaintiffs, the case has been remanded to State District Court. In September 2001, the defendants in this suit filed a motion to dismiss with the State District Court. The matter is currently pending.

Williston Basin and Montana-Dakota believe the claims of Grynberg and Quinque are without merit and intend to vigorously contest these suits. Williston Basin and Montana-Dakota believe it is not probable that Grynberg and Quinque will ultimately succeed given the current status of the litigation.

15. **Environmental matters**

In December 2000, Morse Bros., Inc. (MBI), an indirect wholly owned subsidiary of the Company, was named by the United States Environmental Protection Agency (EPA) as a Potentially Responsible Party in connection with the cleanup of a commercial property site, now owned by MBI, and part of the Portland, Oregon, Harbor Superfund Site. Sixty-eight other parties were also named in this administrative action. The EPA wants responsible parties to share in the cleanup of sediment contamination in the Willamette River. Based upon a review of the Portland Harbor sediment contamination evaluation by the Oregon State Department of Environmental Quality and other information available, MBI does not believe it is a Responsible

Party. In addition, MBI intends to seek indemnity for any and all liabilities incurred in relation to the above matters from Georgia-Pacific West, Inc., the seller of the commercial property site to MBI, pursuant to the terms of their sale agreement.

The Company believes it is not probable that it will incur any material environmental remediation costs or damages in relation to the above administrative action.

MDU RESOURCES GROUP, INC.
NONCONSOLIDATED INCOME STATEMENT
TWELVE MONTHS ENDING JUNE 30, 2002
STATEMENT B

Operating Income	
Electric Utility	
Operating Revenues	$164,209,713
Operating Expenses:	
Operation Expenses	90,930,470
Maintenance Expenses	10,893,861
Depreciation Expenses	19,484,870
Taxes Other Than Income Taxes	7,637,428
Income Taxes:	
Federal Taxes on Income	11,130,815
State Taxes on Income	1,789,317
Deferred Income Taxes	(1,681,637)
Total Electric Expenses	140,185,124
Net Electric Operation	$24,024,589
Gas Utility	
Operating Revenues	$179,121,063
Operating Expenses:	
Operation Expenses	155,321,107
Maintenance Expenses	2,779,026
Depreciation Expenses	9,485,168
Taxes Other Than Income Taxes	5,128,387
Income Taxes:	
Federal Taxes on Income	2,656,408
State Taxes on Income	700,958
Deferred Income Taxes	(1,915,331)
Total Gas Expenses	174,155,723
Net Gas Operation	$4,965,340
Net Utility Operating Income	$28,989,929
Revenues from Merchandising, Jobbing and Contract Work	$9,046,634
(Less) Costs and Exp. Of Merch., Jobbing and Contract Work	7,570,925
Revenues from Nonutility Operations	86,421
Equity in Earnings of Subsidiary Companies	107,386,658
Interest and Dividend Income	4,214,347
Miscellaneous Nonoperating Income	21,481
Gain on Disposition of Property	358,218
Total Other Income	113,542,834
Loss on Disposition of Property	0
Miscellaneous Income Deductions	2,767,869
Total Other Income Deductions	2,767,869

MDU RESOURCES GROUP, INC.
NONCONSOLIDATED INCOME STATEMENT
TWELVE MONTHS ENDING JUNE 30, 2002
STATEMENT B

Taxes other than Income Taxes	$13,516
Income Taxes - Federal	2,381,277
Income Taxes - State	(1,213,440)
Provision for Deferred Income Taxes	(1,055,229)
Investment Tax Credits	(662,288)
Total Taxes on Other Income and Deductions	(536,164)
Net Other Income and Deductions	$111,311,129
Interest On Long-Term Debt	9,922,627
Amortization of Debt Discount and Expense	1,387,253
Other Interest Expense	863,861
(Less) Allowance for Borrowed Funds used during Construction	193,122
Net Interest Charges	11,980,619
Net Income	$128,320,439

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

Total Utility Average Electric Plant in Service

Function	As of 12/31/2002	As of 12/31/2003	2003 Average
Intangible Plant - General	3,764.1	3,764.1	3,764.1
Production	261,479.6	290,919.6	276,199.6
Transmission	119,758.7	121,688.4	120,723.6
Distribution	155,924.0	163,377.3	159,650.7
General	17,700.5	19,072.8	18,386.7
Common - Other	26,818.3	31,620.9	29,219.6
Intangible Plant - Common	9,012.7	11,111.4	10,062.1
Electric Acquisition Adjustment	10,387.6	10,387.6	10,387.6
Total Electric Plant in Service	604,845.5	651,942.1	628,393.8

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

Total Utility Average Electric Plant in Service

Function	2003 Average	Known and Measurable Adjustment (1)	2003 Average-Adjusted
Intangible Plant - General	3,764.1		3,764.1
Production	276,199.6	9,719.2	285,918.8
Transmission	120,723.6		120,723.6
Distribution	159,650.7		159,650.7
General	18,386.7		18,386.7
Common - Other	29,219.6		29,219.6
Intangible Plant - Common	10,062.1		10,062.1
Electric Acquisition Adjustment	10,387.6		10,387.6
Total Electric Plant in Service	628,393.8	9,719.2	638,113.0

Note:
(1) The adjustment reflects the known value of MDU's investment to complete the Glendive Unit No 2 turbine project. Only one-half of the company's investment would be recovered without this known and measurable adjustment.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

North Dakota Average Electric Plant in Service

Function	As of 12/31/2002	As of 12/31/2003	2003 Average
Intangible Plant - General	2,425.0	2,425.0	2,425.0
Production	183,291.3	203,866.3	193,578.8
Transmission	74,386.0	75,620.9	75,003.5
Distribution	90,582.4	95,910.3	93,246.4
General	10,728.5	11,557.6	11,143.1
Common - Other	16,384.6	19,485.6	17,935.1
Intangible Plant - Common	5,801.0	7,146.1	6,473.6
Electric Acquisition Adjustment	7,281.4	7,281.4	7,281.4
Total Electric Plant in Service	390,880.2	423,293.2	407,086.7

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

North Dakota Average Electric Plant in Service

Function	2003 Average	Known and Measurable Adjustment (1)	2003 Average-Adjusted
Intangible Plant - General	2,425.0		2,425.0
Production	193,578.8	6,810.8	200,389.6
Transmission	75,003.5		75,003.5
Distribution	93,246.4		93,246.4
General	11,143.1		11,143.1
Common - Other	17,935.1		17,935.1
Intangible Plant - Common	6,473.6		6,473.6
Electric Acquisition Adjustment	7,281.4		7,281.4
Total Electric Plant in Service	407,086.7	6,810.8	413,897.5

Note:
(1) North Dakota's allocated share of the known and measurable adjustment associated with the Glendive Unit No 2 turbine project.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

Total Utility Average Electric Plant in Service

Function	As of 6/30/2001	As of 6/30/2002	Jun-02 Average
Intangible Plant - General	3,170.9	3,170.9	3,170.9
Steam Production (1)	246,206.3	247,424.3	246,815.3
Other Production	10,354.0	10,356.3	10,355.2
Transmission	118,207.3	119,152.3	118,679.8
Distribution	148,430.8	153,189.2	150,810.0
General	17,270.1	18,085.2	17,677.7
Common - Other	29,233.3	25,995.8	27,614.6
Intangible Plant - Common	8,297.2	7,956.9	8,127.1
Acquisition Adjustment	10,387.6	10,387.7	10,387.7
Total Plant in Service	591,557.5	595,718.6	593,638.1

Notes:
(1) Includes Deferred AFUDC, depreciation and interest on Coyote in the amount of $2,582,900

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

Total Utility Average Electric Plant in Service

Function	Jun-02 Average	Known and Measurable Adjustment (1)	Jun-02 Average Adjusted
Intangible Plant - General	3,170.9		3,170.9
Steam Production (1)	246,815.3		246,815.3
Other Production	10,355.2	19,438.3	29,793.5
Transmission	118,679.8		118,679.8
Distribution	150,810.0		150,810.0
General	17,677.7		17,677.7
Common - Other	27,614.6		27,614.6
Intangible Plant - Common	8,127.1		8,127.1
Acquisition Adjustment	10,387.7		10,387.7
Total Plant in Service	593,638.1	19,438.3	613,076.4

Note:
(1) The adjustment reflects the known value of MDU's investment to complete the Glendive Unit No 2 turbine project.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

North Dakota Average Electric Plant in Service

Function	As of 6/30/2001	As of 6/30/2002	Jun-02 Average
Intangible Plant - General	2,021.9	2,043.1	2,032.5
Steam Production	167,940.7	171,745.2	169,843.0
Other Production	7,137.5	7,259.5	7,198.5
Transmission	72,789.9	73,949.8	73,369.9
Distribution	86,642.7	89,082.9	87,862.8
General	10,288.8	10,896.6	10,592.7
Common - Other	17,766.3	15,812.1	16,789.2
Intangible Plant - Common	5,285.6	5,121.6	5,203.6
Acquisition Adjustment	7,160.7	7,281.5	7,221.1
Total Plant in Service	377,034.1	383,192.3	380,113.2

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

North Dakota Average Electric Plant in Service

Function	Jun-02 Average	Known and Measurable Adjustment (1)	Jun-02 Average Adjusted
Intangible Plant - General	2,032.5		2,032.5
Steam Production	169,843.0		169,843.0
Other Production	7,198.5	13,621.7	20,820.2
Transmission	73,369.9		73,369.9
Distribution	87,862.8		87,862.8
General	10,592.7		10,592.7
Common - Other	16,789.2		16,789.2
Intangible Plant - Common	5,203.6		5,203.6
Acquisition Adjustment	7,221.1		7,221.1
Total Plant in Service	380,113.2	13,621.7	393,734.9

Note:
(1) North Dakota's allocated share of the known and measurable adjustment associated with the Glendive Unit No 2 turbine project.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Electric Plant in Service
Statement C
(X000)

North Dakota Average Electric Plant in Service

Function	Jun-02 Average-Adjusted	2003 Average-Adjusted	Difference
Intangible Plant - General	2,032.5	2,425.0	392.5
Production	190,663.1	200,389.6	9,726.5
Transmission	73,369.9	75,003.5	1,633.6
Distribution	87,862.8	93,246.4	5,383.6
General	10,592.7	11,143.1	550.3
Common - Other	16,789.2	17,935.1	1,145.9
Intangible Plant - Common	5,203.6	6,473.6	1,270.0
Electric Acquisition Adjustment	7,221.1	7,281.4	60.3
Total Electric Plant in Service	393,734.9	413,897.5	20,162.7

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

Total Utility Average Accumulated Provision for Depreciation

Function	As of 12/31/2002	As of 12/31/2003	2003 Average
Production	158,617.5	167,339.9	162,978.7
Transmission	69,390.1	72,098.4	70,744.3
Distribution	80,486.3	85,149.1	82,817.7
General	8,747.4	9,674.9	9,211.2
Intangible Plant	1,665.5	2,056.9	1,861.2
Subtotal	318,906.8	336,319.2	327,613.0
Acquisition Adjustment	6,749.0	7,163.3	6,956.2
RWIP - Electric	2,818.4	2,818.4	2,818.4
RWIP - Common	8.9	8.8	8.9
Amortization - MT Coyote Plant	28.2	196.2	112.2
Other Plant Depreciation	(18.0)	(18.0)	(18.0)
Adjustments for Actual	25.9	26.0	26.0
Common - Intangible	3,754.8	4,695.2	4,225.0
Common - Other	13,056.8	14,406.8	13,731.8
Total Accumulated Provision	345,330.8	365,615.9	355,473.4

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

Total Utility Average Accumulated Provision for Depreciation

Function	2003 Average	Known and Measurable Adjustment (1)	2003 Average-Adjusted
Production	162,978.7	509.0	163,487.7
Transmission	70,744.3	-	70,744.3
Distribution	82,817.7	-	82,817.7
General	9,211.2	-	9,211.2
Intangible Plant	1,861.2	-	1,861.2
Subtotal	327,613.0	509.0	328,122.0
Acquisition Adjustment	6,956.2	-	6,956.2
RWIP - Electric	2,818.4	-	2,818.4
RWIP - Common	8.9	-	8.9
Amortization - MT Coyote Plant	112.2	-	112.2
Other Plant Depreciation	(18.0)	-	(18.0)
Adjustments for Actual	26.0	-	26.0
Common - Intangible	4,225.0	-	4,225.0
Common - Other	13,731.8	-	13,731.8
Total Accumulated Provision	355,473.4	509.0	355,982.4

Note:
(1) The adjustment reflects the additional known and measurable change for the company's Glendive Unit No 2 turbine project.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

North Dakota Average Accumulated Provision for Depreciation

Function	As of 12/31/2002	As of 12/31/2003	2003 Average
Production	112,740.4	118,854.1	115,797.3
Transmission	42,790.9	44,478.3	43,634.6
Distribution	47,418.5	50,149.2	48,783.9
General	5,362.6	5,922.7	5,642.7
Intangible Plant	1,073.7	1,325.9	1,199.8
Subtotal	209,386.1	220,730.2	215,058.2
Acquisition Adjustment	4,723.6	4,970.0	4,846.8
RWIP - Electric	2,059.1	2,059.1	2,059.1
RWIP - Common	6.5	6.5	6.5
Amortization - MT Coyote Plant	-	-	-
Other Plant Depreciation	(11.6)	(11.6)	(11.6)
Adjustments for Actual	15.1	15.1	15.1
Common - Intangible	2,416.9	3,022.2	2,719.6
Common - Other	8,197.6	9,057.4	8,627.5
Total Accumulated Provision	226,793.3	239,848.9	233,321.1

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

North Dakota Average Accumulated Provision for Depreciation

Function	2003 Average	Known and Measurable Adjustment (1)	2003 Average-Adjusted
Production	115,797.3	332.2	116,129.5
Transmission	43,634.6	-	43,634.6
Distribution	48,783.9	-	48,783.9
General	5,642.7	-	5,642.7
Intangible Plant	1,199.8	-	1,199.8
Subtotal	215,058.2	332.2	215,390.4
Acquisition Adjustment	4,846.8	-	4,846.8
RWIP - Electric	2,059.1	-	2,059.1
RWIP - Common	6.5	-	6.5
Amortization - MT Coyote Plant	-	-	-
Other Plant Depreciation	(11.6)	-	(11.6)
Adjustments for Actual	15.1	-	15.1
Common - Intangible	2,719.6	-	2,719.6
Common - Other	8,627.5	-	8,627.5
Total Accumulated Provision	233,321.1	332.2	233,653.3

Note:
(1) North Dakota's allocated share of the known and measurable adjustment associated with the Glendive Unit No 2 turbine project.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

Total Utility Average Accumulated Provision for Depreciation

Function	As of 6/30/2001	As of 6/30/2002	Jun-02 Average
Production - Steam	151,939.8	158,836.3	155,388.1
Production - Other	7,614.0	7,887.5	7,750.8
Transmission	65,458.8	68,011.3	66,735.1
Distribution	75,108.1	78,404.0	76,756.1
General	8,709.2	9,496.7	9,103.0
Intangible Plant-General	1,231.7	1,540.7	1,386.2
Common - Intangible	2,729.4	3,330.5	3,030.0
Common - Other	12,595.5	12,846.1	12,720.8
Total Accumulated Provision	325,386.5	340,353.1	332,869.8
Plus: Acquisition Adjustment	6,127.6	6,541.9	6,334.8
Totals	331,514.1	346,895.0	339,204.6

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

Total Utility Average Accumulated Provision for Depreciation

Function	Jun-02 Average	Known and Measurable Adjustment (1)	Jun-02 Average-Adjusted
Production - Steam	155,388.1	-	155,388.1
Production - Other	7,750.8	509.0	8,259.8
Transmission	66,735.1	-	66,735.1
Distribution	76,756.1	-	76,756.1
General	9,103.0	-	9,103.0
Intangible Plant-General	1,386.2	-	1,386.2
Common - Intangible	3,030.0	-	3,030.0
Common - Other	12,720.8	-	12,720.8
Total Accumulated Provision	332,869.8	509.0	333,378.8
Plus: Acquisition Adjustment	6,334.8	-	6,334.8
Totals	339,204.6	509.0	339,713.6

Note:
(1) The adjustment reflects the additional known and measurable change for the company's Glendive Unit No 2 turbine project, for 12 months.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

North Dakota Average Accumulated Provision for Depreciation

Function	As of 6/30/2001	As of 6/30/2002	Jun-02 Average
Production - Steam	100,770.9	106,883.1	103,827.0
Production - Other	5,248.5	5,528.9	5,388.7
Transmission	39,952.2	41,939.4	40,945.8
Distribution	44,239.3	46,233.6	45,236.5
General	5,432.0	5,945.8	5,688.9
Intangible Plant-General	785.8	993.3	889.6
Common - Intangible	1,738.7	2,143.7	1,941.2
Common - Other	7,907.5	8,055.7	7,981.6
Total Accumulated Provision	206,074.9	217,723.5	211,899.2
Plus: Acquisition Adjustment	4,224.1	4,585.7	4,404.9
Totals	210,299.0	222,309.2	216,304.1

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

North Dakota Average Accumulated Provision for Depreciation

Function	Jun-02 Average	Known and Measurable Adjustment (1)	Jun-02 Average-Adjusted
Production - Steam	103,827.0	-	103,827.0
Production - Other	5,388.7	332.2	5,720.9
Transmission	40,945.8	-	40,945.8
Distribution	45,236.5	-	45,236.5
General	5,688.9	-	5,688.9
Intangible Plant-General	889.6	-	889.6
Common - Intangible	1,941.2	-	1,941.2
Common - Other	7,981.6	-	7,981.6
Total Accumulated Provision	211,899.2	332.2	212,231.4
Plus: Acquisition Adjustment	4,404.9	-	4,404.9
Totals	216,304.1	332.2	216,636.3

Note:
(1) North Dakota's allocated share of the known and measurable adjustment associated with the Glendive Unit No 2 turbine project, for 12 months.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Accumulated Provision for Depreciation
Statement D
(X000)

North Dakota Average Accumulated Provision for Depreciation

Function	Jun-02 Average-Adjusted	2003 Average-Adjusted	Difference
Production - Steam & Other	109,547.9	116,129.5	6,581.6
Transmission	40,945.8	43,634.6	2,688.8
Distribution	45,236.5	48,783.9	3,547.4
General	5,688.9	5,642.7	(46.3)
Intangible Plant-General	889.6	1,199.8	310.3
Common - Intangible	1,941.2	2,719.6	778.4
Common - Other	7,981.6	8,627.5	645.9
Total Accumulated Provision	212,231.4	226,737.4	14,506.0
Plus: Acquisition Adjustment	4,404.9	4,846.8	441.9
Totals	216,636.3	231,584.2	14,947.9

Note:
1) For comparison purposes, 2003 Averages do not include RWIP,
Other Plant Adjustments and Adjustments for Actuals only noted in 2003.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Working Capital and Customer Advances
Statement E
(X000)

Total Utility Working Capital & Customer Advances

Working Capital	As of 12/31/2002	As of 12/31/2003	2003 Average
Materials & Supplies (1)	5,035.2	4,975.9	5,005.6
Fuel Stocks (2)	1,921.5	2,063.8	1,992.7
Prepayments-Insurance	1,308.9	(0.0)	654.5
Total Working Capital	8,265.6	7,039.7	7,652.7
Less: Customer Advances (2)	1,147.7	1,147.7	1,147.7
Balance	7,117.9	5,892.0	6,505.0

Notes:

(1) Actual beginning and ending balances for the 12 months ending June 30, 2002, without M&S adjustments for Glendive No 2.

(2) Actual beginning and ending balances for the 12 months ending June 30, 2002.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Working Capital and Customer Advances
Statement E
(X000)

Working Capital - Materials & Supplies

Materials & Supplies	Total Utility	North Dakota
June, 01	5,035.2	3,160.8
July	5,204.0	3,271.1
August	5,249.8	3,334.4
September	5,159.0	3,303.3
October	5,044.7	3,246.9
November	4,787.0	3,066.3
December	4,540.6	2,908.7
January, 02	4,496.2	2,907.5
February	4,529.5	2,931.8
March	4,537.6	2,974.3
April	4,904.0	3,151.8
May	4,862.6	3,135.4
June	4,975.9	3,225.9
Totals	63,326.1	40,618.2
13-month Average	4,871.2	3,124.5
Add: Glendive No 2 M&S Adjustment (1)	516.4	361.9
Totals	5,387.6	3,486.4

Note:
(1) Per GE recommended list of spare parts for Glendive No 2

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Working Capital and Customer Advances
Statement E
(X000)

Working Capital - Fuel Stocks

Fuel Stocks	Total Utility	North Dakota
June, 01	1,921.5	1,264.1
July	1,920.3	1,263.3
August	1,898.4	1,248.9
September	1,675.3	1,102.1
October	1,589.4	1,045.6
November	1,786.3	1,175.2
December	1,908.0	1,255.2
January, 02	1,888.8	1,251.8
February	1,964.3	1,301.8
March	2,072.7	1,373.7
April	2,091.2	1,385.9
May	2,091.1	1,385.9
June	2,063.8	1,367.8
Totals	24,871.1	16,421.3
13-month Average	1,913.2	1,263.2

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Working Capital and Customer Advances
Statement E
(X000)

Working Capital - Insurance Prepayments

Insurance Prepayments	Total Utility	North Dakota
December, 02	1,308.9	
January, 03	1,201.4	
February	1,093.8	
March	986.2	
April	878.6	
May	771.0	
June	663.5	
July	553.0	
August	442.5	
September	332.0	
October	221.5	
November	110.7	
December	(0.0)	
Totals	8,563.0	-
13-month Average	658.7	426.6

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Capital Structure
Statement F

Average Capital Structure - Projected 2003

Description	Adjusted Balance	Capital Ratio	Cost	Required Return
Long Term Debt	$145,100,000	44.674%	9.027%	4.033%
Preferred Stock	16,250,000	5.003%	4.622%	0.231%
Common Equity	163,446,692	50.323%	11.750%	5.913%
Total	$324,796,692	100.00%		10.177%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Capital Structure
Statement F

Average Long-Term Debt - Projected 2003

Description	Balance Outstanding	Annual Cost	Adjusted Embedded Cost
First Mortgage Bonds			
Balance at December 31, 2002	$130,850,000	$11,743,442	8.975%
Amortization of Gain/Loss		361,666	
		12,105,108	
Balance at December 31, 2003	155,850,000	$13,593,442	8.722%
Amortization of Gain/Loss		268,627	
		13,862,069	
Average at December 31, 2003	143,350,000	12,668,442	8.837%
Average Amort. of Gain/Loss		315,147	
Total Average	143,350,000	12,983,589	9.057%
Pollution Control Bonds			
Balance at December 31, 2002	2,000,000	131,120	6.556%
Balance at December 31, 2003	1,500,000	98,340	6.556%
Average at December 31, 2003	1,750,000	114,730	6.556%
Total Average Long Term Debt	$145,100,000	$13,098,319	9.027%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Capital Structure
Statement F

Average Preferred Stock - Projected 2003

Description	Balance Outstanding	Annual Cost	Adjusted Embedded Cost
Balance - December 31, 2002	$16,300,000	$753,705	4.624%
Redemptions:			
5.1% Series	(100,000)	(5,285)	
Balance - December 31, 2003	$16,200,000	$748,420	4.620%
Average Preferred Stock	$16,250,000	$751,063	4.622%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Capital Structure
Statement F

Average Utility Common Equity - Projected 2003

Description	Amount
Utility Common Equity - December 31, 2002	$155,515,526
Projected Utility Earnings	16,506,331
Projected Utility Dividends	(17,012,000)
Equity Infusion	16,368,000
Utility Common Equity - December 31, 2003	171,377,857
Average Common Utility Equity - December 31, 2003	$163,446,692

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Capital Structure
Statement F

Amortization of Loss on Reacquired Debt - Projected 2003

Description		Projected Average Amortization
Acct. 1890 - Unamortized Loss		
9 1/8% due 05-15-06	1/02-12/02	$361,666
9 1/8% due 05-15-06	1/03-12/03	268,627
Average at December 31, 2003		$315,147

Montana-Dakota Utilities Co.

North Dakota Electric
SUMMARY OF REVENUES AT CURRENT RATES

Schedule No	Description	Per Books Bills Customers	Per Books Energy Total kWhs	Per Books Demand kW	Per Books HP HP	Per Books Revenues $	Per Books @ Current Rates Revenues $
Residential Class of Service by Rate Schedule:							
10	Residential Electric Service	711,813	479,000,202	0	0	33,034,954	33,336,488
11	Residential Electric Service-Dual Fuel Space Heating	8,060	11,439,324	0	0	383,998	394,350
13	Residential Electric Thermal Energy Storage Service	105	92,477	0	0	3,009	3,094
50	General Electric Water Heating Service-Closed	24	3,100	0	0	196	199
56	General Electric Space Heating Service-Closed	84	106,583	0	0	6,043	6,136
16	Optional TOD Residential Electric Service	165	229,069	0	0	13,011	13,186
	Subtotal-Residential	720,251	490,870,755	0	0	33,441,211	33,753,452
Small General Class of Service by Rate Schedule:							
20	Small General Electric Service	119,700	207,029,027	618,261	0	16,288,280	16,432,135
22	Special General Electric Dual Fuel Space Heating (Pri/Sec)	1,663	3,573,284	0	0	119,769	123,101
23	Energy Storage Services (Pri/Sec)	0	0	0	0	0	0
29	Special Situation	0	0	0	0	4,987	4,987
40	Small Municipal Electric Service-Closed	5,005	4,492,036	12,050	0	298,142	300,508
50	General Electric Water Heating Service-Closed	854	203,187	0	0	11,468	11,597
56	General Electric Space Heating Service-Closed	3,161	10,861,144	0	0	605,489	613,196
26	Optional TOD Small General Electric Service	215	1,336,083	3,536	0	62,515	73,457
27	Feed Grinding Service-Closed	119	28,195	0	5,030	4,006	3,977
	Subtotal-Small Commercial	130,717	227,522,956	633,846	5,030	17,394,656	17,562,958
Large General Class of Service by Rate Schedule:							
30	Large Electric Service - General & Special Contract	8,649	522,992,723	1,456,554	0	28,452,154	29,099,433
31	Optional TOD Large General Electric Service	61	299,774	10,641	0	23,963	64,378
34	Firm Service Economic Development	0	0	0	0	0	0
39	Interruptible Large Power Service	24	6,428,700	20,001	0	221,903	225,002
95	Occasional Power Purchase (Non-TOD)	12	0	0	0	15	16
	Subtotal-Large Commercial	8,746	529,721,197	1,487,195	0	28,698,035	29,388,829
Lighting Class of Service by Rate Schedule:							
	Street Lighting Service:						
41	Company-owned Lighting	6,273	10,145,790	0	0	595,578	602,957
42	Municipal-owned Lighting	3,548	10,592,446	0	0	582,908	595,775
52	Private Lighting Service	30,988	3,622,397	0	0	269,490	271,703
	Subtotal-Lighting	40,809	24,360,633	0	0	1,447,976	1,470,435
Pumping Class of Service by Rate Schedule:							
25	Irrigation Pumping Service	199	739,450	0	7,811	35,149	35,249
48	Municipal Pumping Service	3,729	26,097,522	89,941	8,939	1,186,227	1,208,277
	Subtotal-Pumping	3,928	26,836,972	89,941	16,750	1,221,376	1,243,526
Total - North Dakota Jurisdiction		904,451	1,299,312,513	2,210,982	21,780	82,203,254	83,419,200

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Montana-Dakota Utilities Co.

North Dakota Electric
SUMMARY OF REVENUES AT CURRENT RATES

Test Period ending Dec. 31, 2003 @ Current Rates

Schedule No	Description	Bills Customers	Energy Total kWhs	Demand kW	HP HP	Revenues $
Residential Class of Service by Rate Schedule:						
10	Residential Electric Service	713,490	477,832,651	0	0	33,267,173
11	Residential Electric Service-Dual Fuel Space Heating	8,079	11,411,441	0	0	393,627
13	Residential Electric Thermal Energy Storage Service	105	92,252	0	0	3,088
50	General Electric Water Heating Service-Closed	24	3,092	0	0	198
56	General Electric Space Heating Service-Closed	84	106,323	0	0	6,121
16	Optional TOD Residential Electric Service	165	228,511	0	0	13,156
	Subtotal-Residential	721,947	489,674,270	0	0	33,683,363
Small General Class of Service by Rate Schedule:						
20	Small General Electric Service	120,524	213,469,665	637,500	0	16,908,536
22	Special General Electric Dual Fuel Space Heating (Pri/Sec)	1,675	3,684,891	0	0	126,581
23	Energy Storage Services (Pri/Sec)	0	0	0	0	0
29	Special Situation					4,987
40	Small Municipal Electric Service-Closed	5,005	4,462,521	11,971	0	298,929
50	General Electric Water Heating Service-Closed	854	209,659	0	0	11,912
56	General Electric Space Heating Service-Closed	3,161	11,207,106	0	0	632,527
26	Optional TOD Small General Electric Service	217	1,378,641	3,648	0	75,728
27	Feed Grinding Service-Closed	119	29,093	0	5,190	4,103
	Subtotal-Small Commercial	131,555	234,441,576	653,119	5,190	18,063,304
Large General Class of Service by Rate Schedule:						
30	Large Electric Service - General & Special Contract	8,802	556,019,851	1,562,524	0	31,001,095
31	Optional TOD Large General Electric Service	62	316,337	11,228	0	67,892
34	Firm Service Economic Development	0	0	0	0	0
39	Interruptible Large Power Service	24	6,783,905	21,106	0	236,445
95	Occasional Power Purchase (Non-TOD)					
	Subtotal-Large Commercial	8,888	563,120,093	1,594,858	0	31,305,432
Lighting Class of Service by Rate Schedule:						
	Street Lighting Service:					
41	Company-owned Lighting	6,680	10,146,385	0	0	602,992
42	Municipal-owned Lighting	3,778	10,593,067	0	0	595,810
52	Private Lighting Service	31,186	3,719,396	0	0	278,979
	Subtotal-Lighting	41,644	24,458,848	0	0	1,477,781
Pumping Class of Service by Rate Schedule:						
25	Irrigation Pumping Service	201	764,169	0	8,072	37,235
48	Municipal Pumping Service	3,756	25,926,045	89,350	8,880	1,201,065
	Subtotal-Pumping	3,957	26,690,214	89,350	16,952	1,238,300
Total - North Dakota Jurisdiction		907,991	1,338,385,001	2,337,327	22,142	85,768,180

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Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Total Operation & Maintenance Expenses as of 12/31/2003

Function	Total Company	North Dakota
Production Expenses	63,086.0	35,598.0
Transmission Expenses	7,376.0	5,035.2
Distribution Expenses	9,846.9	5,632.8
Customer Accounting Expenses	4,579.3	2,693.8
Sales Expenses	461.5	286.9
Administrative & General Expenses	18,174.0	11,622.9
Total Operation & Maintenance Expenses	103,523.6	60,869.5

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Total Operation & Maintenance Expenses as of 12/31/2003

Description	FERC Acct No	Total Company	North Dakota
Production Expenses:			
Steam Generation			
Operation Supervision & Engineering	500	1,639.4	1,139.5
Fuel	501	18,994.0	12,541.7
Steam Expense	502	3,299.1	2,291.8
Steam-Electric Expense	505	1,122.9	780.4
Miscellaneous Steam Power Expense	506	1,865.1	1,298.3
Maintenance Supervision & Engineering	510	558.7	388.6
Maintenance of Structures	511	474.7	329.7
Maintenance of Boiler Plant	512	3,131.7	2,177.9
Maintenance of Electric Plant	513	923.5	644.3
Maintenance of Miscellaneous Steam Plant	514	925.0	642.4
Total Steam Generation		32,934.1	22,234.6
Other Generation			
Operation Supervision & Engineering	546	63.6	44.3
Other Generation Expenses-Fuel	547	1,054.0	694.6
Generation Expenses	548	3.4	2.4
Miscellaneous Other Power Expenses	549	123.4	85.9
Maintenance Supervision & Engineering	551	26.0	18.1
Maintenance of Structures	552	10.7	7.4
Maintenance of General Electric Plant	553	74.9	52.2
Maintenance Miscellaneous Other Power Plant	554	12.2	8.5
Total Other Generation		1,368.2	913.6
Purchased Power Expenses			
Purchased Power-Energy (Integrated System)	555.1	6,265.0	4,134.6
Purchased Power-Energy (BHC Contract for WY)	555.1	5,059.5	-
WAPA-Prepaid Regulation	555.2	-	-
MAPP Transmission Charges-Energy	555.3	223.3	147.3
Purchased Power-Demand (Integrated System)	555.69	10,723.0	7,448.0
Purchased Power-Demand (BHC Contract for WY)	555.69W	5,465.9	-
Total Purchased Power Expense		27,736.7	11,729.9
Other Power Supply-System Control & Dispatch	556	1,047.0	719.9
Total Production Expense		63,086.0	35,598.0

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Total Operation & Maintenance Expenses as of 12/31/2003

Description	FERC Acct No	Total Company	North Dakota
Transmission Expense:			
Operation Supervision & Engineering	560	1,668.8	1,092.1
Load Dispatching	561	324.2	199.8
Station Expenses	562	573.0	354.9
Overhead Line Expenses	563	155.1	98.1
Transmission of Electricity by Others	565	459.7	306.1
Miscellaneous Transmission Expenses	566	131.4	87.6
Rents	567	1,987.6	1,565.3
Maintenance Supervision & Engineering	568	164.2	100.1
Maintenance of Structures	570	745.1	411.4
Maintenance of Station Equipment	571	1,167.0	819.8
Total Transmission Expenses		7,376.0	5,035.2
Distribution Expense:			
Operation Supervision & Engineering	580	823.4	438.8
Station Expenses	582	267.0	176.2
Overhead Line Expense	583	511.7	309.4
UG Line Expense	584	643.6	404.8
Street Lighting & Signal Systems	585	69.9	41.9
Meter Expenses	586	970.0	609.4
Customer Installations Expense	587	374.7	199.2
Miscellaneous Expenses	588	2,090.1	1,271.4
Rents	589	97.3	52.9
Total Distribution Operation Expenses		5,847.6	3,504.1
Maintenance Supervision & Engineering	590	455.6	257.1
Maintenance of Station Equipment	592	173.3	113.2
Maintenance of OH lines	593	2,130.5	1,093.5
Maintenance of UG lines	594	538.8	285.2
Maintenance of Line Transformers	595	159.5	84.3
Maint of Street Lighting & Signals	596	170.2	86.5
Maintenance of Meters	597	21.8	7.7
Maintenance of Miscellaneous Plant	598	349.5	201.3
Total Distribution Maintenance Expenses		3,999.3	2,128.7
Total Distribution Expenses		9,846.9	5,632.8

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Total Operation & Maintenance Expenses as of 12/31/2003

Description	FERC Acct No	Total Company	North Dakota
Customer Accounting Expense:			
Supervision	901	380.1	229.4
Customer Assistance	902	948.7	528.6
Records & Collections	903	2,403.3	1,392.6
Uncollectible Accounts	904	435.4	284.2
Miscellaneous Expenses	905	233.0	133.7
Customer Service-Supervision	907	24.1	12.4
Customer Service-Customer Assistance	908	112.1	81.7
Customer Service-Information and Instruction	909	40.7	30.1
Customer Service-Miscellaneous Service & Info	910	1.9	1.1
Total Customer Accounting Expenses		4,579.3	2,693.8
Sales Expense:			
Supervision	911	151.8	77.9
Demonstration and Selling Expenses	912	207.4	151.8
Advertising Expenses	913	54.9	37.1
Miscellaneous Sales Expenses	916	47.4	20.0
Total Sales Expense		461.5	286.9
Administrative & General Expenses:			
Administrative and General Salaries	920	5,767.9	3,721.8
Office Supplies and Expenses	921	3,338.5	2,154.4
Outside Services Employed	923	772.7	474.1
Property Insurance	924	691.0	445.8
Injuries and Damages	925	618.0	375.5
Employee Pensions and Benefits	926	3,147.9	1,998.9
Employee Pensions and Benefits - SISP	926	1,041.6	667.7
A&G-Regulatory Commission Expenses	928	366.1	190.4
General Advertising Expenses	930.1	182.3	159.7
Miscellaneous General Expenses	930.2	1,117.2	708.3
Rents	931	269.0	175.5
Maintenance of General Plant	935	861.8	550.9
Total Administrative & General Expenses		18,174.0	11,622.9
Total Operation & Maintenance Expenses-$		103,523.6	60,869.5
Total Operation & Maintenance Expenses-%		100.00%	58.80%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Total Operation & Maintenance Expenses as of 6/30/2002

Function	Total Company	North Dakota
Production Expenses	69,489.1	40,096.5
Transmission Expenses	6,145.4	4,195.2
Distribution Expenses	8,204.2	4,692.9
Customer Accounting Expenses	3,815.6	2,244.5
Sales Expenses	384.5	238.9
Administrative & General Expenses	13,785.5	8,854.9
Total Operation & Maintenance Expenses	101,824.3	60,322.9

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Total Operation & Maintenance Expenses as of 6/30/2002

Description	FERC Acct No	Total Company	North Dakota
Production Expenses:			
Steam Generation			
Operation Supervision & Engineering	500	1,365.9	949.4
Fuel	501	26,856.2	17,733.2
Steam Expense	502	2,748.7	1,909.5
Steam-Electric Expense	505	935.7	650.3
Miscellaneous Steam Power Expense	506	1,554.0	1,081.7
Maintenance Supervision & Engineering	510	465.5	323.8
Maintenance of Structures	511	395.5	274.7
Maintenance of Boiler Plant	512	2,609.3	1,814.6
Maintenance of Electric Plant	513	769.5	536.9
Maintenance of Miscellaneous Steam Plant	514	770.7	535.2
Total Steam Generation		38,471.0	25,809.3
Other Generation			
Operation Supervision & Engineering	546	53.1	36.9
Other Generation Expenses-Fuel	547	536.2	353.4
Generation Expenses	548	2.8	1.9
Miscellaneous Other Power Expenses	549	102.7	71.6
Maintenance Supervision & Engineering	551	21.8	15.2
Maintenance of Structures	552	8.9	6.2
Maintenance of General Electric Plant	553	62.4	43.5
Maintenance Miscellaneous Other Power Plant	554	10.2	7.1
Total Other Generation		798.1	535.8
Purchased Power Expenses			
Purchased Power-Energy (Integrated System)	555.1	11,529.1	4,475.5
Purchased Power-Energy (BHC Contract for WY)	555.1	-	-
WAPA-Prepaid Regulation	555.2	(47.6)	(31.6)
MAPP Transmission Charges-Energy	555.3	223.3	147.3
Purchased Power-Demand (Integrated System)	555.69	12,324.6	8,560.4
Purchased Power-Demand (BHC Contract for WY)	555.69W	5,318.2	-
Total Purchased Power Expense		29,347.6	13,151.6
Other Power Supply-System Control & Dispatch	556	872.4	599.8
Total Production Expense		69,489.1	40,096.5

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Total Operation & Maintenance Expenses as of 6/30/2002

Description	FERC Acct No	Total Company	North Dakota
Transmission Expense:			
Operation Supervision & Engineering	560	1,390.4	909.9
Load Dispatching	561	270.1	166.5
Station Expenses	562	477.3	295.7
Overhead Line Expenses	563	129.2	81.7
Transmission of Electricity by Others	565	383.0	255.0
Miscellaneous Transmission Expenses	566	109.5	73.0
Rents	567	1,656.0	1,304.2
Maintenance Supervision & Engineering	568	136.8	83.4
Maintenance of Structures	570	620.8	342.8
Maintenance of Station Equipment	571	972.3	683.0
Total Transmission Expenses		6,145.4	4,195.2
Distribution Expense:			
Operation Supervision & Engineering	580	686.0	365.6
Station Expenses	582	222.5	146.8
Overhead Line Expense	583	426.3	257.8
UG Line Expense	584	536.2	337.3
Street Lighting & Signal Systems	585	58.2	34.9
Meter Expenses	586	808.2	507.7
Customer Installations Expense	587	312.2	166.0
Miscellaneous Expenses	588	1,741.4	1,059.3
Rents	589	81.1	44.1
Total Distribution Operation Expenses		4,872.1	2,919.5
Maintenance Supervision & Engineering	590	379.6	214.2
Maintenance of Station Equipment	592	144.4	94.3
Maintenance of OH lines	593	1,775.1	911.1
Maintenance of UG lines	594	448.9	237.6
Maintenance of Line Transformers	595	132.9	70.2
Maint of Street Lighting & Signals	596	141.8	72.0
Maintenance of Meters	597	18.3	6.4
Maintenance of Miscellaneous Plant	598	291.1	167.6
Total Distribution Maintenance Expenses		3,332.1	1,773.4
Total Distribution Expenses		8,204.2	4,692.9

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Total Operation & Maintenance Expenses as of 6/30/2002

Description	FERC Acct No	Total Company	North Dakota
Customer Accounting Expense:			
Supervision	901	316.7	191.1
Customer Assistance	902	790.5	440.4
Records & Collections	903	2,002.4	1,160.4
Uncollectible Accounts	904	362.8	236.8
Miscellaneous Expenses	905	194.1	111.4
Customer Service-Supervision	907	20.1	10.3
Customer Service-Customer Assistance	908	93.4	68.1
Customer Service-Information and Instruction	909	33.9	25.1
Customer Service-Miscellaneous Service & Info	910	1.7	0.9
Total Customer Accounting Expenses		3,815.6	2,244.5
Sales Expense:			
Supervision	911	126.5	64.9
Demonstration and Selling Expenses	912	172.8	126.5
Advertising Expenses	913	45.8	30.9
Miscellaneous Sales Expenses	916	39.4	16.6
Total Sales Expense		384.5	238.9
Administrative & General Expenses:			
Administrative and General Salaries	920	4,805.6	3,101.0
Office Supplies and Expenses	921	2,781.4	1,795.0
Outside Services Employed	923	643.8	395.0
Property Insurance	924	582.4	375.7
Injuries and Damages	925	319.1	193.9
Employee Pensions and Benefits	926	2,622.7	1,665.4
Employee Pensions and Benefits - SISP	926	-	-
A&G-Regulatory Commission Expenses	928	5.8	0.5
General Advertising Expenses	930.1	151.8	133.1
Miscellaneous General Expenses	930.2	930.8	590.1
Rents	931	224.1	146.2
Maintenance of General Plant	935	718.0	459.0
Total Administrative & General Expenses		13,785.5	8,854.9
Total Operation & Maintenance Expenses-$		101,824.3	60,322.9
Total Operation & Maintenance Expenses-%		100.00%	59.24%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Comparison of Operation & Maintenance Expenses

Description	North Dakota Jurisdiction As of 6/30/2002	As of 12/31/2003	Difference
Production Expenses:			
Steam Generation			
Operation Supervision & Engineering	949.4	1,139.5	190.1
Fuel	17,733.2	12,541.7	(5,191.5)
Steam Expense	1,909.5	2,291.8	382.3
Steam-Electric Expense	650.3	780.4	130.1
Miscellaneous Steam Power Expense	1,081.7	1,298.3	216.6
Maintenance Supervision & Engineering	323.8	388.6	64.8
Maintenance of Structures	274.7	329.7	55.0
Maintenance of Boiler Plant	1,814.6	2,177.9	363.3
Maintenance of Electric Plant	536.9	644.3	107.4
Maintenance of Miscellaneous Steam Plant	535.2	642.4	107.2
Total Steam Generation	25,809.3	22,234.6	(3,574.7)
Other Generation			
Operation Supervision & Engineering	36.9	44.3	7.4
Other Generation Expenses-Fuel	353.4	694.6	341.2
Generation Expenses	1.9	2.4	0.5
Miscellaneous Other Power Expenses	71.6	85.9	14.3
Maintenance Supervision & Engineering	15.2	18.1	2.9
Maintenance of Structures	6.2	7.4	1.2
Maintenance of General Electric Plant	43.5	52.2	8.7
Maintenance Miscellaneous Other Power Plant	7.1	8.5	1.4
Total Other Generation	535.8	913.6	377.8
Purchased Power Expenses			
Purchased Power-Energy (Integrated System)	4,475.5	4,134.6	(340.9)
Purchased Power-Energy (BHC Contract for WY)	-	-	-
WAPA-Prepaid Regulation	(31.6)	-	31.6
MAPP Transmission Charges-Energy	147.3	147.3	-
Purchased Power-Demand (Integrated System)	8,560.4	7,448.0	(1,112.4)
Purchased Power-Demand (BHC Contract for WY)	-	-	-
Total Purchased Power Expense	13,151.6	11,729.9	(1,421.7)
Other Power Supply-System Control & Dispatch	599.8	719.9	120.1
Total Production Expense	40,096.5	35,598.0	(4,498.5)

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Comparison of Operation & Maintenance Expenses

Description	North Dakota Jurisdiction As of 6/30/2002	As of 12/31/2003	Difference
Transmission Expense:			
Operation Supervision & Engineering	909.9	1,092.1	182.2
Load Dispatching	166.5	199.8	33.3
Station Expenses	295.7	354.9	59.2
Overhead Line Expenses	81.7	98.1	16.4
Transmission of Electricity by Others	255.0	306.1	51.1
Miscellaneous Transmission Expenses	73.0	87.6	14.6
Rents	1,304.2	1,565.3	261.1
Maintenance Supervision & Engineering	83.4	100.1	16.7
Maintenance of Structures	342.8	411.4	68.6
Maintenance of Station Equipment	683.0	819.8	136.8
Total Transmission Expenses	4,195.2	5,035.2	840.0
Distribution Expense:			
Operation Supervision & Engineering	365.6	438.8	73.2
Station Expenses	146.8	176.2	29.4
Overhead Line Expense	257.8	309.4	51.6
UG Line Expense	337.3	404.8	67.5
Street Lighting & Signal Systems	34.9	41.9	7.0
Meter Expenses	507.7	609.4	101.7
Customer Installations Expense	166.0	199.2	33.2
Miscellaneous Expenses	1,059.3	1,271.4	212.1
Rents	44.1	52.9	8.8
Total Distribution Operation Expenses	2,919.5	3,504.1	584.6
Maintenance Supervision & Engineering	214.2	257.1	42.9
Maintenance of Station Equipment	94.3	113.2	18.9
Maintenance of OH lines	911.1	1,093.5	182.4
Maintenance of UG lines	237.6	285.2	47.6
Maintenance of Line Transformers	70.2	84.3	14.1
Maint of Street Lighting & Signals	72.0	86.5	14.5
Maintenance of Meters	6.4	7.7	1.3
Maintenance of Miscellaneous Plant	167.6	201.3	33.7
Total Distribution Maintenance Expenses	1,773.4	2,128.7	355.3
Total Distribution Expenses	4,692.9	5,632.8	939.9

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Summary of Operations and Maintenance Expenses
Statement H
(X000)

Comparison of Operation & Maintenance Expenses

Description	North Dakota Jurisdiction As of 6/30/2002	As of 12/31/2003	Difference
Customer Accounting Expense:			
Supervision	191.1	229.4	38.3
Customer Assistance	440.4	528.6	88.2
Records & Collections	1,160.4	1,392.6	232.2
Uncollectible Accounts	236.8	284.2	47.4
Miscellaneous Expenses	111.4	133.7	22.3
Customer Service-Supervision	10.3	12.4	2.1
Customer Service-Customer Assistance	68.1	81.7	13.6
Customer Service-Information and Instruction	25.1	30.1	5.0
Customer Service-Miscellaneous Service & Info	0.9	1.1	0.2
Total Customer Accounting Expenses	2,244.5	2,693.8	449.3
Sales Expense:			
Supervision	64.9	77.9	13.0
Demonstration and Selling Expenses	126.5	151.8	25.3
Advertising Expenses	30.9	37.1	6.2
Miscellaneous Sales Expenses	16.6	20.0	3.4
Total Sales Expense	238.9	286.9	48.0
Administrative & General Expenses:			
Administrative and General Salaries	3,101.0	3,721.8	620.8
Office Supplies and Expenses	1,795.0	2,154.4	359.4
Outside Services Employed	395.0	474.1	79.1
Property Insurance	375.7	445.8	70.1
Injuries and Damages	193.9	375.5	181.6
Employee Pensions and Benefits	1,665.4	1,998.9	333.5
Employee Pensions and Benefits - SISP	-	667.7	667.7
A&G-Regulatory Commission Expenses	0.5	190.4	189.9
General Advertising Expenses	133.1	159.7	26.6
Miscellaneous General Expenses	590.1	708.3	118.2
Rents	146.2	175.5	29.3
Maintenance of General Plant	459.0	550.9	91.9
Total Administrative & General Expenses	8,854.9	11,622.9	2,768.0
Total O & M Expenses-$	60,322.9	60,869.5	546.6

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Depreciation Expense and Amortization
Statement I
(X000)

Total Depreciation Expense & Amortization - As of 12/31/2003

Function	Total Company	North Dakota
Production Plant - Including Glendive Unit No 2	9,909.0	6,467.9
Transmission Plant	2,824.0	1,758.0
Distribution Plant	5,213.1	3,061.6
General Plant	347.6	212.9
Common Plant - Other Electric	908.7	560.5
Amortization of Intangible - General	391.5	252.2
Amortization of Intangible - Common	1,155.6	743.2
Amortization of Acquisition Adjustment	414.3	246.4
Total Book Depreciation & Amortization	21,163.8	13,302.7

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Depreciation Expense and Amortization
Statement I
(X000)

Total Depreciation Expense & Amortization - As of 6/30/2002

Function	Total Company	North Dakota
Production Plant	8,657.5	5,514.9
Transmission Plant	2,827.8	1,746.7
Distribution Plant	4,827.0	2,739.3
General Plant	547.2	341.2
Common Plant - Other Electric	1,062.1	642.8
Amortization of Intangible - General	309.0	198.1
Amortization of Intangible - Common	840.0	537.8
Amortization of Acquisition Adjustment	414.3	288.0
Total Book Depreciation & Amortization	19,484.9	12,008.8

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Depreciation Expense and Amortization
Statement I
(X000)

Comparison of Depreciation Expense & Amortization

Function	North Dakota Jurisdiction As of 6/30/2002	As of 12/31/2003	Difference
Production Plant - Including Glendive Unit No 2	5,514.9	6,467.9	953.0
Transmission Plant	1,746.7	1,758.0	11.3
Distribution Plant	2,739.3	3,061.6	322.3
General Plant	341.2	212.9	(128.3)
Common Plant - Other Electric	642.8	560.5	(82.3)
Amortization of Intangible - General	198.1	252.2	54.1
Amortization of Intangible - Common	537.8	743.2	205.4
Amortization of Acquisition Adjustment	288.0	246.4	(41.6)
Total Book Depreciation & Amortization	12,008.8	13,302.7	1,293.9

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Taxes Other Than Income Taxes
Statement J
(X000)

Total Taxes Other Than Income Taxes - As of 12/31/2003

Type of Tax - Adjusted	Total Company	North Dakota
Payroll Related	1,896.7	1,212.3
Gross Revenue Taxes:		
Montana PSC (@.0022/$)	67.2	-
Montana Consumer Counsel (@0.0009/$)	27.5	-
South Dakota	14.3	-
Wyoming	37.5	-
Total Gross Revenue Taxes	146.5	-
Electric Production Related Taxes:		
Montana Electric Tax	167.2	110.4
ND Coal Conversion	974.5	644.1
Total Electric Related Taxes	1,141.7	754.5
Property Taxes:		
Production	1,139.7	798.9
Transmission	1,028.3	533.7
Distribution	1,992.5	880.4
General	167.0	74.2
Common	328.7	182.8
Intangible	130.0	83.7
Total Property Taxes	4,786.2	2,553.7
Franchise Taxes:		
By State	109.4	-
Common-Delaware	90.1	58.3
Total Franchise Taxes	199.5	58.3
Other Taxes:		
Highway Use Tax	1.3	0.8
Secretary of State Filing Fee	0.9	0.6
Total Other Taxes	2.2	1.4
Total Taxes Other Than Income Taxes - Adjusted	8,172.8	4,580.2

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Taxes Other Than Income Taxes
Statement J
(X000)

Total Taxes Other Than Income Taxes - As of 6/30/2002

Type of Tax	Total Company	North Dakota
Payroll Related	1,455.3	918.5
Gross Revenue Taxes:		
Montana PSC (@.0022/$)	65.4	-
Montana Consumer Counsel (@0.0009/$)	21.8	-
South Dakota	14.3	-
Wyoming	37.5	-
Total Gross Revenue Taxes	139.0	-
Electric Production Related Taxes:		
Montana Electric Tax	167.2	110.4
ND Coal Conversion	753.5	498.0
Total Electric Related Taxes	920.7	608.4
Property Taxes:		
Production	1,190.2	826.2
Transmission	1,095.3	550.2
Distribution	2,053.0	800.5
General	171.0	64.0
Common	380.5	211.2
Intangible	30.7	19.7
Total Property Taxes	4,920.7	2,471.8
Franchise Taxes:		
By State	109.4	-
Common-Delaware	90.1	58.3
Total Franchise Taxes	199.5	58.3
Other Taxes:		
Highway Use Tax	1.3	0.8
Secretary of State Filing Fee	0.9	0.6
Total Other Taxes	2.2	1.4
Total Taxes Other Than Income Taxes - Actual	7,637.4	4,058.4

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Taxes Other Than Income Taxes
Statement J
(X000)

Comparison of Total Taxes Other Than Income Taxes

Type of Tax	North Dakota Jurisdiction As of 6/30/2002	As of 12/31/2003	Difference
Payroll Related	918.5	1,212.3	293.8
Gross Revenue Taxes:			-
Montana PSC (@.0022/$)	-	-	-
Montana Consumer Counsel (@0.0009/$)	-	-	-
South Dakota	-	-	-
Wyoming	-	-	-
Total Gross Revenue Taxes	-	-	-
Electric Production Related Taxes:			
Montana Electric Tax	110.4	110.4	-
ND Coal Conversion	498.0	644.1	146.1
Total Electric Related Taxes	608.4	754.5	146.1
Property Taxes:			
Production	826.2	798.9	(27.3)
Transmission	550.2	533.7	(16.5)
Distribution	800.5	880.4	79.9
General	64.0	74.2	10.2
Common	211.2	182.8	(28.4)
Intangible	19.7	83.7	64.0
Total Property Taxes	2,471.8	2,553.7	81.9
Franchise Taxes:			
By State	-	-	-
Common-Delaware	58.3	58.3	-
Total Franchise Taxes	58.3	58.3	-
Other Taxes:			
Highway Use Tax	0.8	0.8	-
Secretary of State Filing Fee	0.6	0.6	-
Total Other Taxes	1.4	1.4	-
Total Taxes Other Than Income Taxes	4,058.4	4,580.2	521.8

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
State and Federal Recorded Income Taxes
Statement K
(X000)

State & Federal Recorded Income Taxes

Description	Total Company	North Dakota
Summary Of Income Taxes		
Total Operating Revenues	147,028.8	88,543.8
Operation & Maintenance Expenses	103,523.6	60,869.5
Depreciation Expense	21,163.8	13,302.7
Taxes Other Than Income Taxes	8,172.8	4,580.2
Interest - Long Term	9,175.6	5,790.9
Net Operating Income-Pretax	4,993.0	4,000.6
Deductions and Adjustments:		
Net M-1 Adjustments	3,860.5	1,971.2
Preferred Dividend Paid Deduction	-	-
Total Deductions & Adjustments	3,860.5	1,971.2
Taxable Income Before State Income Taxes	8,853.5	5,971.8
Federal Income Tax:		
Net Operating Income	8,853.5	5,971.8
Other Additions & Deductions-State Income Taxes	(462.0)	(423.4)
Federal Taxable Income	8,391.5	5,548.4
Federal Tax @ 35%	2,937.0	1,941.9
Less: Credits & Adjustments	-	-
Total Federal Income Taxes	2,937.0	1,941.9
State Income Taxes:		
Taxable Income Before State Income Taxes	8,853.5	5,971.8
Additions & Deductions	-	-
State Taxable Income	8,853.5	5,971.8
State Income Tax Rates		7.09%
State Income Taxes	462.0	423.4
Total Income Taxes:		
Federal Income Taxes	2,937.0	1,941.9
State Income Taxes	462.0	423.4
Total Federal & State Income Taxes	3,399.0	2,365.3

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
State and Federal Recorded Income Taxes
Statement K
(X000)

State & Federal Recorded Income Taxes

Description	Total Company	North Dakota
Income Tax - Deductions & Adjustments:		
Additions:		
Regulatory, NonCurrent:		
Pension Expense	(665.7)	(429.2)
VEBA	435.6	281.4
Regulatory, Permanent	103.2	66.9
Book Depreciation-Adjusted	21,163.8	13,302.7
Amortization - Debt Expense	786.2	510.9
Amortization Debt Loss/Discount	2.8	1.8
Total Additions	21,825.9	13,734.5
Deductions:		
Tax Depreciation	17,965.4	11,763.3
Total Net M-1 Adjustments	3,860.5	1,971.2

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
State and Federal Recorded Income Taxes
Statement K
(X000)

Accumulated Deferred Income Taxes & ITCs

Description	Total Company	North Dakota
Accumulated Deferred Taxes:		
Balance as of 12/31/02	57,691.1	39,100.2
Balance as of 12/31/03	60,629.7	41,143.8
Average Balance - 2003	59,160.4	40,122.0
Unamortized Investment Tax Credits:		
Balance as of 12/31/02	2,508.2	1,854.9
Balance as of 12/31/03	2,000.7	1,528.4
Average Balance - 2003	2,254.5	1,691.7

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement and Additional Revenue Requirements
Statement L
(X000)

Income Statement and Additional Revenue Requirements

Description	Total Company	North Dakota	All Other	Reference
Total Average Electric Rate Base	227,527.5	143,596.8	83,930.7	Statement L
Total Operating Revenues				
Total Sales Revenues	142,367.0	85,767.5	56,599.5	Statement G
Opportunity Sales Revenues	-	-	-	Statement G
Other Operating Revenues	4,661.8	2,776.3	1,885.5	Statement G
Total Revenues	147,028.8	88,543.8	58,485.0	
Total Operating Expenses				
Operation & Maintenance Expenses	103,523.6	60,869.5	42,654.1	Statement H
Depreciation Expense	21,163.8	13,302.7	7,861.1	Statement I
Taxes Other Than Income Taxes	8,172.8	4,580.2	3,592.6	Statement J
Total Operating Expenses	132,860.2	78,752.3	54,107.9	
Utility Operating Income Before Taxes	14,168.6	9,791.5	4,377.1	
Income Taxes:				
Federal	2,937.0	1,941.9	995.1	Statement K
State	462.0	423.4	38.6	Statement K
Less: Adjustments	-	-	-	
Deferred Income Taxes	(1,837.0)	(1,050.0)	(787.0)	
Total Operating Expenses	134,422.2	80,067.7	54,354.6	
Total Operating Income	12,606.6	8,476.1	4,130.4	
Return Before Adjustments				
Earned Rate of Return - %	5.541%	5.903%	4.921%	
Required Rate of Return - %	10.177%	10.177%	10.177%	Statement F
Return at Required Rate of Return - $	23,155.3	14,613.7	8,541.5	
Income Deficiency	10,548.7	6,137.6	4,411.1	
Revenue Deficiency - Multiplier	1.6482	1.6559	1.6376	
Revenue Deficiency-$	17,386.5	10,163.0	7,223.5	
Percent Increase Required	12.212%	11.849%	12.762%	

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement and Additional Revenue Requirements
Statement L
(X000)

Average Electric Rate Base - North Dakota

Description	Total Company	North Dakota	All Other	Reference
Average Electric Plant in Service	638,113.0	413,897.5	224,215.4	Statement C
Accumulated Provision for Depreciation	355,982.4	233,653.3	122,329.0	Statement D
Net Electric Plant in Service	282,130.6	180,244.2	101,886.4	
Other Rate Base Items - Additions:				
Fuel Stocks	1,913.2	1,263.2	650.0	Statement E
Prepayments-Insurance	658.7	426.6	232.1	Statement E
Materials & Supplies	5,387.6	3,486.4	1,901.3	Statement E
Total Additions	7,959.5	5,176.2	2,783.3	
Total Rate Base Before Deductions	290,090.1	185,420.4	99,103.1	
Other Rate Base Items - Deductions:				
Customer Advances	1,147.7	9.9	1,137.8	Statement E
Accumulated Deferred ITCs	2,254.5	1,691.7	562.8	Statement K
Accumulated Deferred Income Taxes	59,160.4	40,122.0	19,038.4	Statement K
Total Deductions	62,562.6	41,823.6	20,739.0	
Total Rate Base	227,527.5	143,596.8	83,930.7	

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement and Additional Revenue Requirements
Statement L
(X000)

Average Electric Rate Base - For the 12 Months Ending December 31, 2003

Description	As of 12/31/2002	As of 12/31/2003	2003 Average
Average Electric Plant in Service	594,457.9	641,554.5	618,006.2
Acquisition Adjustment	10,387.6	10,387.6	10,387.6
Glendive Turbine No 2 Adjustment	-	-	9,719.2
Total Electric Plant in Service	604,845.5	651,942.1	638,113.0
Accumulated Provision for Depreciation	345,330.8	365,615.9	355,473.4
Glendive Turbine No 2 Adjustment	-	-	509.0
Net Electric Plant in Service	259,514.7	286,326.2	282,130.6
Other Rate Base Items - Additions:			
Fuel Stocks	1,921.5	2,063.8	1,992.7
Prepayments-Insurance	1,308.9	(0.0)	654.5
Materials & Supplies	5,035.2	4,975.9	5,005.6
Total Additions	8,265.6	7,039.7	7,652.7
Total Rate Base Before Deductions	267,780.3	293,365.9	289,783.3
Other Rate Base Items - Deductions:			
Customer Advances	1,147.7	1,147.7	1,147.7
Accumulated Deferred ITCs	2,508.2	2,000.7	2,254.5
Accumulated Deferred Income Taxes	57,691.1	60,629.7	59,160.4
Total Deductions	61,347.0	63,778.1	62,562.6
Total Rate Base	206,433.3	229,587.8	227,220.7

Note:
All averages are beginning and ending balances, not 13-month averages.

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement and Additional Revenue Requirements
Statement L
(X000)

Operating Income and Rate of Return with Additional Revenue Requirements

Description	ROR Before Additional Revenues	Proposed Additional Revenues	ROR With Additional Revenues
Total Average Electric Rate Base	143,596.8		143,596.8
Total Operating Revenues			
Total Sales Revenues	85,767.5	10,163.0	95,930.5
Opportunity Sales Revenues	-	-	-
Other Operating Revenues	2,776.3	-	2,776.3
Total Revenues	88,543.8	10,163.0	98,706.8
Total Operating Expenses			
Operation & Maintenance Expenses	60,869.5	-	60,869.5
Depreciation Expense	13,302.7	-	13,302.7
Taxes Other Than Income Taxes	4,580.2	-	4,580.2
Total Operating Expenses	78,752.3	-	78,752.3
Utility Operating Income Before Taxes	9,791.5		19,954.4
Income Taxes:			
Federal	1,941.9	3,304.9	5,246.8
State	423.4	720.6	1,144.0
Less: Adjustments	-	-	-
Deferred Income Taxes	(1,050.0)	-	(1,050.0)
Total Operating Expenses	80,067.7	4,025.4	84,093.1
Total Operating Income	8,476.1	6,137.6	14,613.7
Earned Rate of Return	5.903%		10.177%

Montana-Dakota Utilities Co.
North Dakota Electric Class Cost of Service Study
Based on the Test Period Ending December 31, 2003
REVENUES AT CURRENT AND PROPOSED RATES

Schdl No	Current Rates	Test Period Billing Determinants: Bills	Energy: Total kWhs	Demand: kW
Residential Class of Service by Rate Schedule:				
10	Residential Electric Service	713,490	477,832,651	-
11	Residential Electric Service-Dual Fuel Space Heating	-	11,411,441	-
13	Residential Electric Thermal Energy Storage Service	-	92,252	-
50	General Electric Water Heating Service-Closed	-	3,092	-
56	General Electric Space Heating Service-Closed	-	106,323	-
16	Optional TOD Residential Electric Service	165	228,511	-
	Subtotal-Residential	713,655	489,674,270	-
Small General Class of Service by Rate Schedule:				
20	Small General Electric Service	120,437	213,388,747	637,500
22	Special General Electric Dual Fuel Space Heating (Pri/Sec)	-	3,684,891	-
23	Energy Storage Services (Pri/Sec)	-	-	-
29	Special Situation	111	81,805	
40	Small Municipal Electric Service-Closed	4,993	4,462,402	11,971
50	General Electric Water Heating Service-Closed	-	209,659	-
56	General Electric Space Heating Service-Closed	-	11,207,106	-
26	Optional TOD Small General Electric Service	217	1,378,641	3,648
27	Feed Grinding Service-Closed	119	29,093	-
	Subtotal-Small Commercial	125,877	234,442,344	653,119
Large General Class of Service by Rate Schedule:				
30	Large Electric Service - General & Special Contract	8,802	556,019,851	1,562,524
31	Optional TOD Large General Electric Service	62	316,337	11,228
34	Firm Service Economic Development	-	-	-
39	Interruptible Large Power Service	24	6,783,905	21,106
	Subtotal-Large Commercial	8,888	563,120,093	1,594,858
Lighting Class of Service by Rate Schedule:				
41	Company-Owned Lighting	6,680	10,146,385	-
42	Municipal-owned Lighting	3,778	10,593,067	-
52	Private Lighting Service	31,174	3,718,628	-
	Subtotal-Lighting	41,632	24,458,080	-
Pumping Class of Service by Rate Schedule:				
25	Irrigation Pumping Service	201	764,169	-
48	Municipal Pumping Service	3,756	25,926,045	89,350
	Subtotal-Pumping	3,957	26,690,214	89,350
Total - North Dakota Jurisdiction		894,009	1,338,385,001	2,337,327

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Statement M-1
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Montana-Dakota Utilities Co.
North Dakota Electric Class Cost of Service Study
Based on the Test Period Ending December 31, 2003
REVENUES AT CURRENT AND PROPOSED RATES

Schdl No	Current Rates	Revenues @Current Rates	@ Proposed Rates /1	Margin Credit	Net Revenue	$ Increase /2	% Increase /2
Residential Class of Service by Rate Schedule:							
10	Residential Electric Service	$33,267,173	$39,712,792	($850,542)	$38,862,250	$5,595,077	16.82%
11	Residential Electric Service-Dual Fuel Space Heating	$393,627	504,240	($20,312)	$483,928	$90,301	22.94%
13	Residential Electric Thermal Energy Storage Service	$3,088	4,076	($164)	$3,912	$824	26.70%
50	General Electric Water Heating Service-Closed	$198	137	($6)	$131	($67)	-33.94%
56	General Electric Space Heating Service-Closed	$6,121	4,698	($189)	$4,509	($1,612)	-26.34%
16	Optional TOD Residential Electric Service	$13,156	16,389	($407)	$15,982	$2,826	21.48%
	Subtotal-Residential	$33,683,363	$40,242,332	($871,620)	$39,370,712	$5,687,349	16.88%
Small General Class of Service by Rate Schedule:							
20	Small General Electric Service	$16,908,536	$ 18,767,537	($379,832)	$18,387,705	$1,479,169	8.75%
22	Special General Electric Dual Fuel Space Heating (Pri/Sec)	126,581	168,333	($6,559)	$161,774	$35,193	27.80%
23	Energy Storage Services (Pri/Sec)	-	-	$0	$0	$0	na
29	Special Situation	4,987	4,878	($146)	$4,732	($255)	-5.10%
40	Small Municipal Electric Service-Closed	298,929	486,478	($7,943)	$478,535	$179,606	60.08%
50	General Electric Water Heating Service-Closed	11,912	11,331	($373)	$10,958	($954)	-8.01%
56	General Electric Space Heating Service-Closed	632,527	524,801	($19,949)	$504,852	($127,675)	-20.18%
26	Optional TOD Small General Electric Service	75,728	82,586	($2,454)	$80,132	$4,404	5.82%
27	Feed Grinding Service-Closed	4,103	5,401	($52)	$5,349	$1,246	30.37%
	Subtotal-Small Commercial	$18,063,304	$20,051,346	($417,307)	$19,634,038	$1,570,734	8.70%
Large General Class of Service by Rate Schedule:							
30	Large Electric Service - General & Special Contract	$31,001,095	$32,604,749	($989,715)	$31,615,033	$613,939	1.98%
31	Optional TOD Large General Electric Service	$67,892	84,447	($563)	$83,884	$15,991	23.55%
34	Firm Service Economic Development	-	-	$0	$0	$0	na
39	Interruptible Large Power Service	$236,445	349,295	($12,075)	$337,219	$100,775	42.62%
	Subtotal-Large Commercial	$31,305,432	$33,038,490	($1,002,354)	$32,036,137	$730,705	2.33%
Lighting Class of Service by Rate Schedule:							
41	Company-Owned Lighting	602,992	550,814	(18,061)	532,753	($70,238)	-11.65%
42	Municipal-owned Lighting	595,810	537,336	(18,856)	518,480	($77,330)	-12.98%
52	Private Lighting Service	278,979	209,244	($6,619)	$202,625	($76,353)	-27.37%
	Subtotal-Lighting	1,477,781	1,297,394	(43,535)	1,253,859	(223,922)	-15.15%
Pumping Class of Service by Rate Schedule:							
25	Irrigation Pumping Service	$37,235	$66,481	($1,360)	$65,121	$27,886	74.89%
48	Municipal Pumping Service	1,201,065	1,243,027	($46,148)	$1,196,878	($4,187)	-0.35%
	Subtotal-Pumping	$1,238,300	$1,309,508	($47,509)	$1,261,999	$23,699	1.91%
Total - North Dakota Jurisdiction		$85,768,180	$95,939,070	($2,382,325)	$93,556,745	$7,788,565	9.08%

/1 Does not include Pool Sales Margin Credit ($0.00178/kwh)
/2 Net of Credit for Pool Sales Margin

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Statement M-1
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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
CLASS ALLOCATION SUMMARY

Description	Total North Dakota	Residential	Small General	Large General	Lighting	Pumping
Operating Revenues						
Total Sales Revenues at Current Rates	85,768.2	33,692.6	18,063.3	31,314.1	1,478.2	1,220.0
Opportunity Sales Revenues	-	-	-	-	-	-
Other Operating Revenues	2,776.3	1,132.6	558.3	471.0	570.4	43.9
Total Operating Revenues	**88,544.5**	**34,825.3**	**18,621.6**	**31,785.1**	**2,048.6**	**1,263.9**
Operating Expenses						
Cost of Fuel and Purchased Power	24,966.3	9,786.9	5,001.1	9,397.7	301.6	478.9
Operation & Maintenance Expenses	35,903.2	19,212.5	8,240.3	7,191.3	679.9	579.3
Total Operation & Maintenance Expenses	60,869.5	28,999.4	13,241.4	16,589.0	981.5	1,058.2
Depreciation Expense	13,302.7	7,359.3	2,924.0	2,527.8	248.1	243.4
Taxes Other Than Income Taxes	4,580.2	2,366.5	1,010.7	1,013.5	107.9	81.5
Total Operating Expenses	**78,752.3**	**38,725.3**	**17,176.1**	**20,130.3**	**1,337.5**	**1,383.2**
Utility Operating Income Before Taxes	9,792.1	(3,900.0)	1,445.5	11,654.8	711.1	(119.2)
Less Income Taxes	1,315.6	(2,963.7)	(6.4)	4,168.4	210.6	(93.3)
Operating Income After Tax	**8,476.5**	**(936.3)**	**1,451.9**	**7,486.4**	**500.5**	**(26.0)**
Rate Base	143,596.8	77,215.9	32,542.5	28,044.4	2,981.7	2,812.2
Return Before Adjustments						
Earned Rate of Return - %	**5.90%**	**-1.21%**	**4.46%**	**26.69%**	**16.78%**	**-0.92%**
Required Rate of Return - %	10.18%	10.18%	10.18%	10.18%	10.18%	10.18%
Return at Required Rate of Return	14,613.7	7,858.2	3,311.8	2,854.0	303.4	286.2
Income Deficiency	6,137.2	8,794.5	1,859.9	(4,632.4)	(197.0)	312.2
Revenue Deficiency - Multiplier	1.6559	1.6559	1.6559	1.6559	1.6559	1.6559
Revenue Deficiency-$	**10,162.3**	**14,562.4**	**3,079.8**	**(7,670.5)**	**(326.2)**	**516.9**
Reallocated Deficiency (Sufficiency) - $	**(0.0)**	**(8,413.1)**	**-**	**8,671.5**	**163.1**	**(421.6)**
Revenue Deficiency to Be Recovered in Rates	**10,162.3**	**6,149.4**	**3,079.8**	**1,001.0**	**(163.1)**	**95.3**
Less Pool Sales Margin Credit	**(2,379.0)**	**(870.4)**	**(416.7)**	**(1,001.0)**	**(43.5)**	**(47.4)**
Percent Increase Required	**9.07%**	**15.67%**	**14.74%**	**0.00%**	**-13.98%**	**3.92%**
Total Cost of Service Recovered through rates	95,930.5	39,842.0	21,143.1	32,315.0	1,315.1	1,315.3
Percent of Total Cost of Service	100.0%	41.5%	22.0%	33.7%	1.4%	1.4%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Cost of Service Allocation Summary									
Operating Revenues									
Total Sales Revenues at Current Rates			85,768.2	2,549.3	-	31,143'3	-	-	-
Opportunity Sales Revenues			-	-	-	-	-	-	-
Other Operating Revenues			2,776.3	331.0	-	25.8	-	775.9	-
Total Operating Revenues			**88,544.5**	**2,880.3**	**-**	**31,169.1**	**-**	**775.9**	**-**
Operating Expenses									
Cost of Fuel and Purchased Power			24,966.3	-	-	6,503.0	-	3,284.0	-
Operation & Maintenance Expenses			35,903.2	8,899.8	-	886.3	-	9,426.5	-
Total Operation & Maintenance Expenses			60,869.5	8,899.8	-	7,389.2	-	12,710 4	-
Depreciation Expense			13,302.7	2,095.1	-	73.4	-	5,190.8	-
Taxes Other Than Income Taxes			4,580.2	818.4	-	359.1	-	1,189.0	-
Total Operating Expenses			**78,752.3**	**11,813.3**	**-**	**7,821.7**	**-**	**19,090.3**	**-**
Utility Operating Income Before Taxes			9,792 1	(8,933.0)	-	23,347.4	-	(18,314.3)	-
Less: Income Taxes:									
Federal			1,942.2	(2,863.5)	-	7,583.7	-	(6,610.8)	-
State			423.4	(624.3)	-	1,653.5	-	(1,441.4)	-
Less: Adjustments			-	-	-	-	-	-	-
Deferred Income Taxes		DEP	(1,050.0)	(555.6)	-	-	-	(105.3)	-
Investment Tax Credit-Net			-	-	-	-	-	-	-
Total Income Taxes			1,315.6	(4,043.4)	-	9,237.2	-	(8,157.5)	-
Operating Income After Tax			**8,476.5**	**(4,889.6)**	**-**	**14,110.1**	**-**	**(10,156.8)**	**-**
Rate Base			**143,596.8**	**18,008.7**	**-**	**585.4**	**-**	**58,621.8**	**-**
Return Before Adjustments									
Earned Rate of Return - %			5.90%	-27.15% NA		2410.26% NA		-17.33% NA	
Required Rate of Return - %			10.18%	10.18%	10.18%	10.18%	10.18%	10.18%	10.18%
Return at Required Rate of Return			14,613.7	1,832.7	-	59.6	-	5,965.9	-
Income Deficiency			6,137.2	6,722.3	-	(14,050.6)	-	16,122.7	-
Revenue Deficiency - Multiplier			1.6559	1.6559	1.6559	1.6559	1.6559	1.6559	1.6559
Revenue Deficiency (Sufficiency)-$			**10,162.3**	**11,131.2**	**-**	**(23,265.8)**	**-**	**26,697.0**	**-**
Deficiency (Sufficiency) - Reallocated -$	(7,670.5)		**(0.0)**	**(2,475.6)**	**-**	**-**	**-**	**(5,937.5)**	**-**
Percent Increase Required			**11.85%**	**340% NA**		**-75% NA**	**NA**	**NA**	

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Rate Base									
Electric Plant in Service									
Production Plant - Base	**66.7%**	DNCP	133,659.9	-	-	-	-	75,467.3	-
Production Plant - Peak	33.3%	D10	66,729.8	-	-	-	-	29,422.5	-
Transmission Plant - Base	**80.0%**	DNCP	60,002.8	-	-	-	-	33,878.9	-
Transmission Plant - Peak	20.0%	D12	15,000.7	-	-	-	-	6,614.1	-
Distribution Plant:									
Land		CTOT	359.1	285.5	-	-	-	-	-
Rights of Way		CTOT	136.9	108.8	-	-	-	-	-
Station Equipment		DNCP	16,208.0	-	-	-	-	9,151.4	-
Poles, Towers, & Fixtures - Base		CTOT	11,713.6	9,314.6	-	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	5,771.8	4,589.7	-	-	-	-	-
Overhead Conductors & Device - Peak		D10	1,923.9	-	-	-	-	848.3	-
Underground Conduit - Base		CTOT	159.9	127.2	-	-	-	-	-
Underground Conduit - Peak		D10	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	11,865.1	9,435.0	-	-	-	-	-
Underground Conductors & Devices - Peak		D10	6,388 9	-	-	-	-	2,817.0	-
Line Transformers - Base		CW368	19,336.0	6,164.2	-	-	-	-	-
Line Transformers - Peak		DNCP	-	-	-	-	-	-	-
Services		CW369	9,131.2	6,795.2	-	-	-	-	-
Meters		CW370	6,453.4	3,288.9	-	-	-	-	-
Installation on Customer Premise		CRES	808.1	808.1	-	-	-	-	-
Street Light & Signal System		C370	2,990.4	-	-	-	-	-	-
General Plant		TPTD	13,568.1	1,506.0	-	-	-	5,822.7	-
Common Plant		LABOR	24,408.7	7,644.7	-	1,374.2	-	4,455.4	-
Electric Acquisition Adjustment		P30	7,281.4	-	-	-	-	3,811.3	-
Total Electric Plant in Service		**EPIS**	**413,897.5**	**50,068.1**	**-**	**1,374.2**	**-**	**172,288.9**	**-**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Accumulated Provision for Depreciation (Inc RWIP)									
Production Plant - Base	66.7%	DNCP	77,458.4	-	-	-	-	43,734.7	-
Production Plant - Peak	33.3%	D10	38,671.1	-	-	-	-	17,050.9	-
Transmission Plant - Base	80.0%	DNCP	34,907.7	-	-	-	-	19,709.6	-
Transmission Plant - Peak	20.0%	D12	8,726.9	-	-	-	-	3,847.9	-
Distribution Plant:									
Land		CTOT	-	-	-	-	-	-	-
Rights of Way		CTOT	84.6	67.3	-	-	-	-	-
Station Equipment		DNCP	7,470.3	-	-	-	-	4,217.9	-
Poles, Towers, & Fixtures - Base		CTOT	5,310.3	4,222.7	-	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	3,659.5	2,910.0	-	-	-	-	-
Overhead Conductors & Device - Peak		D10	1,219.8	-	-	-	-	537.8	-
Underground Conduit - Base		CTOT	33.9	27.0	-	-	-	-	-
Underground Conduit - Peak		D10	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	4,958.6	3,943.1	-	-	-	-	-
Underground Conductors & Devices - Peak		D10	2,670.0	-	-	-	-	1,177.3	-
Line Transformers - Base		CW368	9,049.4	2,884.9	-	-	-	-	-
Line Transformers - Peak		DNCP	-	-	-	-	-	-	-
Services		CW369	9,514.0	7,080.1	-	-	-	-	-
Meters		CW370	2,799.8	1,426.9	-	-	-	-	-
Installation on Customer Premise		CRES	356.4	356.4	-	-	-	-	-
Street Light & Signal System		C370	1,657.2	-	-	-	-	-	-
General Plant		TPTD	8,901.6	988.0	-	-	-	3,820.0	-
Common Plant		LABOR	11,357.1	3,557.0	-	639.4	-	2,073.0	-
Acquisition Adjustment		P30	4,846.8	-	-	-	-	2,537.0	-
Total Accumulated Provision for Depreciation (Inc RWIP)			**233,653.3**	**27,463.4**	**-**	**639.4**	**-**	**98,706.2**	**-**
Add: Construction Work in Progress			-	-	-	-	-	-	-
Net Electric Plant in Service-$			**180,244.2**	**22,604.8**	**-**	**734.8**	**-**	**73,582.7**	**-**
Net Electric Plant in Service-%			**100.00%**	**12.54%**	**0.00%**	**0.41%**	**0.00%**	**40.82%**	**0.00%**
Other Rate Base Items:									
Add: Fuel Stocks			1,263 2	158.4	-	5.1	-	515.7	-
Add: Prepayments-Insurance			426.6	53.5	-	1.7	-	174.2	-
Add: Materials & Supplies			3,486.4	437.2	-	14.2	-	1,423.3	-
Less: Customer Advances			(9.9)	(1.2)	-	(0.0)	-	(4.0)	-
Less: Accumulated Deferred ITCs			(1,691.7)	(212.2)	-	(6 9)	-	(690 6)	-
Less. Accumulated Deferred Income Taxes			(40,122.0)	(5,031.8)	-	(163 6)	-	(16,379.4)	-
Total Other Rate Base Items			**(36,647.4)**	**(4,596.0)**	**-**	**(149.4)**	**-**	**(14,960.9)**	**-**
Total Electric Rate Base - $			**143,596.8**	**18,008.7**	**-**	**585.4**	**-**	**58,621.8**	**-**
Total Electric Rate Base - %			**100.00%**	**12.54%**	**0.00%**	**0.41%**	**0.00%**	**40.82%**	**0.00%**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Revenues									
Operating Revenues									
Sales of Electricity at Current Rates		NDREV	85,768.2	2,549.3	-	31,143.3	-	-	-
Reserves for Refunds									
Net Unbilled Revenue									
Opportunity Sales-Energy	34.75%	E10	-	-	-	-	-	-	-
Opportunity Sales-Demand	65.25%	D10	-	-	-	-	-	-	-
Total Sales Revenues	**26.03%**		**85,768.2**	**2,549.3**	**-**	**31,143.3**	**-**	**-**	**-**
Other Operating Revenues									
Miscellaneous Service Revenues:									
Seasonal Reconnect Fees		CTOT	7.8	6.2	-	-	-	-	-
Reconnect Fees for Non Payment		CTOT	15.4	12.2	-	-	-	-	-
NSF Checks Fee		CTOT	13.4	10.7	-	-	-	-	-
Construction Work (Munis & Other)		NTPLT	39.2	4.9	-	0.2	-	16.0	-
Energy Diversion		E10	0.2	-	-	0.1	-	-	-
Subtotal-Miscellaneous			**76.0**	**34.0**	**-**	**0.2**	**-**	**16.0**	**-**
Rents:									
Buildings			-	-	-	-	-	-	-
General Office Complex		Labor	354.2	110.9	-	19.9	-	64 7	-
Equipment		P60	63.2	27.7	-	-	-	8.7	-
Pole Attachments/Contacts		P65	111.3	35.5	-	-	-	-	-
Street Lights		Direct to Co-Owner	385.4	-	-	-	-	-	-
Yard Lights		Direct to Pvt Lt	150.3	-	-	-	-	-	-
Joint Use Facilities		P50	54.3	-	-	-	-	29.3	-
Other/Miscellaneous		NTPLT	775.5	97.3	-	3.2	-	316.6	-
Subtotal-Total Rents			**1,894.2**	**271.4**	**-**	**23.1**	**-**	**419.2**	**-**
Other Revenue:									
Sale of Sundry Junk Material		P60	3.0	1.3	-	-	-	0.4	-
Sale of Operating/Construction		P60	-	-	-	-	-	-	-
Patronage Dividends		O&ME	2.2	0.5	-	0.1	-	0.6	-
Joint Use Agreements		P50	36.3	-	-	-	-	19.6	-
Miscellaneous		O&ME	95.6	23.7	-	2.4	-	25.1	-
Transfers-Nonfirm		D12	669.0	-	-	-	-	295.0	-
Total Other Revenues			**806.1**	**25.6**	**-**	**2.4**	**-**	**340.7**	**-**
Total Other Operating Revenues			**2,776.3**	**331.0**	**-**	**25.8**	**-**	**775.9**	**-**
Total Operating Revenues			**88,544.5**	**2,880.3**	**-**	**31,169.1**	**-**	**775.9**	**-**

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North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Operating and Maintenance Expenses									
Production Expenses:									
Fuel		E10	13,236.4	-	-	4,913.5	-	-	-
Purchased Power - Energy-Related		E10	4,281.9	-	-	1,589.5	-	-	-
Purchased Power - Capacity-Related		D10	7,448.0	-	-	-	-	3,284.0	-
Other Production - Energy-Related		E10	-	-	-	-	-	-	-
Other Production - Capacity-Related		D10	9,447.9	-	-	-	-	4,165.8	-
Operation Supervision and Engineering		Z30	1,183.8	-	-	196.7	-	288.3	-
Total Production Expenses			**35,598.0**	**-**	**-**	**6,699.7**	**-**	**7,738.0**	**-**
Transmission Expenses:									
Transmission Expenses		D12	5,035.2	-	-	-	-	2,220 1	-
RTO Expenses		D12	-	-	-	-	-	-	-
Total Transmission Expenses			**5,035.2**	**-**	**-**	**-**	**-**	**2,220.1**	**-**
Distribution Expenses:									
Operation Supervision & Engineering		Z60	438.8	224.4	-	-	-	44.5	-
Station Expenses		P61	176.2	-	-	-	-	99.5	-
Overhead Line Expense		P6465	309.4	221.7	-	-	-	13.5	-
UG Line Expense		P6667	404.8	210.2	-	-	-	61.9	-
Street Lighting & Signal Systems		C370	41.9	-	-	-	-	-	-
Meter Expenses		P70	609.4	310.6	-	-	-	-	-
Customer Installations Expense		CTOT	199.2	158.4	-	-	-	-	-
Miscellaneous Expenses		Z60	1,271.4	650.1	-	-	-	129.0	-
Rents		P60	52.9	23.2	-	-	-	7.3	-
Total Distribution Operation Expenses			3,504.1	1,798.6	-	-	-	355.8	-
Maintenance Supervision & Engineering		Z60	257.1	131.5	-	-	-	26.1	-
Maintenance of Station Equipment		P61	113.2	-	-	-	-	63.9	-
Maintenance of OH lines		P6465	1,093.5	783.4	-	-	-	47.8	-
Maintenance of UG lines		P6667	285.2	148.1	-	-	-	43.6	-
Maintenance of Line Transformers		CW368	84.3	26.9	-	-	-	-	-
Maint of Street Lighting & Signals		Direct to Co-Own	86.5	-	-	-	-	-	-
Maintenance of Meters		P70	7.7	3.9	-	-	-	-	-
Maintenance of Miscellaneous Plant		P60	201.3	88.3	-	-	-	27.7	-
Total Distribution Maintenance Expenses			2,128.7	1,182.0	-	-	-	209.1	-
Total Distribution Expenses			**5,632.8**	**2,980.6**	**-**	**-**	**-**	**564.9**	**-**

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North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Admin & General Expenses:									
Customer Accounting Exp		CWAC	2,568.5	2,072.0	-	-	-	-	-
Other Customer Service		CWCS	125.3	103.9	-	-	-	-	-
Subtotal Customer Accounting Expenses			2,693.8	2,175.8	-	-	-	-	-
Sales Expense		CWS	286.9	240.8	-	-	-	-	-
Property Insurance		NTPLT	445.8	55.9	-	1.8	-	182.0	-
PSC Regulatory Exp		NDREV	190.4	5.7	-	69.1	-	-	-
Other Adm & General		LABOR	10,986.7	3,441.0	-	618.6	-	2,005.4	-
Subtotal Administration & General			**14,603.6**	**5,919.1**	**-**	**689.5**	**-**	**2,187.4**	**-**
Total Operation & Maintenance Expenses			**60,869.5**	**8,899.8**	**-**	**7,389.2**	**-**	**12,710.4**	**-**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation		Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
					Customer 10		Energy 10		Demand 10	
					Secondary	Primary	Secondary	Primary	Secondary	Primary
Depreciation Expense										
Depreciation Expense-Booked										
Production Plant - Base	66.7%	DNCP		4,314.1	-	-	-	-	2,435.8	-
Production Plant - Peak	33.3%	D10		2,153.8	-	-	-	-	949 7	-
Transmission Plant - Base	80.0%	DNCP		1,406.4	-	-	-	-	794.1	-
Transmission Plant - Peak	20.0%	D12		351.6	-	-	-	-	155.0	-
Distribution Plant:										
Land		CTOT	$	-	-	-	-	-	-	-
Rights of Way		CTOT	$	3.13	2.5	-	-	-	-	-
Station Equipment		DNCP	$	313.88	-	-	-	-	177.2	-
Poles, Towers, & Fixtures - Base		CTOT	$	404.67	321.8	-	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	$	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	$	249.01	198.0	-	-	-	-	-
Overhead Conductors & Device - Peak		D10	$	83.00	-	-	-	-	36.6	-
Underground Conduit - Base		CTOT	$	2.51	2.0	-	-	-	-	-
Underground Conduit - Peak		D10	$	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	$	319.46	254.0	-	-	-	-	-
Underground Conductors & Devices - Peak		D10	$	172.02	-	-	-	-	75.8	-
Line Transformers - Base		CW368	$	434.55	138.5	-	-	-	-	-
Line Transformers - Peak		DNCP	$	-	-	-	-	-	-	-
Services		CW369	$	799.67	595.1	-	-	-	-	-
Meters		CW370	$	158.12	80.6	-	-	-	-	-
Installation on Customer Premise		CRES	$	42.63	42.6	-	-	-	-	-
Street Light & Signal System		C370	$	78.94	-	-	-	-	-	-
General Plant		TPTD		212.9	23.6	-	-	-	91.4	-
Common Plant-Electric		LABOR		560.5	175.5	-	31.6	-	102.3	-
Amortization of Intangible -General		TPTD		252.2	28.0	-	-	-	108.2	-
Amortization of Intangible -Common		LABOR		743.2	232.8	-	41.8	-	135.7	-
Amortization of Acquisition Adjustment		P30		246.4	-	-	-	-	129.0	-
Total Book Depreciation				**13,302.7**	**2,095.1**	**-**	**73.4**	**-**	**5,190.8**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Taxes Other Than Income Taxes									
Taxes Other Than Income Taxes									
Payroll Related		LABOR	1,212.3	379.7	-	68.3	-	221.3	-
Gross Revenue Taxes:									
Montana PAC		NDREV	-	-	-	-	-	-	-
Montana Cons Council		NDREV	-	-	-	-	-	-	-
South Dakota		NDREV	-	-	-	-	-	-	-
Wyoming		NDREV	-	-	-	-	-	-	-
Total Gross Revenue Taxes			-	-	-	-	-	-	-
Electric Production Related Taxes:									
Montana Electric Tax		E10	110.4	-	-	41.0	-	-	-
ND Coal Conversion		E10	644.1	-	-	239.1	-	-	-
Total Electric Related Taxes			**754.5**	**-**	**-**	**280.1**	**-**	**-**	**-**
Property Taxes:									
Production		NP30	798.9	-	-	-	-	418.2	-
Transmission		NP50	533.7	-	-	-	-	288.1	-
Distribution		NP60	880 4	356.4	-	-	-	136.3	-
General		TPTD	74.2	8.2	-	-	-	31.8	-
Common		LABOR	182.8	57.3	-	10.3	-	33.4	-
Intangible		TPTD	83.7	9.3	-	-	-	35.9	-
Total Property Taxes			**2,553.7**	**431.2**	**-**	**10.3**	**-**	**943.7**	**-**
Franchise Taxes:									
By State		O&ME	-	-	-	-	-	-	-
Common-Delaware		BASE	58.3	7.3	-	0.2	-	23.8	-
Total Franchise Taxes			**58.3**	**7.3**	**-**	**0.2**	**-**	**23.8**	**-**
Other Taxes:									
Highway Use Tax		O&ME	0.8	0.2	-	0.0	-	0.2	-
Sect of State Filing Fee		NDREV	0.6	0 0	-	0 2	-	-	-
Total Other Taxes			**1.4**	**0.2**	**-**	**0.2**	**-**	**0.2**	**-**
Total Taxes Other Than Income Taxes			**4,580.2**	**818.4**	**-**	**359.1**	**-**	**1,189.0**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Income Tax Expense									
Summary Of Income Taxes									
Total Operating Revenues		From Above	88,544.5	2,880.3	-	31,169.1	-	775.9	-
Operation & Maintenance Expenses		From Above	60,869.5	8,899.8	-	7,389.2	-	12,710 4	-
Depreciation Expense		From Above	13,302.7	2,095.1	-	73.4	-	5,190.8	-
Other Taxes		From Above	4,580.2	818.4	-	359.1	-	1,189.0	-
Interest - Long Term (Book Method)		BASE	5,790.9	726.2	-	23.6	-	2,364.1	-
Net Operating Income-Pretax			**4,001.3**	**(9,659.2)**	**-**	**23,323.8**	**-**	**(20,678.4)**	**-**
Deductions and Adjustments:									
Net M-1 Adjustments		From Below	1,971.2	853.6	-	(2.5)	-	348.9	-
Preferred Dividend Paid Deduction		From Below	-	-	-	-	-	-	-
Total Deductions & Adjustments			**1,971.2**	**853.6**	**-**	**(2.5)**	**-**	**348.9**	**-**
Taxable Income Before State Income Taxes			**5,972.5**	**(8,805.7)**	**-**	**23,321.3**	**-**	**(20,329.5)**	**-**
Federal Income Tax:									
Net Operating Income		From Above	5,972.5	(8,805.7)	-	23,321.3	-	(20,329.5)	-
Other Additions & Deductions-State Income Taxes		-From Below	(423.4)	624.3	-	(1,653.5)	-	1,441.4	-
Federal Taxable Income			**5,549.0**	**(8,181.4)**	**-**	**21,667.8**	**-**	**(18,888.1)**	**-**
Federal Tax @ 35%		35.00%	1,942.2	(2,863.5)	-	7,583.7	-	(6,610.8)	-
Less: Credits & Adjustments		BASE	-	-	-	-	-	-	-
Total Federal Income Taxes			**1,942.2**	**(2,863.5)**	**-**	**7,583.7**	**-**	**(6,610.8)**	**-**
State Income Taxes:									
Taxable Income Before State Income Taxes		From Above	5,972.5	(8,805.7)	-	23,321.3	-	(20,329.5)	-
Additions & Deductions			-	-	-	-	-	-	-
State Taxable Income			**5,972.5**	**(8,805.7)**	**-**	**23,321.3**	**-**	**(20,329.5)**	**-**
State Income Tax Rates		7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%
Total State Income Taxes			**423.4**	**(624.3)**	**-**	**1,653.5**	**-**	**(1,441.4)**	**-**
Total Income Taxes:									
Federal Income Taxes		From Above	1,942.2	(2,863.5)	-	7,583.7	-	(6,610.8)	-
State Income Taxes		From Above	423.4	(624.3)	-	1,653.5	-	(1,441.4)	-
Total Federal & State Income Taxes			**2,365.6**	**(3,487.8)**	**-**	**9,237.2**	**-**	**(8,052.2)**	**-**

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North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Income Tax - Deductions and Adjustments									
Income Tax - Deductions & Adjustments									
Additions:									
Regulatory, NonCurrent:			-	-	-	-	-	-	-
Pension Expense		LABOR	(429.2)	(134.4)	-	(24.2)	-	(78.3)	-
VEBA		LABOR	281.4	88.1	-	15.8	-	51.4	-
Regulatory, Permanent		LABOR	66.9	21.0	-	3.8	-	12.2	-
Book Depreciation-Adjusted		DEP	13,302.7	7,039.3	-	-	-	1,334.0	-
Amortization - Debt Expense		BASE	510.9	64.1	-	2.1	-	208.6	-
Amortization Debt Loss/Discount		BASE	1.8	0.2	-	0.0	-	0.7	-
Total Additions			**13,734.5**	**7,078.2**	**-**	**(2.5)**	**-**	**1,528.5**	**-**
Deductions:									
Tax Depreciation		DEP	11,763.3	6,224.7	-	-	-	1,179.6	-
Total Net M-1 Adjustments			**1,971.2**	**853.6**	**-**	**(2.5)**	**-**	**348.9**	**-**
Total Cost of Service			**98,706.8**	**11,535.9**	**-**	**7,903.3**	**-**	**21,535.5**	**-**
Total Cost of Service Excluding Other Revenue			**95,930.5**	**11,204.9**	**-**	**7,877.5**	**-**	**20,759.5**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Cost of Service Allocation Summary									
Operating Revenues									
Total Sales Revenues at Current Rates			85,768.2	1,528.0	2.0	14,679.9	27.0	1,804.1	3.9
Opportunity Sales Revenues			-	-	-	-	-	-	-
Other Operating Revenues			2,776.3	170.5	0.2	12.3	0.0	375.2	0.5
Total Operating Revenues			**88,544.5**	**1,698.5**	**2.2**	**14,692.1**	**27.0**	**2,179.3**	**4.4**
Operating Expenses									
Cost of Fuel and Purchased Power			24,966.3	-	-	3,099.2	6.8	1,886.3	2.3
Operation & Maintenance Expenses			35,903.2	2,553.1	8.0	422 0	0.9	5,261.8	6.6
Total Operation & Maintenance Expenses			60,869.5	2,553 1	8.0	3,521.2	7.7	7,148.1	8.9
Depreciation Expense			13,302.7	774.0	1.1	35.0	0.1	2,112.7	3.0
Taxes Other Than Income Taxes			4,580.2	329.9	0.7	171.1	0.4	509.0	0.7
Total Operating Expenses			**78,752.3**	**3,657.0**	**9.9**	**3,727.3**	**8.2**	**9,769.8**	**12.6**
Utility Operating Income Before Taxes			9,792.1	(1,958.5)	(7.7)	10,964.8	18.8	(7,590.5)	(8.2)
Less: Income Taxes:									
Federal			1,942.2	(653.6)	(2.3)	3,561.5	6.1	(2,730.6)	(3.1)
State			423.4	(142.5)	(0.5)	776.5	1.3	(595.3)	(0.7)
Less: Adjustments			-	-	-	-	-	-	-
Deferred Income Taxes		DEP	(1,050.0)	(186.9)	(0.7)	-	-	(47.0)	(0.1)
Investment Tax Credit-Net			-	-	-	-	-	-	-
Total Income Taxes			1,315.6	(983.0)	(3.6)	4,338.1	7.4	(3,372.9)	(3.8)
Operating Income After Tax			**8,476.5**	**(975.5)**	**(4.1)**	**6,626.7**	**11.4**	**(4,217.6)**	**(4.4)**
Rate Base			**143,596.8**	**8,645.9**	**15.6**	**279.0**	**0.6**	**23,594.7**	**33.7**
Return Before Adjustments									
Earned Rate of Return - %			5.90%	-150.37%	-43.62%	12817.48%	2861.73%	-113.44%	-19.79%
Required Rate of Return - %			10.18%	71.24%	61.06%	71.24%	61 06%	71.24%	61 06%
Return at Required Rate of Return			14,613.7	879.9	1.6	28.4	0.1	2,401.2	3.4
Income Deficiency			6,137.2	1,855.4	5.7	(6,598.3)	(11.3)	6,618.8	7.9
Revenue Deficiency - Multiplier			1.6559	11.5910	9.9352	11.5910	9.9352	11.5910	9.9352
Revenue Deficiency (Sufficiency)-$			**10,162.3**	**3,072.2**	**9.4**	**(10,925.9)**	**(18.7)**	**10,959.8**	**13.0**
Deficiency (Sufficiency) - Reallocated -$	(7,670.5)		**(0.0)**	**8.7**	**-**	**-**	**-**	**10.3**	**-**
Percent Increase Required			**11.85%**	**202%**	**474%**	**-74%**	**-69%**	**608%**	**335%**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Rate Base									
Electric Plant in Service									
Production Plant - Base	**66.7%**	DNCP	133,659.9	-	-	-	-	25,511.5	39.7
Production Plant - Peak	33.3%	D10	66,729.8	-	-	-	-	16,900.4	20.9
Transmission Plant - Base	**80.0%**	DNCP	60,002.8	-	-	-	-	11,452.7	17.8
Transmission Plant - Peak	20 0%	D12	15,000.7	-	-	-	-	3,799.2	4.7
Distribution Plant:				-	-	-	-	-	-
Land		CTOT	359.1	52.2	0.1	-	-	-	-
Rights of Way		CTOT	136.9	19.9	0.0	-	-	-	-
Station Equipment		DNCP	16,208.0	-	-	-	-	3,093.6	4.8
Poles, Towers, & Fixtures - Base		CTOT	11,713.6	1,701.5	2.5	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	5,771.8	838.4	1.3	-	-	-	-
Overhead Conductors & Device - Peak		D10	1,923.9	-	-	-	-	487.3	0.6
Underground Conduit - Base		CTOT	159.9	23.2	0.0	-	-	-	-
Underground Conduit - Peak		D10	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	11,865.1	1,723.5	2.6	-	-	-	-
Underground Conductors & Devices - Peak		D10	6,388.9	-	-	-	-	1,618.1	2.0
Line Transformers - Base		CW368	19,336.0	10,698.6	-	-	-	-	-
Line Transformers - Peak		DNCP	-	-	-	-	-	-	-
Services		CW369	9,131.2	2,052.4	-	-	-	-	-
Meters		CW370	6,453.4	2,465 6	20.9	-	-	-	-
Installation on Customer Premise		CRES	808.1	-	-	-	-	-	-
Street Light & Signal System		C370	2,990.4	99.2	-	-	-	-	-
General Plant		TPTD	13,568.1	724.1	1.0	-	-	2,313.7	3.3
Common Plant		LABOR	24,408.7	2,318.1	7.3	654.9	1.4	2,440.7	3.1
Electric Acquisition Adjustment		P30	7,281.4	-	-	-	-	1,541.1	2.2
Total Electric Plant in Service		**EPIS**	**413,897.5**	**22,716.6**	**35.8**	**654.9**	**1.4**	**69,158.2**	**99.0**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Accumulated Provision for Depreciation (Inc RWIP)									
Production Plant - Base	66.7%	DNCP	77,458.4	-	-	-	-	14,784.4	23.0
Production Plant - Peak	33.3%	D10	38,671.1	-	-	-	-	9,794.1	12.1
Transmission Plant - Base	80.0%	DNCP	34,907.7	-	-	-	-	6,662.8	10.4
Transmission Plant - Peak	20.0%	D12	8,726.9	-	-	-	-	2,210.2	2.7
Distribution Plant:				-	-	-	-	-	-
Land		CTOT	-	-	-	-	-	-	-
Rights of Way		CTOT	84.6	-12.3	0.0	-	-	-	-
Station Equipment		DNCP	7,470.3	-	-	-	-	1,425.9	2.2
Poles, Towers, & Fixtures - Base		CTOT	5,310.3	771.3	1.2	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	3,659.5	531.6	0.8	-	-	-	-
Overhead Conductors & Device - Peak		D10	1,219.8	-	-	-	-	308.9	0.4
Underground Conduit - Base		CTOT	33.9	4.9	0.0	-	-	-	-
Underground Conduit - Peak		D10	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	4,958.6	720.3	1.1	-	-	-	-
Underground Conductors & Devices - Peak		D10	2,670.0	-	-	-	-	676.2	0.8
Line Transformers - Base		CW368	9,049.4	5,007.0	-	-	-	-	-
Line Transformers - Peak		DNCP	-	-	-	-	-	-	-
Services		CW369	9,514.0	2,138.5	-	-	-	-	-
Meters		CW370	2,799.8	1,069.7	9.1	-	-	-	-
Installation on Customer Premise		CRES	356.4	-	-	-	-	-	-
Street Light & Signal System		C370	1,657.2	55.0	-	-	-	-	-
General Plant		TPTD	8,901.6	475.1	0.7	-	-	1,517.9	2.2
Common Plant		LABOR	11,357.1	1,078.6	3.4	304.7	0.7	1,135.6	1.4
Acquisition Adjustment		P30	4,846.8	-	-	-	-	1,025.8	1.5
Total Accumulated Provision for Depreciation (Inc RWIP)			**233,653.3**	**11,864.2**	**16.2**	**304.7**	**0.7**	**39,541.9**	**56.7**
Add: Construction Work in Progress			-	-	-	-	-	-	-
Net Electric Plant in Service-$			**180,244.2**	**10,852.4**	**19.6**	**350.2**	**0.8**	**29,616.3**	**42.4**
Net Electric Plant in Service-%			**100.00%**	**6.02%**	**0.01%**	**0.19%**	**0.00%**	**16.43%**	**0.02%**
Other Rate Base Items:									
Add: Fuel Stocks			1,263.2	76.1	0.1	2.5	0.0	207.6	0.3
Add: Prepayments-Insurance			426.6	25.7	0.0	0.8	0.0	70.1	0.1
Add: Materials & Supplies			3,486.4	209.9	0.4	6.8	0.0	572.9	0.8
Less: Customer Advances			(9.9)	(0.6)	(0.0)	(0.0)	(0.0)	(1.6)	(0.0)
Less: Accumulated Deferred ITCs			(1,691.7)	(101.9)	(0.2)	(3.3)	(0.0)	(278.0)	(0.4)
Less: Accumulated Deferred Income Taxes			(40,122.0)	(2,415.7)	(4.4)	(78.0)	(0.2)	(6,592.5)	(9.4)
Total Other Rate Base Items			**(36,647.4)**	**(2,206.5)**	**(4.0)**	**(71.2)**	**(0.2)**	**(6,021.6)**	**(8.6)**
Total Electric Rate Base - $			**143,596.8**	**8,645.9**	**15.6**	**279.0**	**0.6**	**23,594.7**	**33.7**
Total Electric Rate Base - %			**100.00%**	**6.02%**	**0.01%**	**0.19%**	**0.00%**	**16.43%**	**0.02%**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Revenues									
Operating Revenues				-	-	-	-	-	-
Sales of Electricity at Current Rates		NDREV	85,768.2	1,528.0	2.0	14,679.9	27.0	1,804.1	3.9
Reserves for Refunds									
Net Unbilled Revenue									
Opportunity Sales-Energy	34.75%	E10	-	-	-	-	-	-	-
Opportunity Sales-Demand	65.25%	D10	-	-	-	-	-	-	-
Total Sales Revenues	**26.03%**		**85,768.2**	**1,528.0**	**2.0**	**14,679.9**	**27.0**	**1,804.1**	**3.9**
Other Operating Revenues									
Miscellaneous Service Revenues:									
Seasonal Reconnect Fees		CTOT	7.8	1.1	0.0	-	-	-	-
Reconnect Fees for Non Payment		CTOT	15.4	2.2	0.0	-	-	-	-
NSF Checks Fee		CTOT	13.4	1.9	0.0	-	-	-	-
Construction Work (Munis & Other)		NTPLT	39.2	2.4	0.0	0.1	0 0	6.4	0.0
Energy Diversion		E10	0.2	-	-	0.0	0.0	-	-
Subtotal-Miscellaneous			**76.0**	**7.7**	**0.0**	**0.1**	**0.0**	**6.4**	**0.0**
Rents:									
Buildings			-	-	-	-	-	-	-
General Office Complex		Labor	354.2	33.6	0.1	9.5	0.0	35.4	0.0
Equipment		P60	63.2	13.3	0.0	-	-	3.5	0.0
Pole Attachments/Contacts		P65	111.3	61.6	-	-	-	-	-
Street Lights		Direct to Co-Owner	385.4	-	-	-	-	-	-
Yard Lights		Direct to Pvt Lt	150.3	-	-	-	-	-	-
Joint Use Facilities		P50	54.3	-	-	-	-	11.0	0.0
Other/Miscellaneous		NTPLT	775.5	46.7	0.1	1.5	0.0	127.4	0.2
Subtotal-Total Rents			**1,894.2**	**155.2**	**0.2**	**11.0**	**0.0**	**177.4**	**0.2**
Other Revenue:									
Sale of Sundry Junk Material		P60	3.0	0.6	0.0	-	-	0.2	0.0
Sale of Operating/Construction		P60	-	-	-	-	-	-	-
Patronage Dividends		O&ME	2.2	0.2	0.0	0.0	0.0	0.3	0.0
Joint Use Agreements		P50	36.3	-	-	-	-	7.4	0.0
Miscellaneous		O&ME	95.6	6.8	0.0	1.1	0.0	14.0	0.0
Transfers-Nonfirm		D12	669.0	-	-	-	-	169.4	0.2
Total Other Revenues			**806.1**	**7.6**	**0.0**	**1.1**	**0.0**	**191.3**	**0.2**
Total Other Operating Revenues			**2,776.3**	**170.5**	**0.2**	**12.3**	**0.0**	**375.2**	**0.5**
Total Operating Revenues			**88,544.5**	**1,698.5**	**2.2**	**14,692.1**	**27.0**	**2,179.3**	**4.4**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Operating and Maintenance Expenses									
Production Expenses:									
Fuel		E10	13,236.4	-	-	2,341.7	5.1	-	-
Purchased Power - Energy-Related		E10	4,281.9	-	-	757.5	1.7	-	-
Purchased Power - Capacity-Related		D10	7,448.0	-	-	-	-	1,886.3	2.3
Other Production - Energy-Related		E10	-	-	-	-	-	-	-
Other Production - Capacity-Related		D10	9,447.9	-	-	-	-	2,392.8	3.0
Operation Supervision and Engineering		Z30	1,183.8	-	-	93.8	0.2	165.6	0.2
Total Production Expenses			**35,598.0**	**-**	**-**	**3,193.0**	**7.0**	**4,444.7**	**5.5**
Transmission Expenses:									
Transmission Expenses		D12	5,035.2	-	-	-	-	1,275.2	1.6
RTO Expenses		D12	-	-	-	-	-	-	-
Total Transmission Expenses			**5,035.2**	**-**	**-**	**-**	**-**	**1,275.2**	**1.6**
Distribution Expenses:									
Operation Supervision & Engineering		Z60	438.8	86.4	0 3	-	-	19.4	0.0
Station Expenses		P61	176.2	-	-	-	-	33.6	0.1
Overhead Line Expense		P6465	309.4	40.5	0.1	-	-	7.8	0.0
UG Line Expense		P6667	404.8	38.4	0.1	-	-	35.6	0.0
Street Lighting & Signal Systems		C370	41.9	1.4	-	-	-	-	-
Meter Expenses		P70	609.4	232.8	2.0	-	-	-	-
Customer Installations Expense		CTOT	199.2	28.9	0.0	-	-	-	-
Miscellaneous Expenses		Z60	1,271.4	250.4	0.9	-	-	56.2	0.1
Rents		P60	52.9	11.2	0.0	-	-	3.0	0.0
Total Distribution Operation Expenses			3,504.1	690.0	3.4	-	-	155.6	0.2
				-	-	-	-	-	-
Maintenance Supervision & Engineering		Z60	257.1	50.6	0.2	-	-	11.4	0.0
Maintenance of Station Equipment		P61	113.2	-	-	-	-	21.6	0.0
Maintenance of OH lines		P6465	1,093.5	143.1	0.2	-	-	27.5	0.0
Maintenance of UG lines		P6667	285 2	27.1	0.0	-	-	25.1	0.0
Maintenance of Line Transformers		CW368	84.3	46.6	-	-	-	-	-
Maint of Street Lighting & Signals		Direct to Co-Own	86.5	-	-	-	-	-	-
Maintenance of Meters		P70	7.7	2.9	0.0	-	-	-	-
Maintenance of Miscellaneous Plant		P60	201.3	42.5	0.1	-	-	11.2	0.0
Total Distribution Maintenance Expenses			2,128.7	312.8	0.5	-	-	96.7	0.1
Total Distribution Expenses			**5,632.8**	**1,002.8**	**4.0**	**-**	**-**	**252.3**	**0.3**

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North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Admin & General Expenses:									
Customer Accounting Exp		CWAC	2,568.5	417.2	0.7	-	-	-	-
Other Customer Service		CWCS	125.3	19.0	0.0	-	-	-	-
Subtotal Customer Accounting Expenses			2,693.8	436.2	0.7	-	-	-	-
Sales Expense		CWS	286.9	40.4	0.0	-	-	-	-
Property Insurance		NTPLT	445.8	26.8	0.0	0.9	0.0	73.3	0.1
PSC Regulatory Exp		NDREV	190.4	3.4	0.0	32.6	0.1	4.0	0.0
Other Adm & General		LABOR	10,986.7	1,043.4	3.3	294.8	0.6	1,098.6	1.4
Subtotal Administration & General			**14,603.6**	**1,550.3**	**4.1**	**328.3**	**0.7**	**1,175.8**	**1.5**
Total Operation & Maintenance Expenses			**60,869.5**	**2,553.1**	**8.0**	**3,521.2**	**7.7**	**7,148.1**	**8.9**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation		Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
					Customer 20		Energy 20		Demand 20	
					Secondary	Primary	Secondary	Primary	Secondary	Primary
Depreciation Expense										
Depreciation Expense-Booked										
Production Plant - Base	66.7%	DNCP		4,314.1	-	-	-	-	823.4	1.3
Production Plant - Peak	33 3%	D10		2,153.8	-	-	-	-	545.5	0.7
Transmission Plant - Base	80 0%	DNCP		1,406.4	-	-	-	-	268.4	0.4
Transmission Plant - Peak	20.0%	D12		351.6	-	-	-	-	89.0	0.1
Distribution Plant:										
Land		CTOT	$	-	-	-	-	-	-	-
Rights of Way		CTOT	$	3.13	0.5	0.0	-	-	-	-
Station Equipment		DNCP	$	313.88	-	-	-	-	59 9	0.1
Poles, Towers, & Fixtures - Base		CTOT	$	404.67	58.8	0.1	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	$	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	$	249.01	36.2	0.1	-	-	-	-
Overhead Conductors & Device - Peak		D10	$	83.00	-	-	-	-	21.0	0.0
Underground Conduit - Base		CTOT	$	2.51	0.4	0.0	-	-	-	-
Underground Conduit - Peak		D10	$	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	$	319.46	46.4	0 1	-	-	-	-
Underground Conductors & Devices - Peak		D10	$	172.02	-	-	-	-	43.6	0.1
Line Transformers - Base		CW368	$	434.55	240.4	-	-	-	-	-
Line Transformers - Peak		DNCP	$	-	-	-	-	-	-	-
Services		CW369	$	799.67	179.7	-	-	-	-	-
Meters		CW370	$	158.12	60.4	0.5	-	-	-	-
Installation on Customer Premise		CRES	$	42.63	-	-	-	-	-	-
Street Light & Signal System		C370	$	78.94	2.6	-	-	-	-	-
General Plant		TPTD		212.9	11.4	0.0	-	-	36.3	0.1
Common Plant-Electric		LABOR		560.5	53.2	0.2	15.0	0.0	56.0	0.1
Amortization of Intangible -General		TPTD		252.2	13.5	0.0	-	-	43.0	0.1
Amortization of Intangible -Common		LABOR		743.2	70.6	0.2	19.9	0.0	74.3	0.1
Amortization of Acquisition Adjustment		P30		246.4	-	-	-	-	52.1	0.1
Total Book Depreciation				**13,302.7**	**774.0**	**1.1**	**35.0**	**0.1**	**2,112.7**	**3.0**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Taxes Other Than Income Taxes									
Taxes Other Than Income Taxes									
Payroll Related		LABOR	1,212.3	115.1	0.4	32.5	0.1	121.2	0.2
Gross Revenue Taxes:									
Montana PAC		NDREV	-	-	-	-	-	-	-
Montana Cons Council		NDREV	-	-	-	-	-	-	-
South Dakota		NDREV	-	-	-	-	-	-	-
Wyoming		NDREV	-	-	-	-	-	-	-
Total Gross Revenue Taxes			**-**	-	-	-	-	-	-
Electric Production Related Taxes:									
Montana Electric Tax		E10	110.4	-	-	19.5	0.0	-	-
ND Coal Conversion		E10	644.1	-	-	113.9	0.3	-	-
Total Electric Related Taxes			**754.5**	**-**	**-**	**133.5**	**0.3**	**-**	**-**
Property Taxes:									
Production		NP30	798.9	-	-	-	-	169.1	0.2
Transmission		NP50	533.7	-	-	-	-	108.5	0.2
Distribution		NP60	880.4	185.4	0.3	-	-	55 2	0.1
General		TPTD	74.2	4.0	0.0	-	-	12.7	0.0
Common		LABOR	182.8	17.4	0.1	4.9	0.0	18.3	0.0
Intangible		TPTD	83.7	4.5	0.0	-	-	14.3	0.0
Total Property Taxes			**2,553.7**	**211.2**	**0.4**	**4.9**	**0.0**	**378.0**	**0.5**
Franchise Taxes:									
By State		O&ME	-	-	-	-	-	-	-
Common-Delaware		BASE	58.3	3.5	0.0	0.1	0.0	9.6	0.0
Total Franchise Taxes			**58.3**	**3.5**	**0.0**	**0.1**	**0.0**	**9.6**	**0.0**
Other Taxes:									
Highway Use Tax		O&ME	0.8	0.1	0.0	0.0	0.0	0.1	0.0
Sect of State Filing Fee		NDREV	0.6	0.0	0.0	0.1	0.0	0.0	0.0
Total Other Taxes			**1.4**	**0.1**	**0.0**	**0.1**	**0.0**	**0.1**	**0.0**
Total Taxes Other Than Income Taxes			**4,580.2**	**329.9**	**0.7**	**171.1**	**0.4**	**509.0**	**0.7**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Income Tax Expense									
Summary Of Income Taxes									
Total Operating Revenues		From Above	88,544.5	1,698.5	2.2	14,692.1	27.0	2,179.3	4.4
Operation & Maintenance Expenses		From Above	60,869.5	2,553.1	8.0	3,521.2	7.7	7,148.1	8.9
Depreciation Expense		From Above	13,302.7	774.0	1.1	35.0	0.1	2,112.7	3.0
Other Taxes		From Above	4,580.2	329.9	0.7	171.1	0.4	509.0	0.7
Interest - Long Term (Book Method)		BASE	5,790.9	348.7	0.6	11.3	0.0	951.5	1.4
Net Operating Income-Pretax			**4,001.3**	**(2,307.2)**	**(8.3)**	**10,953.6**	**18.8**	**(8,542.0)**	**(9.6)**
Deductions and Adjustments:									
Net M-1 Adjustments		From Below	1,971.2	297.3	1.1	(1.2)	(0.0)	145.1	0.2
Preferred Dividend Paid Deduction		From Below	-	-	-	-	-	-	-
Total Deductions & Adjustments			**1,971.2**	**297.3**	**1.1**	**(1.2)**	**(0.0)**	**145.1**	**0.2**
Taxable Income Before State Income Taxes			**5,972.5**	**(2,009.9)**	**(7.2)**	**10,952.4**	**18.8**	**(8,396.9)**	**(9.4)**
Federal Income Tax:									
Net Operating Income		From Above	5,972.5	(2,009.9)	(7.2)	10,952.4	18.8	(8,396.9)	(9.4)
Other Additions & Deductions-State Income Taxes		-From Below	(423.4)	142.5	0.5	(776.5)	(1.3)	595.3	0.7
Federal Taxable Income			**5,549.0**	**(1,867.4)**	**(6.7)**	**10,175.9**	**17.4**	**(7,801.6)**	**(8.7)**
Federal Tax @ 35%		35.00%	1,942.2	(653.6)	(2.3)	3,561.5	6.1	(2,730.6)	(3.1)
Less: Credits & Adjustments		BASE	-	-	-	-	-	-	-
Total Federal Income Taxes			**1,942.2**	**(653.6)**	**(2.3)**	**3,561.5**	**6.1**	**(2,730.6)**	**(3.1)**
State Income Taxes:									
Taxable Income Before State Income Taxes		From Above	5,972.5	(2,009.9)	(7.2)	10,952.4	18.8	(8,396.9)	(9.4)
Additions & Deductions			-	-	-	-	-	-	-
State Taxable Income			**5,972.5**	**(2,009.9)**	**(7.2)**	**10,952.4**	**18.8**	**(8,396.9)**	**(9.4)**
State Income Tax Rates		7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%
Total State Income Taxes			**423.4**	**(142.5)**	**(0.5)**	**776.5**	**1.3**	**(595.3)**	**(0.7)**
Total Income Taxes:									
Federal Income Taxes		From Above	1,942.2	(653.6)	(2.3)	3,561.5	6.1	(2,730.6)	(3.1)
State Income Taxes		From Above	423.4	(142.5)	(0.5)	776.5	1.3	(595.3)	(0.7)
Total Federal & State Income Taxes			**2,365.6**	**(796.1)**	**(2.9)**	**4,338.1**	**7.4**	**(3,325.9)**	**(3.7)**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Income Tax - Deductions and Adjustments									
Income Tax - Deductions & Adjustments									
Additions:									
Regulatory, NonCurrent:									
Pension Expense		LABOR	(429.2)	(40.8)	(0.1)	(11.5)	(0.0)	(42.9)	(0.1)
VEBA		LABOR	281.4	26.7	0.1	7.6	0.0	28.1	0.0
Regulatory, Permanent		LABOR	66.9	6.4	0.0	1.8	0.0	6.7	0.0
Book Depreciation-Adjusted		DEP	13,302.7	2,368.4	9.3	-	-	595.8	0.8
Amortization - Debt Expense		BASE	510.9	30.8	0.1	1.0	0.0	83.9	0.1
Amortization Debt Loss/Discount		BASE	1.8	0.1	0.0	0.0	0.0	0.3	0.0
Total Additions			**13,734.5**	**2,391.6**	**9.4**	**(1.2)**	**(0.0)**	**672.0**	**0.9**
Deductions:									
Tax Depreciation		DEP	11,763.3	2,094.3	8.3	-	-	526.9	0.7
Total Net M-1 Adjustments			**1,971.2**	**297.3**	**1.1**	**(1.2)**	**(0.0)**	**145.1**	**0.2**
Total Cost of Service			**98,706.8**	**4,779.5**	**11.7**	**3,766.2**	**8.3**	**13,149.4**	**17.4**
Total Cost of Service Excluding Other Revenue			**95,930.5**	**4,609.0**	**11.4**	**3,753.9**	**8.2**	**12,774.3**	**16.9**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Cost of Service Allocation Summary									
Operating Revenues									
Total Sales Revenues at Current Rates			85,768.2	132.3	9.8	17,612 3	5,442.1	6,611.9	1,581.3
Opportunity Sales Revenues			-	-	-	-	-	-	-
Other Operating Revenues			2,776.3	23.0	1.4	21.6	7.3	335.5	83.8
Total Operating Revenues			**88,544.5**	**155.3**	**11.2**	**17,633.9**	**5,449.5**	**6,947.4**	**1,665.1**
Operating Expenses									
Cost of Fuel and Purchased Power			24,966.3	-	-	5,455.4	1,849.5	1,699.0	417.3
Operation & Maintenance Expenses			35,903.2	284.5	45.8	724.6	244.5	4,744.9	1,168.6
Total Operation & Maintenance Expenses			60,869.5	284.5	45.8	6,180.0	2,094 0	6,444.0	1,585.9
Depreciation Expense			13,302.7	97.5	6.5	61.6	20.9	1,872.3	477.7
Taxes Other Than Income Taxes			4,580.2	42.1	4.3	301.2	102.1	452.3	114.7
Total Operating Expenses			**78,752.3**	**424.1**	**56.6**	**6,542.7**	**2,217.0**	**8,768.6**	**2,178.3**
Utility Operating Income Before Taxes			9,792.1	(268.8)	(45.4)	11,091.2	3,232.5	(1,821.3)	(513.2)
Less: Income Taxes:									
Federal			1,942.2	(90.3)	(13.7)	3,599.6	1,048.7	(824.4)	(226.2)
State			423 4	(19.7)	(3.0)	784.8	228.7	(179.7)	(49.3)
Less: Adjustments			-	-	-	-	-	-	-
Deferred Income Taxes		DEP	(1,050.0)	(23.5)	(4.7)	-	-	(41.9)	(10.6)
Investment Tax Credit-Net			-	-	-	-	-	-	-
Total Income Taxes			1,315.6	(133.5)	(21.3)	4,384.4	1,277.4	(1,046.1)	(286.1)
Operating Income After Tax			**8,476.5**	**(135.3)**	**(24.1)**	**6,706.8**	**1,955.1**	**(775.2)**	**(227.0)**
Rate Base			**143,596.8**	**1,154.7**	**91.8**	**491.1**	**166.5**	**20,896.7**	**5,339.7**
Return Before Adjustments									
Earned Rate of Return - %			5.90%	-30.06%	-15.16%	3874.01%	1866.92%	-17.03%	0.36%
Required Rate of Return - %			10.18%	40.71%	40.71%	40.71%	40.71%	40.71%	40.71%
Return at Required Rate of Return			14,613.7	117.5	9.3	50.0	16.9	2,126.6	543.4
Income Deficiency			6,137.2	252.8	33.4	(6,656.8)	(1,938.1)	2,901.9	770.4
Revenue Deficiency - Multiplier			1.6559	6.6234	6.6234	6.6234	6.6234	6.6234	6.6234
Revenue Deficiency (Sufficiency)-$			**10,162.3**	**418.6**	**55.3**	**(11,022.7)**	**(3,209.3)**	**4,805.1**	**1,275.8**
Deficiency (Sufficiency) - Reallocated -$	(7,670.5)		**(0.0)**	**(413.8)**	**(55.3)**	**11,759.0**	**3,435.6**	**(4,778.2)**	**(1,275.8)**
Percent Increase Required			**11.85%**	**4% NA**		**4%**	**4%**	**0% NA**	

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Rate Base									
Electric Plant in Service									
Production Plant - Base	**66.7%**	DNCP	133,659.9	-	-	-	-	22,349.6	5,856.1
Production Plant - Peak	33.3%	D10	66,729 8	-	-	-	-	15,222.5	3,738.9
Transmission Plant - Base	**80.0%**	DNCP	60,002.8	-	-	-	-	10,033.2	2,628.9
Transmission Plant - Peak	20.0%	D12	15,000.7	-	-	-	-	3,422.0	840.5
Distribution Plant:				-	-	-	-	-	-
Land		CTOT	359.1	3.5	0.1	-	-	-	-
Rights of Way		CTOT	136.9	1.3	0.0	-	-	-	-
Station Equipment		DNCP	16,208.0	-	-	-	-	2,710 2	710.1
Poles, Towers, & Fixtures - Base		CTOT	11,713.6	113.8	3.4	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	5,771.8	56.1	1.7	-	-	-	-
Overhead Conductors & Device - Peak		D10	1,923.9	-	-	-	-	438.9	107.8
Underground Conduit - Base		CTOT	159.9	1.6	0.0	-	-	-	-
Underground Conduit - Peak		D10	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	11,865.1	115.3	3.5	-	-	-	-
Underground Conductors & Devices - Peak		D10	6,388 9	-	-	-	-	1,457.4	358.0
Line Transformers - Base		CW368	19,336.0	1,655.8	-	-	-	-	-
Line Transformers - Peak		DNCP	-	-	-	-	-	-	-
Services		CW369	9,131.2	256.6	-	-	-	-	-
Meters		CW370	6,453.4	437.6	151.6	-	-	-	-
Installation on Customer Premise		CRES	808 1	-	-	-	-	-	-
Street Light & Signal System		C370	2,990.4	-	-	-	-	-	-
General Plant		TPTD	13,568.1	97.2	5.9	-	-	2,047.6	524.1
Common Plant		LABOR	24,408.7	267.2	42.5	1,152.9	390.9	2,194.2	541.4
Electric Acquisition Adjustment		P30	7,281.4	-	-	-	-	1,365.2	348.6
Total Electric Plant in Service		**EPIS**	**413,897.5**	**3,006.1**	**208.8**	**1,152.9**	**390.9**	**61,240.9**	**15,654.4**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Accumulated Provision for Depreciation (Inc RWIP)									
Production Plant - Base	66.7%	DNCP	77,458.4	-	-	-	-	12,952.0	3,393.7
Production Plant - Peak	33.3%	D10	38,671.1	-	-	-	-	8,821.7	2,166.7
Transmission Plant - Base	80.0%	DNCP	34,907.7	-	-	-	-	5,837.0	1,529.4
Transmission Plant - Peak	20.0%	D12	8,726.9	-	-	-	-	1,990.8	489.0
Distribution Plant:				-	-	-	-	-	-
Land		CTOT	-	-	-	-	-	-	-
Rights of Way		CTOT	84.6	0.8	0.0	-	-	-	-
Station Equipment		DNCP	7,470 3	-	-	-	-	1,249.1	327.3
Poles, Towers, & Fixtures - Base		CTOT	5,310.3	51.6	1.6	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	3,659.5	35.6	1.1	-	-	-	-
Overhead Conductors & Device - Peak		D10	1,219.8	-	-	-	-	278.3	68.3
Underground Conduit - Base		CTOT	33.9	0.3	0.0	-	-	-	-
Underground Conduit - Peak		D10	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	4,958.6	48.2	1.5	-	-	-	-
Underground Conductors & Devices - Peak		D10	2,670.0	-	-	-	-	609.1	149.6
Line Transformers - Base		CW368	9,049.4	774.9	-	-	-	-	-
Line Transformers - Peak		DNCP	-	-	-	-	-	-	-
Services		CW369	9,514.0	267.4	-	-	-	-	-
Meters		CW370	2,799.8	189 9	65.8	-	-	-	-
Installation on Customer Premise		CRES	356.4	-	-	-	-	-	-
Street Light & Signal System		C370	1,657.2	-	-	-	-	-	-
General Plant		TPTD	8,901.6	63 8	3.9	-	-	1,343.4	343.9
Common Plant		LABOR	11,357.1	124.3	19.8	536.4	181.9	1,020.9	251.9
Acquisition Adjustment		P30	4,846.8	-	-	-	-	908.8	232.1
Total Accumulated Provision for Depreciation (Inc RWIP)			**233,653.3**	**1,556.8**	**93.5**	**536.4**	**181.9**	**35,011.1**	**8,951.9**
Add: Construction Work in Progress			-	-	-	-	-	-	-
Net Electric Plant in Service-$			**180,244.2**	**1,449.3**	**115.3**	**616.4**	**209.0**	**26,229.8**	**6,702.5**
Net Electric Plant in Service-%			**100.00%**	**0.80%**	**0.06%**	**0.34%**	**0.12%**	**14.55%**	**3.72%**
Other Rate Base Items:									
Add: Fuel Stocks			1,263.2	10.2	0.8	4.3	1.5	183.8	47.0
Add: Prepayments-Insurance			426.6	3.4	0.3	1.5	0.5	62.1	15.9
Add: Materials & Supplies			3,486.4	28.0	2.2	11.9	4.0	507.4	129.6
Less: Customer Advances			(9.9)	(0.1)	(0.0)	(0.0)	(0.0)	(1.4)	(0.4)
Less: Accumulated Deferred ITCs			(1,691.7)	(13.6)	(1.1)	(5.8)	(2.0)	(246.2)	(62.9)
Less: Accumulated Deferred Income Taxes			(40,122.0)	(322.6)	(25.7)	(137.2)	(46.5)	(5,838.7)	(1,492.0)
Total Other Rate Base Items			**(36,647.4)**	**(294.7)**	**(23.4)**	**(125.3)**	**(42.5)**	**(5,333.1)**	**(1,362.8)**
Total Electric Rate Base - $			**143,596.8**	**1,154.7**	**91.8**	**491.1**	**166.5**	**20,896.7**	**5,339.7**
Total Electric Rate Base - %			**100.00%**	**0.80%**	**0.06%**	**0.34%**	**0.12%**	**14.55%**	**3.72%**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Revenues									
Operating Revenues				-	-	-	-	-	-
Sales of Electricity at Current Rates		NDREV	85,768.2	132.3	9.8	17,612.3	5,442.1	6,611.9	1,581.3
Reserves for Refunds									
Net Unbilled Revenue									
Opportunity Sales-Energy	34.75%	E10	-	-	-	-	-	-	-
Opportunity Sales-Demand	65.25%	D10	-	-	-	-	-	-	-
Total Sales Revenues	**26.03%**		**85,768.2**	**132.3**	**9.8**	**17,612.3**	**5,442.1**	**6,611.9**	**1,581.3**
Other Operating Revenues									
Miscellaneous Service Revenues:									
Seasonal Reconnect Fees		CTOT	7.8	0.1	0.0	-	-	-	-
Reconnect Fees for Non Payment		CTOT	15.4	0.1	0.0	-	-	-	-
NSF Checks Fee		CTOT	13.4	0.1	0.0	-	-	-	-
Construction Work (Munis & Other)		NTPLT	39 2	0.3	0.0	0.1	0.0	5.7	1.5
Energy Diversion		E10	0.2	-	-	0.1	0.0	-	-
Subtotal-Miscellaneous			**76.0**	**0.7**	**0.0**	**0.2**	**0.1**	**5.7**	**1.5**
Rents:									
Buildings			-	-	-	-	-	-	-
General Office Complex		Labor	354.2	3.9	0.6	16.7	5.7	31.8	7.9
Equipment		P60	63.2	1.8	0.1	-	-	3.1	0.8
Pole Attachments/Contacts		P65	111.3	9.5	-	-	-	-	-
Street Lights		Direct to Co-Owner	385.4	-	-	-	-	-	-
Yard Lights		Direct to Pvt Lt	150.3	-	-	-	-	-	-
Joint Use Facilities		P50	54.3	-	-	-	-	9.7	2.5
Other/Miscellaneous		NTPLT	775.5	6.2	0.5	2.7	0.9	112.9	28.8
Subtotal-Total Rents			**1,894.2**	**21.4**	**1.2**	**19.4**	**6.6**	**157.6**	**40.0**
Other Revenue:									
Sale of Sundry Junk Material		P60	3.0	0.1	0.0	-	-	0.1	0.0
Sale of Operating/Construction		P60	-	-	-	-	-	-	-
Patronage Dividends		O&ME	2.2	0.0	0.0	0.0	0.0	0.3	0.1
Joint Use Agreements		P50	36.3	-	-	-	-	6.5	1.7
Miscellaneous		O&ME	95.6	0.8	0.1	1.9	0.7	12.6	3 1
Transfers-Nonfirm		D12	669.0	-	-	-	-	152.6	37.5
Total Other Revenues			**806.1**	**0.9**	**0.1**	**2.0**	**0.7**	**172.2**	**42.4**
Total Other Operating Revenues			**2,776.3**	**23.0**	**1.4**	**21.6**	**7.3**	**335.5**	**83.8**
Total Operating Revenues			**88,544.5**	**155.3**	**11.2**	**17,633.9**	**5,449.5**	**6,947.4**	**1,665.1**

Montana-Dakota Utilities Co.

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Operating and Maintenance Expenses									
Production Expenses:									
Fuel		E10	13,236.4	-	-	4,121.9	1,397.5	-	-
Purchased Power - Energy-Related		E10	4,281.9	-	-	1,333.4	452.1	-	-
Purchased Power - Capacity-Related		D10	7,448.0	-	-	-	-	1,699.0	417.3
Other Production - Energy-Related		E10	-	-	-	-	-	-	-
Other Production - Capacity-Related		D10	9,447.9	-	-	-	-	2,155.3	529.4
Operation Supervision and Engineering		Z30	1,183.8	-	-	165.0	56.0	149.1	36.6
Total Production Expenses			**35,598.0**	**-**	**-**	**5,620.4**	**1,905.5**	**4,003.5**	**983.3**
Transmission Expenses:									
Transmission Expenses		D12	5,035.2	-	-	-	-	1,148.6	282.1
RTO Expenses		D12	-	-	-	-	-	-	-
Total Transmission Expenses			**5,035.2**	**-**	**-**	**-**	**-**	**1,148.6**	**282.1**
Distribution Expenses:									
Operation Supervision & Engineering		Z60	438.8	11.5	2.1	-	-	17.3	4.4
Station Expenses		P61	176.2	-	-	-	-	29.5	7.7
Overhead Line Expense		P6465	309.4	2.7	0.1	-	-	7.0	1.7
UG Line Expense		P6667	404.8	2.6	0.1	-	-	32.0	7.9
Street Lighting & Signal Systems		C370	41.9	-	-	-	-	-	-
Meter Expenses		P70	609.4	41.3	14.3	-	-	-	-
Customer Installations Expense		CTOT	199.2	1 9	0.1	-	-	-	-
Miscellaneous Expenses		Z60	1,271.4	33.2	6.1	-	-	50.0	12.7
Rents		P60	52.9	1.5	0.1	-	-	2.6	0.7
Total Distribution Operation Expenses			3,504.1	94.7	22.8	-	-	138.4	35.0
				-	-	-	-	-	-
Maintenance Supervision & Engineering		Z60	257.1	6.7	1.2	-	-	10.1	2.6
Maintenance of Station Equipment		P61	113.2	-	-	-	-	18.9	5.0
Maintenance of OH lines		P6465	1,093.5	9.6	0.3	-	-	24.7	6.1
Maintenance of UG lines		P6667	285 2	1.8	0.1	-	-	22.6	5.5
Maintenance of Line Transformers		CW368	84.3	7.2	-	-	-	-	-
Maint of Street Lighting & Signals		Direct to Co-Own	86.5	-	-	-	-	-	-
Maintenance of Meters		P70	7.7	0.5	0.2	-	-	-	-
Maintenance of Miscellaneous Plant		P60	201.3	5.7	0.3	-	-	9.9	2.5
Total Distribution Maintenance Expenses			2,128.7	31.5	2.1	-	-	86.3	21.7
Total Distribution Expenses			**5,632.8**	**126.2**	**25.0**	**-**	**-**	**224.7**	**56.7**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Admin & General Expenses:									
Customer Accounting Exp		CWAC	2,568.5	29.9	1.3	-	-	-	-
Other Customer Service		CWCS	125.3	1.3	0.0	-	-	-	-
Subtotal Customer Accounting Expenses			2,693.8	31.2	1.3	-	-	-	-
Sales Expense		CWS	286.9	2.9	0.1	-	-	-	-
Property Insurance		NTPLT	445.8	3.6	0.3	1.5	0.5	64.9	16.6
PSC Regulatory Exp		NDREV	190.4	0.3	0.0	39.1	12.1	14.7	3.5
Other Adm & General		LABOR	10,986.7	120.3	19.1	518.9	175.9	987.6	243.7
Subtotal Administration & General			**14,603.6**	**158.2**	**20.8**	**559.5**	**188.5**	**1,067.2**	**263.8**
Total Operation & Maintenance Expenses			**60,869.5**	**284.5**	**45.8**	**6,180.0**	**2,094.0**	**6,444.0**	**1,585.9**

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation		Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
					Customer 30		Energy 30		Demand 30	
					Secondary	Primary	Secondary	Primary	Secondary	Primary
Depreciation Expense										
Depreciation Expense-Booked										
Production Plant - Base	66.7%	DNCP		4,314.1	-	-	-	-	721.4	189.0
Production Plant - Peak	33 3%	D10		2,153.8	-	-	-	-	491.3	120.7
Transmission Plant - Base	80.0%	DNCP		1,406.4	-	-	-	-	235.2	61.6
Transmission Plant - Peak	20.0%	D12		351.6	-	-	-	-	80.2	19.7
Distribution Plant:										
Land		CTOT	$	-	-	-	-	-	-	-
Rights of Way		CTOT	$	3.13	0.0	0.0	-	-	-	-
Station Equipment		DNCP	$	313.88	-	-	-	-	52.5	13.8
Poles, Towers, & Fixtures - Base		CTOT	$	404.67	3.9	0.1	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	$	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	$	249.01	2.4	0.1	-	-	-	-
Overhead Conductors & Device - Peak		D10	$	83.00	-	-	-	-	18.9	4.7
Underground Conduit - Base		CTOT	$	2.51	0.0	0.0	-	-	-	-
Underground Conduit - Peak		D10	$	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	$	319.46	3.1	0.1	-	-	-	-
Underground Conductors & Devices - Peak		D10	$	172.02	-	-	-	-	39.2	9.6
Line Transformers - Base		CW368	$	434.55	37.2	-	-	-	-	-
Line Transformers - Peak		DNCP	$	-	-	-	-	-	-	-
Services		CW369	$	799.67	22.5	-	-	-	-	-
Meters		CW370	$	158.12	10.7	3.7	-	-	-	-
Installation on Customer Premise		CRES	$	42.63	-	-	-	-	-	-
Street Light & Signal System		C370	$	78.94	-	-	-	-	-	-
General Plant		TPTD		212.9	1.5	0.1	-	-	32.1	8.2
Common Plant-Electric		LABOR		560.5	6.1	1.0	26.5	9.0	50.4	12.4
Amortization of Intangible -General		TPTD		252 2	1.8	0.1	-	-	38.1	9.7
Amortization of Intangible -Common		LABOR		743.2	8.1	1.3	35.1	11.9	66.8	16.5
Amortization of Acquisition Adjustment		P30		246.4	-	-	-	-	46.2	11.8
Total Book Depreciation				**13,302.7**	**97.5**	**6.5**	**61.6**	**20.9**	**1,872.3**	**477.7**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Taxes Other Than Income Taxes									
Taxes Other Than Income Taxes									
Payroll Related		LABOR	1,212.3	13.3	2.1	57.3	19.4	109.0	26.9
Gross Revenue Taxes:									
Montana PAC		NDREV	-	-	-	-	-	-	-
Montana Cons Council		NDREV	-	-	-	-	-	-	-
South Dakota		NDREV	-	-	-	-	-	-	-
Wyoming		NDREV	-	-	-	-	-	-	-
Total Gross Revenue Taxes			-	-	-	-	-	-	-
Electric Production Related Taxes:									
Montana Electric Tax		E10	110.4	-	-	34.4	11.7	-	-
ND Coal Conversion		E10	644.1	-	-	200.6	68.0	-	-
Total Electric Related Taxes			**754.5**	**-**	**-**	**234.9**	**79.7**	**-**	**-**
Property Taxes:									
Production		NP30	798.9	-	-	-	-	149.8	38.3
Transmission		NP50	533.7	-	-	-	-	95.7	24.7
Distribution		NP60	880.4	25.2	1.8	-	-	48.9	12.5
General		TPTD	74 2	0.5	0.0	-	-	11.2	2.9
Common		LABOR	182.8	2.0	0.3	8.6	2.9	16.4	4.1
Intangible		TPTD	83.7	0.6	0.0	-	-	12.6	3.2
Total Property Taxes			**2,553.7**	**28.3**	**2.2**	**8.6**	**2.9**	**334.7**	**85.6**
Franchise Taxes:									
By State		O&ME	-	-	-	-	-	-	-
Common-Delaware		BASE	58.3	0.5	0.0	0.2	0.1	8.5	2.2
Total Franchise Taxes			**58.3**	**0.5**	**0.0**	**0.2**	**0.1**	**8.5**	**2.2**
Other Taxes:									
Highway Use Tax		O&ME	0.8	0.0	0.0	0.0	0.0	0.1	0.0
Sect of State Filing Fee		NDREV	0.6	0.0	0.0	0.1	0.0	0.0	0.0
Total Other Taxes			**1.4**	**0.0**	**0.0**	**0.1**	**0.0**	**0.2**	**0.0**
Total Taxes Other Than Income Taxes			**4,580.2**	**42.1**	**4.3**	**301.2**	**102.1**	**452.3**	**114.7**

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Income Tax Expense									
Summary Of Income Taxes									
Total Operating Revenues		From Above	88,544.5	155.3	11.2	17,633.9	5,449.5	6,947.4	1,665.1
Operation & Maintenance Expenses		From Above	60,869.5	284.5	45.8	6,180 0	2,094.0	6,444.0	1,585.9
Depreciation Expense		From Above	13,302.7	97.5	6.5	61.6	20.9	1,872.3	477.7
Other Taxes		From Above	4,580.2	42.1	4.3	301.2	102.1	452.3	114.7
Interest - Long Term (Book Method)		BASE	5,790.9	46.6	3.7	19.8	6.7	842.7	215.3
Net Operating Income-Pretax			**4,001.3**	**(315.4)**	**(49.1)**	**11,071.4**	**3,225.8**	**(2,664.0)**	**(728.5)**
Deductions and Adjustments									
Net M-1 Adjustments		From Below	1,971.2	37.7	7.0	(2.1)	(0 7)	128.7	32.8
Preferred Dividend Paid Deduction		From Below	-	-	-	-	-	-	-
Total Deductions & Adjustments			**1,971.2**	**37.7**	**7.0**	**(2.1)**	**(0.7)**	**128.7**	**32.8**
Taxable Income Before State Income Taxes			**5,972.5**	**(277.6)**	**(42.1)**	**11,069.3**	**3,225.0**	**(2,535.2)**	**(695.7)**
Federal Income Tax:									
Net Operating Income		From Above	5,972.5	(277.6)	(42.1)	11,069.3	3,225.0	(2,535.2)	(695.7)
Other Additions & Deductions-State Income Taxes		-From Below	(423.4)	19.7	3.0	(784.8)	(228.7)	179.7	49.3
Federal Taxable Income			**5,549.0**	**(257.9)**	**(39.1)**	**10,284.5**	**2,996.4**	**(2,355.5)**	**(646.4)**
Federal Tax @ 35%		35.00%	1,942.2	(90.3)	(13.7)	3,599.6	1,048.7	(824.4)	(226.2)
Less: Credits & Adjustments		BASE	-	-	-	-	-	-	-
Total Federal Income Taxes			**1,942.2**	**(90.3)**	**(13.7)**	**3,599.6**	**1,048.7**	**(824.4)**	**(226.2)**
State Income Taxes:									
Taxable Income Before State Income Taxes		From Above	5,972.5	(277.6)	(42.1)	11,069.3	3,225.0	(2,535.2)	(695.7)
Additions & Deductions			-	-	-	-	-	-	-
State Taxable Income			**5,972.5**	**(277.6)**	**(42.1)**	**11,069.3**	**3,225.0**	**(2,535.2)**	**(695.7)**
State Income Tax Rates		7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%
Total State Income Taxes			**423.4**	**(19.7)**	**(3.0)**	**784.8**	**228.7**	**(179.7)**	**(49.3)**
Total Income Taxes:									
Federal Income Taxes		From Above	1,942.2	(90.3)	(13.7)	3,599.6	1,048.7	(824.4)	(226.2)
State Income Taxes		From Above	423.4	(19.7)	(3.0)	784.8	228.7	(179.7)	(49.3)
Total Federal & State Income Taxes			**2,365.6**	**(110.0)**	**(16.7)**	**4,384.4**	**1,277.4**	**(1,004.2)**	**(275.6)**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Income Tax - Deductions and Adjustments									
Income Tax - Deductions & Adjustments									
Additions:									
Regulatory, NonCurrent:									
Pension Expense		LABOR	(429.2)	(4.7)	(0.7)	(20.3)	(6.9)	(38.6)	(9.5)
VEBA		LABOR	281.4	3.1	0.5	13.3	4.5	25.3	6.2
Regulatory, Permanent		LABOR	66.9	0.7	0.1	3.2	1.1	6.0	1.5
Book Depreciation-Adjusted		DEP	13,302.7	298.1	58.9	-	-	530.7	133.8
Amortization - Debt Expense		BASE	510.9	4.1	0.3	1.7	0.6	74.3	19.0
Amortization Debt Loss/Discount		BASE	1.8	0.0	0.0	0.0	0.0	0.3	0.1
Total Additions			**13,734.5**	**301.4**	**59.1**	**(2.1)**	**(0.7)**	**598.0**	**151.1**
Deductions:									
Tax Depreciation		DEP	11,763.3	263.6	52.1	-	-	469.3	118.4
Total Net M-1 Adjustments			**1,971.2**	**37.7**	**7.0**	**(2.1)**	**(0.7)**	**128.7**	**32.8**
Total Cost of Service			**98,706.8**	**160.1**	**11.2**	**18,370.1**	**5,675.8**	**6,974.2**	**1,665.1**
Total Cost of Service Excluding Other Revenue			**95,930.5**	**137.1**	**9.8**	**18,348.5**	**5,668.5**	**6,638.8**	**1,581.3**

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52) 41- Customer	41 - Energy	41 - Demand
Cost of Service Allocation Summary						
Operating Revenues						
Total Sales Revenues at Current Rates			85,768.2	-	1,420.9	-
Opportunity Sales Revenues			-	-	-	-
Other Operating Revenues			2,776.3	561.0	1.1	6.4
Total Operating Revenues			**88,544.5**	**561.0**	**1,422.0**	**6.4**
Operating Expenses						
Cost of Fuel and Purchased Power			24,966.3	-	284 5	-
Operation & Maintenance Expenses			35,903.2	593.1	38.9	14.1
Total Operation & Maintenance Expenses			60,869.5	593.1	323.4	14.1
Depreciation Expense			13,302.7	155.9	3.2	78.4
Taxes Other Than Income Taxes			4,580.2	72.2	15.7	15.7
Total Operating Expenses			**78,752.3**	**821.2**	**342.3**	**108.2**
Utility Operating Income Before Taxes			9,792.1	(260.2)	1,079.7	(101.8)
Less: Income Taxes:						
Federal			1,942.2	(78.9)	350.7	(43 4)
State			423 4	(17.2)	76.5	(9.5)
Less: Adjustments			-	-	-	-
Deferred Income Taxes		DEP	(1,050.0)	(61.4)	-	(1.2)
Investment Tax Credit-Net			-	-	-	-
Total Income Taxes			1,315.6	(157.5)	427.2	(54.1)
Operating Income After Tax			**8,476.5**	**(102.7)**	**652.5**	**(47.7)**
Rate Base			**143,596.8**	**1,924.1**	**25.6**	**908.9**
Return Before Adjustments						
Earned Rate of Return - %			5.90%	-5.34%	2547 65%	-5.25%
Required Rate of Return - %			10.18%	10.18%	10.18%	10.18%
Return at Required Rate of Return			14,613.7	195.8	2.6	92.5
Income Deficiency			6,137.2	298.6	(649.9)	140.2
Revenue Deficiency - Multiplier			1.6559	1.6559	1.6559	1.6559
Revenue Deficiency (Sufficiency)-$			**10,162.3**	**494.4**	**(1,076.1)**	**232.2**
Deficiency (Sufficiency) - Reallocated -$	(7,670.5)		**(0.0)**	**89.2**	**-**	**54.9**
Percent Increase Required			**11.85%**	**NA**	**-76% NA**	

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Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52) 41- Customer	41 - Energy	41 - Demand
Rate Base						
Electric Plant in Service						
Production Plant - Base	**66.7%**	DNCP	133,659.9	-	-	1,608.6
Production Plant - Peak	33.3%	D10	66,729.8	-	-	-
Transmission Plant - Base	**80.0%**	DNCP	60,002.8	-	-	722.2
Transmission Plant - Peak	20.0%	D12	15,000.7	-	-	-
Distribution Plant:						
Land		CTOT	359.1	16.2	-	-
Rights of Way		CTOT	136.9	6.2	-	-
Station Equipment		DNCP	16,208.0	-	-	195.1
Poles, Towers, & Fixtures - Base		CTOT	11,713.6	527.6	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-
Overhead Conductors & Device - Base		CTOT	5,771.8	260.0	-	-
Overhead Conductors & Device - Peak		D10	1,923.9	-	-	-
Underground Conduit - Base		CTOT	159.9	7.2	-	-
Underground Conduit - Peak		D10	-	-	-	-
Underground Conductors & Devices - Base		CTOT	11,865.1	534.4	-	-
Underground Conductors & Devices - Peak		D10	6,388.9	-	-	-
Line Transformers - Base		CW368	19,336.0	155.5	-	-
Line Transformers - Peak		DNCP	-	-	-	-
Services		CW369	9,131.2	-	-	-
Meters		CW370	6,453.4	11.8	-	-
Installation on Customer Premise		CRES	808.1	-	-	-
Street Light & Signal System		C370	2,990.4	2,891.2	-	-
General Plant		TPTD	13,568.1	162.3	-	93.0
Common Plant		LABOR	24,408.7	490.0	60.1	10.7
Electric Acquisition Adjustment		P30	7,281.4	-	-	58.5
Total Electric Plant in Service		**EPIS**	**413,897.5**	**5,062.4**	**60.1**	**2,688.0**

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52) 41- Customer	41 - Energy	41 - Demand
Accumulated Provision for Depreciation (Inc RWIP)						
Production Plant - Base	66.7%	DNCP	77,458.4	-	-	932.2
Production Plant - Peak	33.3%	D10	38,671.1	-	-	-
Transmission Plant - Base	80.0%	DNCP	34,907.7	-	-	420.1
Transmission Plant - Peak	20.0%	D12	8,726.9	-	-	-
Distribution Plant:						
Land		CTOT	-	-	-	-
Rights of Way		CTOT	84.6	3.8	-	-
Station Equipment		DNCP	7,470.3	-	-	89.9
Poles, Towers, & Fixtures - Base		CTOT	5,310.3	239.2	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-
Overhead Conductors & Device - Base		CTOT	3,659.5	164.8	-	-
Overhead Conductors & Device - Peak		D10	1,219.8	-	-	-
Underground Conduit - Base		CTOT	33.9	1.5	-	-
Underground Conduit - Peak		D10	-	-	-	-
Underground Conductors & Devices - Base		CTOT	4,958.6	223.4	-	-
Underground Conductors & Devices - Peak		D10	2,670.0	-	-	-
Line Transformers - Base		CW368	9,049.4	72.8	-	-
Line Transformers - Peak		DNCP	-	-	-	-
Services		CW369	9,514.0	-	-	-
Meters		CW370	2,799.8	5.1	-	-
Installation on Customer Premise		CRES	356.4	-	-	-
Street Light & Signal System		C370	1,657.2	1,602.2	-	-
General Plant		TPTD	8,901.6	106.5	-	61.0
Common Plant		LABOR	11,357.1	228.0	28.0	5.0
Acquisition Adjustment		P30	4,846.8	-	-	38.9
Total Accumulated Provision for Depreciation (Inc RWIP)			**233,653.3**	**2,647.3**	**28.0**	**1,547.1**
Add: Construction Work in Progress			-	-	-	-
Net Electric Plant in Service-$			**180,244.2**	**2,415.1**	**32.1**	**1,140.8**
Net Electric Plant in Service-%			**100.00%**	**1.34%**	**0.02%**	**0.63%**
Other Rate Base Items:						
Add: Fuel Stocks			1,263.2	16.9	0.2	8.0
Add: Prepayments-Insurance			426.6	5.7	0.1	2.7
Add: Materials & Supplies			3,486.4	46.7	0.6	22.1
Less: Customer Advances			(9.9)	(0.1)	(0.0)	(0.1)
Less: Accumulated Deferred ITCs			(1,691.7)	(22.7)	(0.3)	(10.7)
Less: Accumulated Deferred Income Taxes			(40,122.0)	(537.6)	(7.2)	(253.9)
Total Other Rate Base Items			**(36,647.4)**	**(491.0)**	**(6.5)**	**(232.0)**
Total Electric Rate Base - $			**143,596.8**	**1,924.1**	**25.6**	**908.9**
Total Electric Rate Base - %			**100.00%**	**1.34%**	**0.02%**	**0.63%**

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52) 41- Customer	41 - Energy	41 - Demand
Revenues						
Operating Revenues						
Sales of Electricity at Current Rates		NDREV	85,768 2	-	1,420 9	-
Reserves for Refunds						
Net Unbilled Revenue						
Opportunity Sales-Energy	34.75%	E10	-	-	-	-
Opportunity Sales-Demand	65.25%	D10	-	-	-	-
Total Sales Revenues	**26.03%**		**85,768.2**	**-**	**1,420.9**	**-**
Other Operating Revenues				-	-	-
Miscellaneous Service Revenues:				-	-	-
Seasonal Reconnect Fees		CTOT	7.8	0.4	-	-
Reconnect Fees for Non Payment		CTOT	15.4	0.7	-	-
NSF Checks Fee		CTOT	13.4	0.6	-	-
Construction Work (Munis & Other)		NTPLT	39.2	0.5	0.0	0.2
Energy Diversion		E10	0.2	-	0 0	-
Subtotal-Miscellaneous			**76.0**	**2.2**	**0.0**	**0.2**
Rents:						
Buildings			-	-	-	-
General Office Complex		Labor	354.2	7.1	0.9	0.2
Equipment		P60	63.2	3.0	-	0.1
Pole Attachments/Contacts		P65	111.3	0.9	-	-
Street Lights		Direct to Co-Owned	385.4	385.4	-	-
Yard Lights		Direct to Pvt Lt	150.3	150.3	-	-
Joint Use Facilities		P50	54.3	-	-	0.5
Other/Miscellaneous		NTPLT	775.5	10.4	0.1	4.9
Subtotal-Total Rents			**1,894.2**	**557.1**	**1.0**	**5.7**
Other Revenue:						
Sale of Sundry Junk Material		P60	3.0	0.1	-	0.0
Sale of Operating/Construction		P60	-	-	-	-
Patronage Dividends		O&ME	2.2	0.0	0.0	0 0
Joint Use Agreements		P50	36.3	-	-	0.3
Miscellaneous		O&ME	95.6	1.6	0.1	0.0
Transfers-Nonfirm		D12	669 0	-	-	-
Total Other Revenues			**806.1**	**1.8**	**0.1**	**0.4**
Total Other Operating Revenues			**2,776.3**	**561.0**	**1.1**	**6.4**
Total Operating Revenues			**88,544.5**	**561.0**	**1,422.0**	**6.4**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
				41- Customer	41 - Energy	41 - Demand
Operating and Maintenance Expenses						
Production Expenses:						
Fuel		E10	13,236.4	-	215.0	-
Purchased Power - Energy-Related		E10	4,281.9	-	69.5	-
Purchased Power - Capacity-Related		D10	7,448.0	-	-	-
Other Production - Energy-Related		E10	-	-	-	-
Other Production - Capacity-Related		D10	9,447.9	-	-	-
Operation Supervision and Engineering		Z30	1,183.8	-	8.6	-
Total Production Expenses			**35,598.0**	**-**	**293.1**	**-**
Transmission Expenses:						
Transmission Expenses		D12	5,035.2	-	-	-
RTO Expenses		D12	-	-	-	-
Total Transmission Expenses			**5,035.2**	**-**	**-**	**-**
Distribution Expenses:						
Operation Supervision & Engineering		Z60	438.8	22.8	-	0.6
Station Expenses		P61	176.2	-	-	2.1
Overhead Line Expense		P6465	309.4	12.6	-	-
UG Line Expense		P6667	404.8	11.9	-	-
Street Lighting & Signal Systems		C370	41.9	40.5	-	-
Meter Expenses		P70	609.4	1.1	-	-
Customer Installations Expense		CTOT	199.2	9.0	-	-
Miscellaneous Expenses		Z60	1,271.4	66.2	-	1.6
Rents		P60	52.9	2.5	-	0.1
Total Distribution Operation Expenses			3,504.1	166.6	-	4.4
Maintenance Supervision & Engineering		Z60	257.1	13.4	-	0.3
Maintenance of Station Equipment		P61	113.2	-	-	1.4
Maintenance of OH lines		P6465	1,093.5	44.4	-	-
Maintenance of UG lines		P6667	285.2	8.4	-	-
Maintenance of Line Transformers		CW368	84.3	0.7	-	-
Maint of Street Lighting & Signals		Direct to Co-Own	86.5	86.5	-	-
Maintenance of Meters		P70	7.7	0.0	-	-
Maintenance of Miscellaneous Plant		P60	201.3	9.5	-	0.4
Total Distribution Maintenance Expenses			2,128.7	162.9	-	2.1
Total Distribution Expenses			**5,632.8**	**329.5**	**-**	**6.5**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
				41- Customer	41 - Energy	41 - Demand
Admin & General Expenses:						
Customer Accounting Exp		CWAC	2,568.5	35.1	-	-
Other Customer Service		CWCS	125.3	0.6	-	-
Subtotal Customer Accounting Expenses			2,693.8	35.7	-	-
Sales Expense		CWS	286.9	1.4	-	-
Property Insurance		NTPLT	445.8	6.0	0.1	2.8
PSC Regulatory Exp		NDREV	190.4	-	3.2	-
Other Adm & General		LABOR	10,986.7	220.6	27.1	4.8
Subtotal Administration & General			**14,603.6**	**263.6**	**30.3**	**7.6**
Total Operation & Maintenance Expenses			**60,869.5**	**593.1**	**323.4**	**14.1**

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation		Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52) 41- Customer	41 - Energy	41 - Demand
Depreciation Expense							
Depreciation Expense-Booked							
Production Plant - Base	66.7%	DNCP		4,314.1	-	-	51.9
Production Plant - Peak	33.3%	D10		2,153.8	-	-	-
Transmission Plant - Base	80.0%	DNCP		1,406.4	-	-	16.9
Transmission Plant - Peak	20.0%	D12		351.6	-	-	-
Distribution Plant:							
Land		CTOT	$	-	-	-	-
Rights of Way		CTOT	$	3.13	0.1	-	-
Station Equipment		DNCP	$	313.88	-	-	3.8
Poles, Towers, & Fixtures - Base		CTOT	$	404.67	18.2	-	-
Poles, Towers, & Fixtures - Peak		D10	$	-	-	-	-
Overhead Conductors & Device - Base		CTOT	$	249.01	11.2	-	-
Overhead Conductors & Device - Peak		D10	$	83.00	-	-	-
Underground Conduit - Base		CTOT	$	2.51	0.1	-	-
Underground Conduit - Peak		D10	$	-	-	-	-
Underground Conductors & Devices - Base		CTOT	$	319.46	14.4	-	-
Underground Conductors & Devices - Peak		D10	$	172.02	-	-	-
Line Transformers - Base		CW368	$	434.55	3.5	-	-
Line Transformers - Peak		DNCP	$	-	-	-	-
Services		CW369	$	799.67	-	-	-
Meters		CW370	$	158.12	0.3	-	-
Installation on Customer Premise		CRES	$	42.63	-	-	-
Street Light & Signal System		C370	$	78.94	76.3	-	-
General Plant		TPTD		212 9	2.5	-	1 5
Common Plant-Electric		LABOR		560.5	11.3	1.4	0.2
Amortization of Intangible -General		TPTD		252.2	3.0	-	1.7
Amortization of Intangible -Common		LABOR		743.2	14.9	1.8	0.3
Amortization of Acquisition Adjustment		P30		246.4	-	-	2.0
Total Book Depreciation				**13,302.7**	**155.9**	**3.2**	**78.4**

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52) 41- Customer	41 - Energy	41 - Demand
Taxes Other Than Income Taxes						
Taxes Other Than Income Taxes						
Payroll Related		LABOR	1,212.3	24.3	3.0	0.5
Gross Revenue Taxes:						
Montana PAC		NDREV	-	-	-	-
Montana Cons Council		NDREV	-	-	-	-
South Dakota		NDREV	-	-	-	-
Wyoming		NDREV	-	-	-	-
Total Gross Revenue Taxes			**-**	-	-	-
Electric Production Related Taxes:						
Montana Electric Tax		E10	110.4	-	1.8	-
ND Coal Conversion		E10	644.1	-	10.5	-
Total Electric Related Taxes			**754.5**	**-**	**12.3**	**-**
Property Taxes:						
Production		NP30	798.9	-	-	6.4
Transmission		NP50	533.7	-	-	5.1
Distribution		NP60	880.4	41.5	-	2.1
General		TPTD	74.2	0.9	-	0.5
Common		LABOR	182.8	3.7	0.5	0.1
Intangible		TPTD	83.7	1.0	-	0.6
Total Property Taxes			**2,553.7**	**47.1**	**0.5**	**14.8**
Franchise Taxes:						
By State		O&ME	-	-	-	-
Common-Delaware		BASE	58.3	0.8	0.0	0.4
Total Franchise Taxes			**58.3**	**0.8**	**0.0**	**0.4**
Other Taxes:						
Highway Use Tax		O&ME	0.8	0.0	0.0	0.0
Sect of State Filing Fee		NDREV	0.6	-	0.0	-
Total Other Taxes			**1.4**	**0.0**	**0.0**	**0.0**
Total Taxes Other Than Income Taxes			**4,580.2**	**72.2**	**15.7**	**15.7**

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For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
				41- Customer	41 - Energy	41 - Demand
Income Tax Expense						
Summary Of Income Taxes						
Total Operating Revenues		From Above	88,544.5	561.0	1,422.0	6.4
Operation & Maintenance Expenses		From Above	60,869.5	593.1	323.4	14.1
Depreciation Expense		From Above	13,302.7	155 9	3.2	78.4
Other Taxes		From Above	4,580.2	72.2	15.7	15.7
Interest - Long Term (Book Method)		BASE	5,790.9	77.6	1.0	36.7
Net Operating Income-Pretax			**4,001.3**	**(337.8)**	**1,078.7**	**(138.5)**
Deductions and Adjustments:				-	-	-
Net M-1 Adjustments		From Below	1,971.2	95.3	(0.1)	5.0
Preferred Dividend Paid Deduction		From Below	-	-	-	-
Total Deductions & Adjustments			**1,971.2**	**95.3**	**(0.1)**	**5.0**
Taxable Income Before State Income Taxes			**5,972.5**	**(242.5)**	**1,078.6**	**(133.5)**
Federal Income Tax:						
Net Operating Income		From Above	5,972.5	(242.5)	1,078.6	(133.5)
Other Additions & Deductions-State Income Taxes		-From Below	(423.4)	17.2	(76.5)	9.5
Federal Taxable Income			**5,549.0**	**(225.3)**	**1,002.1**	**(124.0)**
Federal Tax @ 35%		35.00%	1,942.2	(78.9)	350.7	(43.4)
Less: Credits & Adjustments		BASE	-	-	-	-
Total Federal Income Taxes			**1,942.2**	**(78.9)**	**350.7**	**(43.4)**
State Income Taxes:						
Taxable Income Before State Income Taxes		From Above	5,972.5	(242.5)	1,078.6	(133.5)
Additions & Deductions			-	-	-	-
State Taxable Income			**5,972.5**	**(242.5)**	**1,078.6**	**(133.5)**
State Income Tax Rates		7.09%	7.09%	7.09%	7.09%	7.09%
Total State Income Taxes			**423.4**	**(17.2)**	**76.5**	**(9.5)**
Total Income Taxes:						
Federal Income Taxes		From Above	1,942.2	(78.9)	350.7	(43.4)
State Income Taxes		From Above	423.4	(17.2)	76.5	(9.5)
Total Federal & State Income Taxes			**2,365.6**	**(96.1)**	**427.2**	**(52.9)**

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North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
				41- Customer	41 - Energy	41 - Demand
Income Tax - Deductions and Adjustments						
Income Tax - Deductions & Adjustments						
Additions:						
Regulatory, NonCurrent.				-	-	-
Pension Expense		LABOR	(429.2)	(8.6)	(1.1)	(0.2)
VEBA		LABOR	281.4	5.6	0.7	0.1
Regulatory, Permanent		LABOR	66.9	1.3	0.2	0.0
Book Depreciation-Adjusted		DEP	13,302.7	778.1	-	15.4
Amortization - Debt Expense		BASE	510.9	6.8	0.1	3.2
Amortization Debt Loss/Discount		BASE	1.8	0.0	0.0	0.0
Total Additions			**13,734.5**	**783.3**	**(0.1)**	**18.6**
Deductions:						
Tax Depreciation		DEP	11,763.3	688.0	-	13.6
Total Net M-1 Adjustments			**1,971.2**	**95.3**	**(0.1)**	**5.0**
Total Cost of Service			**98,706.8**	**1,144.6**	**345.9**	**293.5**
Total Cost of Service Excluding Other Revenue			**95,930.5**	**583.5**	**344.8**	**287.1**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Cost of Service Allocation Summary									
Operating Revenues									
Total Sales Revenues at Current Rates			85,768.2	43.6	0.5	680.9	281.1	161.3	52.5
Opportunity Sales Revenues			-	-	-	-	-	-	-
Other Operating Revenues			2,776.3	8.3	0.0	0.9	0.4	25.7	8.6
Total Operating Revenues			**88,544.5**	**52.0**	**0.5**	**681.8**	**281.5**	**187.0**	**61.1**
Operating Expenses									
Cost of Fuel and Purchased Power			24,966.3	-	-	224.3	95.7	119.2	39.8
Operation & Maintenance Expenses			35,903.2	86.8	0.5	29.7	12.6	337.0	112.6
Total Operation & Maintenance Expenses			60,869.5	86.8	0.5	254.0	108.3	456.2	152.4
Depreciation Expense			13,302.7	28.7	0.1	2.5	1.1	158.2	52.9
Taxes Other Than Income Taxes			4,580.2	14.3	0.0	12.4	5.3	37.1	12.4
Total Operating Expenses			**78,752.3**	**129.9**	**0.6**	**268.9**	**114.7**	**651.5**	**217.7**
Utility Operating Income Before Taxes			9,792.1	(77.9)	(0.0)	412.9	166.8	(464.5)	(156.6)
Less: Income Taxes:									
Federal			1,942.2	(27.2)	(0.0)	134.0	54.1	(170.9)	(57.5)
State			423.4	(5.9)	(0.0)	29.2	11.8	(37.3)	(12.5)
Less: Adjustments			-	-	-	-	-	-	-
Deferred Income Taxes		DEP	(1,050.0)	(6.6)	(0.0)	-	-	(3.4)	(1.1)
Investment Tax Credit-Net			-	-	-	-	-	-	-
Total Income Taxes			1,315.6	(39.7)	(0.0)	163.2	65.9	(211.5)	(71.2)
Operating Income After Tax			**8,476.5**	**(38.2)**	**(0.0)**	**249.7**	**100.9**	**(253.0)**	**(85.4)**
Rate Base			**143,596.8**	**411.5**	**0.8**	**20.2**	**8.6**	**1,777.3**	**593.8**
Return Before Adjustments									
Earned Rate of Return - %			5.90%	-9.28%	-0.07%	1236.73%	1171.55%	-14.24%	-14.38%
Required Rate of Return - %			10.18%	10.18%	10.18%	10.18%	10.18%	10.18%	10.18%
Return at Required Rate of Return			14,613.7	41.9	0.1	2.1	0.9	180.9	60.4
Income Deficiency			6,137.2	80.1	0.1	(247.7)	(100.0)	433.9	145.8
Revenue Deficiency - Multiplier			1.6559	1.6559	1.6559	1.6559	1.6559	1.6559	1.6559
Revenue Deficiency (Sufficiency)-$			**10,162.3**	**132.6**	**0.1**	**(410.1)**	**(165.6)**	**718.5**	**241.4**
Deficiency (Sufficiency) - Reallocated -$	(7,670.5)		**(0.0)**	**(49.0)**	**(0.1)**	**-**	**-**	**(270.1)**	**(102.4)**
Percent Increase Required			**11.85%**	**192%**	**15%**	**-60%**	**-59%**	**278%**	**265%**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Rate Base									
Electric Plant in Service									
Production Plant - Base	**66.7%**	DNCP	133,659.9	-	-	-	-	2,119.1	708.0
Production Plant - Peak	33.3%	D10	66,729.8	-	-	-	-	1,067.8	356.7
Transmission Plant - Base	**80.0%**	DNCP	60,002.8	-	-	-	-	951.3	317.8
Transmission Plant - Peak	20.0%	D12	15,000.7	-	-	-	-	240.0	80.2
Distribution Plant:									
Land		CTOT	359.1	1.5	0 0	-	-	-	-
Rights of Way		CTOT	136.9	0.6	0.0	-	-	-	-
Station Equipment		DNCP	16,208.0	-	-	-	-	257.0	85.9
Poles, Towers, & Fixtures - Base		CTOT	11,713.6	49.5	0.6	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	5,771.8	24.4	0.3	-	-	-	-
Overhead Conductors & Device - Peak		D10	1,923.9	-	-	-	-	30.8	10.3
Underground Conduit - Base		CTOT	159 9	0.7	0.0	-	-	-	-
Underground Conduit - Peak		D10	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	11,865.1	50.2	0.6	-	-	-	-
Underground Conductors & Devices - Peak		D10	6,388.9	-	-	-	-	102.2	34.2
Line Transformers - Base		CW368	19,336.0	661.9	-	-	-	-	-
Line Transformers - Peak		DNCP	-	-	-	-	-	-	-
Services		CW369	9,131.2	26.9	-	-	-	-	-
Meters		CW370	6,453.4	76.9	-	-	-	-	-
Installation on Customer Premise		CRES	808.1	-	-	-	-	-	-
Street Light & Signal System		C370	2,990.4	-	-	-	-	-	-
General Plant		TPTD	13,568.1	32.9	0.1	-	-	175.5	58.6
Common Plant		LABOR	24,408.7	80.9	0.4	47.4	20.2	157.6	52.6
Electric Acquisition Adjustment		P30	7,281.4	-	-	-	-	115.8	38.7
Total Electric Plant In Service		**EPIS**	**413,897.5**	**1,006.3**	**1.9**	**47.4**	**20.2**	**5,217.0**	**1,743.0**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Accumulated Provision for Depreciation (Inc RWIP)									
Production Plant - Base	66.7%	DNCP	77,458.4	-	-	-	-	1,228.0	410.3
Production Plant - Peak	33.3%	D10	38,671.1	-	-	-	-	618.8	206.7
Transmission Plant - Base	80.0%	DNCP	34,907.7	-	-	-	-	553.4	184.9
Transmission Plant - Peak	20.0%	D12	8,726.9	-	-	-	-	139.6	46.7
Distribution Plant:				-	-	-	-	-	-
Land		CTOT	-	-	-	-	-	-	-
Rights of Way		CTOT	84.6	0.4	0.0	-	-	-	-
Station Equipment		DNCP	7,470.3	-	-	-	-	118.4	39.6
Poles, Towers, & Fixtures - Base		CTOT	5,310.3	22.5	0.3	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	3,659.5	15.5	0.2	-	-	-	-
Overhead Conductors & Device - Peak		D10	1,219.8	-	-	-	-	19.5	6.5
Underground Conduit - Base		CTOT	33.9	0.1	0.0	-	-	-	-
Underground Conduit - Peak		D10	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	4,958.6	21.0	0.2	-	-	-	-
Underground Conductors & Devices - Peak		D10	2,670.0	-	-	-	-	42.7	14.3
Line Transformers - Base		CW368	9,049.4	309.8	-	-	-	-	-
Line Transformers - Peak		DNCP	-	-	-	-	-	-	-
Services		CW369	9,514.0	28.0	-	-	-	-	-
Meters		CW370	2,799.8	33.4	-	-	-	-	-
Installation on Customer Premise		CRES	356.4	-	-	-	-	-	-
Street Light & Signal System		C370	1,657.2	-	-	-	-	-	-
General Plant		TPTD	8,901 6	21.6	0 0	-	-	115.1	38.5
Common Plant		LABOR	11,357.1	37.6	0.2	22.1	9.4	73.3	24.5
Acquisition Adjustment		P30	4,846.8	-	-	-	-	77.1	25.8
Total Accumulated Provision for Depreciation (Inc RWIP)			**233,653.3**	**489.7**	**0.9**	**22.1**	**9.4**	**2,986.1**	**997.7**
Add: Construction Work in Progress			-	-	-	-	-	-	-
Net Electric Plant in Service-$			**180,244.2**	**516.6**	**1.0**	**25.3**	**10.8**	**2,230.9**	**745.3**
Net Electric Plant in Service-%			**100.00%**	**0.29%**	**0.00%**	**0.01%**	**0.01%**	**1.24%**	**0.41%**
Other Rate Base Items:									
Add: Fuel Stocks			1,263.2	3.6	0.0	0.2	0.1	15.6	5.2
Add: Prepayments-Insurance			426.6	1.2	0.0	0.1	0.0	5.3	1.8
Add: Materials & Supplies			3,486.4	10.0	0.0	0.5	0.2	43.2	14.4
Less: Customer Advances			(9.9)	(0 0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)
Less: Accumulated Deferred ITCs			(1,691.7)	(4.8)	(0.0)	(0.2)	(0.1)	(20.9)	(7.0)
Less: Accumulated Deferred Income Taxes			(40,122.0)	(115.0)	(0.2)	(5.6)	(2 4)	(496.6)	(165.9)
Total Other Rate Base Items			**(36,647.4)**	**(105.0)**	**(0.2)**	**(5.2)**	**(2.2)**	**(453.6)**	**(151.5)**
Total Electric Rate Base - $			**143,596.8**	**411.5**	**0.8**	**20.2**	**8.6**	**1,777.3**	**593.8**
Total Electric Rate Base - %			**100.00%**	**0.29%**	**0.00%**	**0.01%**	**0.01%**	**1.24%**	**0.41%**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Revenues									
Operating Revenues									
Sales of Electricity at Current Rates		NDREV	85,768.2	43.6	0.5	680.9	281.1	161.3	52.5
Reserves for Refunds				-	-	-	-	-	-
Net Unbilled Revenue				-	-	-	-	-	-
Opportunity Sales-Energy	34.75%	E10	-	-	-	-	-	-	-
Opportunity Sales-Demand	65.25%	D10	-	-	-	-	-	-	-
Total Sales Revenues	**26.03%**		**85,768.2**	**43.6**	**0.5**	**680.9**	**281.1**	**161.3**	**52.5**
Other Operating Revenues									
Miscellaneous Service Revenues:									
Seasonal Reconnect Fees		CTOT	7.8	0.0	0 0	-	-	-	-
Reconnect Fees for Non Payment		CTOT	15.4	0.1	0.0	-	-	-	-
NSF Checks Fee		CTOT	13.4	0.1	0.0	-	-	-	-
Construction Work (Munis & Other)		NTPLT	39.2	0.1	0 0	0.0	0.0	0.5	0.2
Energy Diversion		E10	0.2	-	-	0.0	0.0	-	-
Subtotal-Miscellaneous			**76.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.5**	**0.2**
Rents:									
Buildings			-	-	-	-	-	-	-
General Office Complex	Labor		354.2	1.2	0.0	0.7	0.3	2 3	0.8
Equipment	P60		63.2	0.6	0.0	-	-	0.3	0.1
Pole Attachments/Contacts	P65		111.3	3.8	-	-	-	-	-
Street Lights	Direct to Co-Owner		385.4	-	-	-	-	-	-
Yard Lights	Direct to Pvt Lt		150.3	-	-	-	-	-	-
Joint Use Facilities	P50		54.3	-	-	-	-	0.9	0.3
Other/Miscellaneous	NTPLT		775.5	2.2	0.0	0.1	0.0	9.6	3.2
Subtotal-Total Rents			**1,894.2**	**7.8**	**0.0**	**0.8**	**0.3**	**13.0**	**4.3**
Other Revenue:									
Sale of Sundry Junk Material	P60		3.0	0.0	0.0	-	-	0.0	0.0
Sale of Operating/Construction	P60		-	-	-	-	-	-	-
Patronage Dividends	O&ME		2.2	0.0	0.0	0.0	0.0	0.0	0.0
Joint Use Agreements	P50		36.3	-	-	-	-	0.6	0.2
Miscellaneous	O&ME		95.6	0.2	0.0	0.1	0.0	0.9	0.3
Transfers-Nonfirm	D12		669.0	-	-	-	-	10.7	3.6
Total Other Revenues			**806.1**	**0.3**	**0.0**	**0.1**	**0.0**	**12.2**	**4.1**
Total Other Operating Revenues			**2,776.3**	**8.3**	**0.0**	**0.9**	**0.4**	**25.7**	**8.6**
Total Operating Revenues			**88,544.5**	**52.0**	**0.5**	**681.8**	**281.5**	**187.0**	**61.1**

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North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Operating and Maintenance Expenses									
Production Expenses:									
Fuel		E10	13,236.4	-	-	169.5	72.3	-	-
Purchased Power - Energy-Related		E10	4,281.9	-	-	54.8	23.4	-	-
Purchased Power - Capacity-Related		D10	7,448.0	-	-	-	-	119.2	39.8
Other Production - Energy-Related		E10	-	-	-	-	-	-	-
Other Production - Capacity-Related		D10	9,447.9	-	-	-	-	151.2	50.5
Operation Supervision and Engineering		Z30	1,183.8	-	-	6.8	2.9	10.5	3.5
Total Production Expenses			**35,598.0**	**-**	**-**	**231.1**	**98.6**	**280.8**	**93.8**
Transmission Expenses:									
Transmission Expenses		D12	5,035.2	-	-	-	-	80.6	26.9
RTO Expenses		D12	-	-	-	-	-	-	-
Total Transmission Expenses			**5,035.2**	**-**	**-**	**-**	**-**	**80.6**	**26.9**
Distribution Expenses:									
Operation Supervision & Engineering		Z60	438.8	3.2	0.0	-	-	1.4	0.5
Station Expenses		P61	176 2	-	-	-	-	2.8	0.9
Overhead Line Expense		P6465	309.4	1.2	0.0	-	-	0.5	0.2
UG Line Expense		P6667	404.8	1.1	0.0	-	-	2.2	0.8
Street Lighting & Signal Systems		C370	41.9	-	-	-	-	-	-
Meter Expenses		P70	609.4	7.3	-	-	-	-	-
Customer Installations Expense		CTOT	199.2	0.8	0.0	-	-	-	-
Miscellaneous Expenses		Z60	1,271.4	9.3	0.0	-	-	4.1	1.4
Rents		P60	52.9	0.5	0.0	-	-	0.2	0.1
Total Distribution Operation Expenses			3,504.1	23.4	0 1	-	-	11.2	3.7
Maintenance Supervision & Engineering		Z60	257.1	1.9	0.0	-	-	0.8	0.3
Maintenance of Station Equipment		P61	113.2	-	-	-	-	1.8	0.6
Maintenance of OH lines		P6465	1,093.5	4.2	0.0	-	-	1.7	0.6
Maintenance of UG lines		P6667	285.2	0.8	0.0	-	-	1.6	0.5
Maintenance of Line Transformers		CW368	84.3	2.9	-	-	-	-	-
Maint of Street Lighting & Signals		Direct to Co-Own	86.5	-	-	-	-	-	-
Maintenance of Meters		P70	7.7	0.1	-	-	-	-	-
Maintenance of Miscellaneous Plant		P60	201.3	1.9	0.0	-	-	0.8	0.3
Total Distribution Maintenance Expenses			2,128.7	11.7	0.1	-	-	6.8	2.3
Total Distribution Expenses			**5,632.8**	**35.1**	**0.1**	**-**	**-**	**18.0**	**6.0**

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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Admin & General Expenses:									
Customer Accounting Exp		CWAC	2,568.5	12.1	0.1	-	-	-	-
Other Customer Service		CWCS	125.3	0.6	0.0	-	-	-	-
Subtotal Customer Accounting Expenses			2,693.8	12.6	0.1	-	-	-	-
Sales Expense		CWS	286.9	1.3	0.0	-	-	-	-
Property Insurance		NTPLT	445.8	1.3	0.0	0.1	0.0	5.5	1.8
PSC Regulatory Exp		NDREV	190 4	0.1	0.0	1.5	0.6	0.4	0.1
Other Adm & General		LABOR	10,986.7	36.4	0.2	21.3	9.1	70.9	23.7
Subtotal Administration & General			**14,603.6**	**51.7**	**0.3**	**22.9**	**9.8**	**76.8**	**25.7**
Total Operation & Maintenance Expenses			**60,869.5**	**86.8**	**0.5**	**254.0**	**108.3**	**456.2**	**152.4**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation		Total North Dakota	Irrigation & Pumping Power Service					
					Customer		Energy		Demand	
					Secondary	Primary	Secondary	Primary	Secondary	Primary
Depreciation Expense										
Depreciation Expense-Booked										
Production Plant - Base	66.7%	DNCP		4,314.1	-	-	-	-	68.4	22.9
Production Plant - Peak	33.3%	D10		2,153.8	-	-	-	-	34.5	11.5
Transmission Plant - Base	80.0%	DNCP		1,406.4	-	-	-	-	22.3	7.4
Transmission Plant - Peak	20.0%	D12		351.6	-	-	-	-	5.6	1.9
Distribution Plant:										
Land		CTOT	$	-	-	-	-	-	-	-
Rights of Way		CTOT	$	3.13	0.0	0.0	-	-	-	-
Station Equipment		DNCP	$	313.88	-	-	-	-	5.0	1.7
Poles, Towers, & Fixtures - Base		CTOT	$	404.67	1.7	0.0	-	-	-	-
Poles, Towers, & Fixtures - Peak		D10	$	-	-	-	-	-	-	-
Overhead Conductors & Device - Base		CTOT	$	249.01	1.1	0.0	-	-	-	-
Overhead Conductors & Device - Peak		D10	$	83.00	-	-	-	-	1.3	0.4
Underground Conduit - Base		CTOT	$	2.51	0.0	0.0	-	-	-	-
Underground Conduit - Peak		D10	$	-	-	-	-	-	-	-
Underground Conductors & Devices - Base		CTOT	$	319.46	1.4	0.0	-	-	-	-
Underground Conductors & Devices - Peak		D10	$	172.02	-	-	-	-	2.8	0.9
Line Transformers - Base		CW368	$	434.65	14.9	-	-	-	-	-
Line Transformers - Peak		DNCP	$	-	-	-	-	-	-	-
Services		CW369	$	799.67	2.4	-	-	-	-	-
Meters		CW370	$	158.12	1.9	-	-	-	-	-
Installation on Customer Premise		CRES	$	42.63	-	-	-	-	-	-
Street Light & Signal System		C370	$	78.94	-	-	-	-	-	-
General Plant		TPTD		212.9	0.5	0.0	-	-	2.8	0.9
Common Plant-Electric		LABOR		560.5	1.9	0 0	1.1	0.5	3.6	1.2
Amortization of Intangible -General		TPTD		252.2	0.6	0.0	-	-	3.3	1.1
Amortization of Intangible -Common		LABOR		743.2	2.5	0 0	1.4	0.6	4.8	1.6
Amortization of Acquisition Adjustment		P30		246.4	-	-	-	-	3.9	1.3
Total Book Depreciation				**13,302.7**	**28.7**	**0.1**	**2.5**	**1.1**	**158.2**	**52.9**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Taxes Other Than Income Taxes									
Taxes Other Than Income Taxes									
Payroll Related		LABOR	1,212.3	4.0	0.0	2.4	1.0	7.8	2.6
Gross Revenue Taxes:									
Montana PAC		NDREV	-	-	-	-	-	-	-
Montana Cons Council		NDREV	-	-	-	-	-	-	-
South Dakota		NDREV	-	-	-	-	-	-	-
Wyoming		NDREV	-	-	-	-	-	-	-
Total Gross Revenue Taxes			-	-	-	-	-	-	-
Electric Production Related Taxes:									
Montana Electric Tax		E10	110.4	-	-	1.4	0.6	-	-
ND Coal Conversion		E10	644.1	-	-	8.2	3.5	-	-
Total Electric Related Taxes			**754.5**	**-**	**-**	**9.7**	**4.1**	**-**	**-**
Property Taxes:									
Production		NP30	798 9	-	-	-	-	12.7	4.2
Transmission		NP50	533.7	-	-	-	-	8 5	2.8
Distribution		NP60	880.4	9.1	0.0	-	-	4.1	1.4
General		TPTD	74.2	0.2	0.0	-	-	1.0	0.3
Common		LABOR	182.8	0.6	0.0	0.4	0.2	1.2	0.4
Intangible		TPTD	83.7	0.2	0.0	-	-	1.1	0.4
Total Property Taxes			**2,553.7**	**10.1**	**0.0**	**0.4**	**0.2**	**28.5**	**9.5**
Franchise Taxes:									
By State		O&ME	-	-	-	-	-	-	-
Common-Delaware		BASE	58.3	0.2	0.0	0.0	0.0	0.7	0.2
Total Franchise Taxes			**58.3**	**0.2**	**0.0**	**0.0**	**0.0**	**0.7**	**0.2**
Other Taxes:									
Highway Use Tax		O&ME	0.8	0.0	0 0	0.0	0 0	0.0	0.0
Sect of State Filing Fee		NDREV	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Total Other Taxes			**1.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total Taxes Other Than Income Taxes			**4,580.2**	**14.3**	**0.0**	**12.4**	**5.3**	**37.1**	**12.4**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Income Tax Expense									
Summary Of Income Taxes									
Total Operating Revenues		From Above	88,544.5	52.0	0.5	681.8	281.5	187.0	61.1
Operation & Maintenance Expenses		From Above	60,869.5	86.8	0.5	254.0	108.3	456.2	152.4
Depreciation Expense		From Above	13,302.7	28.7	0.1	2.5	1.1	158.2	52.9
Other Taxes		From Above	4,580.2	14.3	0.0	12.4	5.3	37.1	12.4
Interest - Long Term (Book Method)		BASE	5,790.9	16.6	0.0	0.8	0.3	71.7	23.9
Net Operating Income-Pretax			**4,001.3**	**(94.5)**	**(0.1)**	**412.1**	**166.5**	**(536.1)**	**(180.5)**
Deductions and Adjustments:			-	-	-	-	-	-	-
Net M-1 Adjustments		From Below	1,971.2	10.8	0.0	(0.1)	(0.0)	10.7	3.6
Preferred Dividend Paid Deduction		From Below	-	-	-	-	-	-	-
Total Deductions & Adjustments			**1,971.2**	**10.8**	**0.0**	**(0.1)**	**(0.0)**	**10.7**	**3.6**
Taxable Income Before State Income Taxes			**5,972.5**	**(83.7)**	**(0.0)**	**412.0**	**166.4**	**(525.4)**	**(176.9)**
Federal Income Tax:									
Net Operating Income		From Above	5,972.5	(83.7)	(0.0)	412.0	166.4	(525.4)	(176.9)
Other Additions & Deductions-State Income Taxes		-From Below	(423.4)	5.9	0.0	(29.2)	(11.8)	37.3	12.5
Federal Taxable Income			**5,549.0**	**(77.7)**	**(0.0)**	**382.8**	**154.6**	**(488.1)**	**(164.4)**
Federal Tax @ 35%		35.00%	1,942.2	(27.2)	(0.0)	134.0	54.1	(170.9)	(57.5)
Less: Credits & Adjustments		BASE	-	-	-	-	-	-	-
Total Federal Income Taxes			**1,942.2**	**(27.2)**	**(0.0)**	**134.0**	**54.1**	**(170.9)**	**(57.5)**
State Income Taxes:									
Taxable Income Before State Income Taxes		From Above	5,972.5	(83.7)	(0.0)	412.0	166.4	(525.4)	(176.9)
Additions & Deductions			-	-	-	-	-	-	-
State Taxable Income			**5,972.5**	**(83.7)**	**(0.0)**	**412.0**	**166.4**	**(525.4)**	**(176.9)**
State Income Tax Rates		7.09%	7.09%	14.18%	14.18%	14.18%	14.18%	14.18%	14.18%
Total State Income Taxes			**423.4**	**(5.9)**	**(0.0)**	**29.2**	**11.8**	**(37.3)**	**(12.5)**
Total Income Taxes:									
Federal Income Taxes		From Above	1,942.2	(27.2)	(0.0)	134.0	54.1	(170.9)	(57.5)
State Income Taxes		From Above	423.4	(5.9)	(0.0)	29.2	11.8	(37.3)	(12.5)
Total Federal & State Income Taxes			**2,365.6**	**(33.1)**	**(0.0)**	**163.2**	**65.9**	**(208.1)**	**(70.1)**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
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ALLOCATION TO RATES

Description	Classify (Base/Peak)	Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Income Tax - Deductions and Adjustments									
Income Tax - Deductions & Adjustments									
Additions:									
Regulatory, NonCurrent:			-	-	-	-	-	-	-
Pension Expense		LABOR	(429.2)	(1.4)	(0.0)	(0.8)	(0.4)	(2.8)	(0.9)
VEBA		LABOR	281.4	0.9	0.0	0.5	0.2	1.8	0.6
Regulatory, Permanent		LABOR	66.9	0.2	0.0	0.1	0.1	0.4	0.1
Book Depreciation-Adjusted		DEP	13,302.7	83.0	0.3	-	-	42.5	14.2
Amortization - Debt Expense		BASE	510.9	1.5	0.0	0.1	0.0	6.3	2.1
Amortization Debt Loss/Discount		BASE	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Total Additions			**13,734.5**	**84.2**	**0.3**	**(0.1)**	**(0.0)**	**48.3**	**16.1**
Deductions:									
Tax Depreciation		DEP	11,763.3	73.4	0.3	-	-	37.6	12.6
Total Net M-1 Adjustments			**1,971.2**	**10.8**	**0.0**	**(0.1)**	**(0.0)**	**10.7**	**3.6**
Total Cost of Service			**98,706.8**	**135.6**	**0.6**	**271.7**	**115.9**	**635.4**	**200.1**
Total Cost of Service Excluding Other Revenue			**95,930.5**	**127.2**	**0.6**	**270.8**	**115.5**	**609.7**	**191.5**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Total Labor Expense-Labor	$		15,045.5	4,712.2	-	847.1	-	2,746.9	-
	%	Labor	100.00%	31.32%	0.00%	5.63%	0.00%	18.25%	0.00%
N Dakota Revenues At Current Rates - TY 2003	$		85,744,570.7	2,548,601.9	-	31,134,760.7	-	-	-
	%	NDREV	100.00%	2.97%	0.00%	36.31%	0.00%	0.00%	0.00%
Coincident Demand at the Generation Level	KW		325,162.3	-	-	-	-	143,370.7	-
	%	D10	100.00%	0.00%	0.00%	0.00%	0.00%	44.09%	0.00%
Coincident Demand at the Transmission Level	KW		325,162.3	-	-	-	-	143,370.7	-
	%	D12	100.00%	0.00%	0.00%	0.00%	0.00%	44.09%	0.00%
Non-coincident Demand at Supply - Primary	KW		492,678.0	-	-	-	-	278,176.9	-
	%	DNCP	100.00%	0.00%	0.00%	0.00%	0.00%	56.46%	0.00%
Noncoincident Demand at Supply - Secondary	KW	D15C	465,741.9	-	-	-	-	278,176.9	-
	%	DNCS	100.00%	0.00%	0.00%	0.00%	0.00%	59.73%	0.00%
Energy at the Generation Level	KWhs		1,446,573,490.7	-	-	536,982,421.3	-	-	-
	%	E10	100.00%	0.00%	0.00%	37.12%	0.00%	0.00%	0.00%
Energy at the Customer Level	KWhs		1,321,359,994.4	-	-	489,674,270.0	-	-	-
	%	MWH	100.00%	0.00%	0.00%	37.06%	0.00%	0.00%	0.00%
Customer Weighted Line Transformers	Count		2,219,877.9	713,655.0	-	-	-	-	-
	%	CW368	100.00%	31.88%	0.00%	0.00%	0.00%	0.00%	0.00%
Line Transformers (Maintenance)	$		63 5	20.3	-	-	-	-	-
	%	P65	100.00%	31.88%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Service Lines	Count		962,210.3	716,059.6	-	-	-	-	-
	%	CW369	100.00%	74.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Meters	Count		1,505,684.5	767,358.9	-	-	-	-	-
	%	CW370	100.00%	50.96%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Premises	$		-	-	-	-	-	-	-
	%	CW371	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		-	-	-	-	-	-	-
	%	CA373	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lights	Count		12,268.0	-	-	-	-	-	-
	%	C370	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Residential Customers	Count		721,947.0	721,947.0	-	-	-	-	-
	%	CRES	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Customers	Count		907,886.0	721,947.0	-	-	-	-	-
	%	CTOT	100.00%	79.52%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Accounting Costs	$		897,568.6	724,059.1	-	-	-	-	-
	%	CWAC	100.00%	80.67%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Customer Service	$		871,080.7	721,947.0	-	-	-	-	-
	%	CWCS	100.00%	82.89%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Sales Expense	$		859,848.9	721,734.0	-	-	-	-	-
	%	CWS	100.00%	83.94%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Advances	$		-	-	-	-	-	-	-
	%	CADV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Billed Revenues	$		-	-	-	-	-	-	-
	%	REV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Unbilled Revenues	$		-	-	-	-	-	-	-
	%	UNBILL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electric Plant in Service	$		413,897.5	50,068.1	-	1,374.2	-	172,288.9	-
	%	EPIS	100.00%	12.10%	0.00%	0.33%	0.00%	41.63%	0.00%
Net Electric Plant in Service	$		180,244.2	22,604.8	-	734.8	-	73,582.7	-
	%	NTPLT	100.00%	12.54%	0.00%	0.41%	0.00%	40.82%	0.00%
Total Electric Rate Base	$		143,596.8	18,008.7	-	585.4	-	58,621.8	-
	%	BASE	100.00%	12.54%	0.00%	0.41%	0.00%	40.82%	0.00%
Total Production Plant	$		200,389.6	-	-	-	-	104,889.8	-
	%	P30	100.00%	0.00%	0.00%	0.00%	0.00%	52.34%	0.00%
Net Production Plant	$		84,260.2	-	-	-	-	44,104.2	-
	%	NP30	100.00%	0.00%	0.00%	0.00%	0.00%	52.34%	0.00%
Total Transmission Plant	$		75,003.5	-	-	-	-	40,493.0	-
	%	P50	100.00%	0.00%	0.00%	0.00%	0.00%	53.99%	0.00%
Net Transmission Plant	$		31,368.9	-	-	-	-	16,935.5	-
	%	NP50	100.00%	0.00%	0.00%	0.00%	0.00%	53.99%	0.00%
Total Distribution Substations	$		16,208.0	-	-	-	-	9,151.4	-
	%	P61	100.00%	0.00%	0.00%	0.00%	0.00%	56.46%	0.00%
Total Distribution Overhead	$		19,409.4	13,904.3	-	-	-	848.3	-
	%	P6465	100.00%	71.64%	0.00%	0.00%	0.00%	4.37%	0.00%
Total Distribution Underground	$		18,413.9	9,562.2	-	-	-	2,817.0	-
	%	P6667	100.00%	51.93%	0.00%	0.00%	0.00%	15.30%	0.00%
Total Distribution Transformers	$		19,336.0	6,164.2	-	-	-	-	-
	%	P68	100.00%	31.88%	0.00%	0.00%	0.00%	0.00%	0.00%
Distribution Services	$		9,131.2	6,795.2	-	-	-	-	-
	%	P69	100.00%	74.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Meters	$		6,453.4	3,288.9	-	-	-	-	-
	%	P70	100.00%	50.96%	0.00%	0.00%	0.00%	0.00%	0.00%
Property Inside Customer Premises	$		-	-	-	-	-	-	-
	%	P71	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leased Property	$		496.0	394.4	-	-	-	-	-
	%	P72	100.00%	79.52%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		2,990.4	-	-	-	-	-	-
	%	P73	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Distribution Plant	$		93,246.3	40,917.5	-	-	-	12,816.7	-
	%	P60	100.00%	43.88%	0.00%	0.00%	0.00%	13.74%	0.00%
Net Distribution Plant	$		44,462.5	17,999.1	-	-	-	6,883.7	-
	%	NP60	100.00%	40.48%	0.00%	0.00%	0.00%	15.48%	0.00%
Total Prod, Trans & Distn Plant	$		368,639.4	40,917.5	-	-	-	158,199.5	-
	%	TPTD	100.00%	11.10%	0.00%	0.00%	0.00%	42.91%	0.00%
Net General Plant	$		4,666.5	518.0	-	-	-	2,002.6	-
	%	NP80	100.00%	11.10%	0.00%	0.00%	0.00%	42.91%	0.00%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
				Customer 10		Energy 10		Demand 10	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Primary Distribution N Dakota	$		-	-	-	-	-	-	-
	%	D20M	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total O&M Excluding Fuel and Purchased Power	$		35,903.2	8,899.8	-	686.3	-	9,426.5	-
	%	O&ME	100.00%	24.79%	0.00%	2.47%	0.00%	26.26%	0.00%
Subtotal Production Labor-Z30	$		2,547.0	-	-	423.3	-	620.2	-
	%	Z30	100.00%	0.00%	0.00%	16.62%	0.00%	24.35%	0.00%
Subtotal Distribution Labor-Z60	$		3,247.2	1,660.5	-	-	-	329.5	-
	%	Z60	100.00%	51.14%	0.00%	0.00%	0.00%	10.15%	0.00%
Total Distribution Expense	$		5,632.8	2,980.6	-	-	-	564.9	-
	%	DEP	100.00%	52.92%	0.00%	0.00%	0.00%	10.03%	0.00%
Development of the Labor Allocator			LABOR COST						
Production Expense:									
Demand-related		D10	1,406.7	-	-	-	-	620.2	-
Energy-related		E10	1,140.4	-	-	423.3	-	-	-
Subtotal Production-Z30	$		2,547.0	-	-	423.3	-	620.2	-
	%	Z30	100.00%	0.00%	0.00%	16.62%	0.00%	24.35%	0.00%
Supervision & Engineering		Z30	1,239.7	-	-	206.0	-	301.9	-
Total Production			3,786.7	-	-	629.3	-	922.1	-
Transmission Expense-P50		D12	1,647.4	-	-	-	-	726.4	-
Distribution Expense:									
Substations		P61	160.5	-	-	-	-	90.6	-
OH Lines		P6465	757.5	542.6	-	-	-	33.1	-
Underground		P6667	407.4	211.6	-	-	-	62.3	-
Meters		P70	574.0	292.5	-	-	-	-	-
Install - Customer Premises		CTOT	170.3	135.4	-	-	-	-	-
Street Lighting		C370	70.0	-	-	-	-	-	-
Line Transformers		CW368	63.5	20.3	-	-	-	-	-
Other		P60	1,044.0	458.1	-	-	-	143.5	-
Subtotal Distribution-Z60	$		3,247.2	1,660.5	-	-	-	329.5	-
	%	Z60	100.00%	51.14%	0.00%	0.00%	0.00%	10.15%	0.00%
Supervision & Engineering			614.5	314.2	-	-	-	62.4	-
Total Distribution			3,861.8	1,974.7	-	-	-	391.9	-
Customer Accounting-Z90		CWAC	1,619.5	1,306.4	-	-	-	-	-
Customer Service & Info		CWCS	81.8	67.8	-	-	-	-	-
Sales		CWS	181.1	152.0	-	-	-	-	-
Subtotal Before A & G	$	Sub-Total	11,178.1	3,500.9	-	629.3	-	2,040.4	-
	%		100.00%	31.32%	0.00%	5.63%	0.00%	18.25%	0.00%
Administrative & General			3,867.4	1,211.3	-	217.7	-	705.9	-
Total Labor Expense-Labor	$		15,045.5	4,712.2	-	847.1	-	2,746.3	-
	%		100.00%	31.32%	0.00%	5.63%	0.00%	18.25%	0.00%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Total Labor Expense-Labor	$		15,045.5	1,428.9	4.5	403.7	0.9	1,504.4	1.9
	%	Labor	100.00%	9.50%	0.03%	2.68%	0.01%	10.00%	0.01%
N Dakota Revenues At Current Rates - TY 2003	$		85,744,570.7	1,527,568.6	1,987.5	14,675,817.8	26,945.2	1,803,630.0	3,899.7
	%	NDREV	100.00%	1.78%	0.00%	17.12%	0.03%	2.10%	0.00%
Coincident Demand at the Generation Level	KW		325,162.3	-	-	-	-	82,352.8	101.8
	%	D10	100.00%	0.00%	0.00%	0.00%	0.00%	25.33%	0.03%
Coincident Demand at the Transmission Level	KW		325,162.3	-	-	-	-	82,352.8	101.8
	%	D12	100.00%	0.00%	0.00%	0.00%	0.00%	25.33%	0.03%
Non-coincident Demand at Supply - Primary	KW		492,678.0	-	-	-	-	94,036.9	146.2
	%	DNCP	100.00%	0.00%	0.00%	0.00%	0.00%	19.09%	0.03%
Noncoincident Demand at Supply - Secondary	KW	D15C	465,741.9	-	-	-	-	94,036.9	-
	%	DNCS	100.00%	0.00%	0.00%	0.00%	0.00%	20.19%	0.00%
Energy at the Generation Level	KWhs		1,446,573,490.7	-	-	255,915,689.1	561,820.9	-	-
	%	E10	100.00%	0.00%	0.00%	17.69%	0.04%	0.00%	0.00%
Energy at the Customer Level	KWhs		1,321,359,994.4	-	-	233,369,516.9	519,628.1	-	-
	%	MWH	100.00%	0.00%	0.00%	17.66%	0.04%	0.00%	0.00%
Customer Weighted Line Transformers	Count		2,219,877.9	1,237,689.3	-	-	-	-	-
	%	CW368	100.00%	55.33%	0.00%	0.00%	0.00%	0.00%	0.00%
Line Transformers (Maintenance)	$		63.5	35.2	-	-	-	-	-
	%	P65	100.00%	55.33%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Service Lines	Count		962,210.3	216,276.1	-	-	-	-	-
	%	CW369	100.00%	22.48%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Meters	Count		1,505,684.5	575,261.7	4,886.3	-	-	-	-
	%	CW370	100.00%	38.21%	0.32%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Premises	$		-	-	-	-	-	-	-
	%	CW371	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		-	-	-	-	-	-	-
	%	CA373	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lights	Count		12,266.0	407.0	-	-	-	-	-
	%	C370	100.00%	3.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Residential Customers	Count		721,947.0	-	-	-	-	-	-
	%	CRES	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Customers	Count		907,886.0	131,875.6	196.8	-	-	-	-
	%	CTOT	100.00%	14.53%	0.02%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Accounting Costs	$		897,568.6	145,810.0	238.9	-	-	-	-
	%	CWAC	100.00%	16.24%	0.03%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Customer Service	$		871,080.7	131,875.6	196.8	-	-	-	-
	%	CWCS	100.00%	15.14%	0.02%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Sales Expense	$		859,848.9	121,160.0	110.8	-	-	-	-
	%	CWS	100.00%	14.09%	0.01%	0.00%	0.00%	0.00%	0.00%
Customer Advances	$		-	-	-	-	-	-	-
	%	CADV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Billed Revenues	$		-	-	-	-	-	-	-
	%	REV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Unbilled Revenues	$		-	-	-	-	-	-	-
	%	UNBILL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electric Plant in Service	$		413,897.5	22,716.6	35.8	654.9	1.4	69,158.2	99.0
	%	EPIS	100.00%	5.49%	0.01%	0.16%	0.00%	16.71%	0.02%
Net Electric Plant in Service	$		180,244.2	10,852.4	19.6	350.2	0.8	29,616.3	42.4
	%	NTPLT	100.00%	6.02%	0.01%	0.19%	0.00%	16.43%	0.02%
Total Electric Rate Base	$		143,596.8	8,645.9	15.6	279.0	0.6	23,594.7	33.7
	%	BASE	100.00%	6.02%	0.01%	0.19%	0.00%	16.43%	0.02%
Total Production Plant	$		200,369.6	-	-	-	-	42,411.9	60.5
	%	P30	100.00%	0.00%	0.00%	0.00%	0.00%	21.16%	0.03%
Net Production Plant	$		84,260.2	-	-	-	-	17,833.4	25.5
	%	NP30	100.00%	0.00%	0.00%	0.00%	0.00%	21.16%	0.03%
Total Transmission Plant	$		75,003.5	-	-	-	-	15,251.8	22.5
	%	P50	100.00%	0.00%	0.00%	0.00%	0.00%	20.33%	0.03%
Net Transmission Plant	$		31,368.9	-	-	-	-	6,378.8	9.4
	%	NP50	100.00%	0.00%	0.00%	0.00%	0.00%	20.33%	0.03%
Total Distribution Substations	$		16,208.0	-	-	-	-	3,093.6	4.8
	%	P61	100.00%	0.00%	0.00%	0.00%	0.00%	19.09%	0.03%
Total Distribution Overhead	$		19,409.4	2,539.9	3.8	-	-	487.3	0.6
	%	P6465	100.00%	13.09%	0.02%	0.00%	0.00%	2.51%	0.00%
Total Distribution Underground	$		18,413.9	1,746.7	2.6	-	-	1,618.1	2.0
	%	P6667	100.00%	9.49%	0.01%	0.00%	0.00%	8.79%	0.01%
Total Distribution Transformers	$		19,336.0	10,698.6	-	-	-	-	-
	%	P68	100.00%	55.33%	0.00%	0.00%	0.00%	0.00%	0.00%
Distribution Services	$		9,131.2	2,052.4	-	-	-	-	-
	%	P69	100.00%	22.48%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Meters	$		6,453.4	2,465.6	20.9	-	-	-	-
	%	P70	100.00%	38.21%	0.32%	0.00%	0.00%	0.00%	0.00%
Property Inside Customer Premises	$		-	-	-	-	-	-	-
	%	P71	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leased Property	$		496.0	72.0	0.1	-	-	-	-
	%	P72	100.00%	14.53%	0.02%	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		2,990.4	99.2	-	-	-	-	-
	%	P73	100.00%	3.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Distribution Plant	$		93,246.3	19,674.4	27.4	-	-	5,199.0	7.4
	%	P60	100.00%	21.10%	0.03%	0.00%	0.00%	5.58%	0.01%
Net Distribution Plant	$		44,462.5	9,383.9	15.3	-	-	2,787.9	4.0
	%	NP60	100.00%	21.08%	0.03%	0.00%	0.00%	6.27%	0.01%
Total Prod, Trans & Distn Plant	$		368,639.4	19,674.4	27.4	-	-	62,862.7	90.4
	%	TPTD	100.00%	5.34%	0 01%	0.00%	0.00%	17.05%	0.02%
Net General Plant	$		4,668.5	249.1	0.3	-	-	795.8	1.1
	%	NP80	100.00%	5.34%	0.01%	0.00%	0.00%	17.05%	0.02%

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North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
				Customer 20		Energy 20		Demand 20	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Primary Distribution N Dakota	$		-	-	-	-	-	-	-
	%	D20M	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total O&M Excluding Fuel and Purchased Power	$		35,903.2	2,553.1	8.0	422.0	0.9	5,261.8	6.6
	%	O&ME	100.00%	7.11%	0.02%	1.18%	0.00%	14.66%	0.02%
Subtotal Production Labor-Z30	$		2,547.0	-	-	201.7	0.4	356.3	0.4
	%	Z30	100.00%	0.00%	0.00%	7.92%	0.02%	13.99%	0.02%
Subtotal Distribution Labor-Z60	$		3,247.2	639.6	2.4	-	-	143.7	0.2
	%	Z60	100.00%	19.70%	0.07%	0.00%	0.00%	4.42%	0.01%
Total Distribution Expense	$		5,632.8	1,002.8	4.0	-	-	252.3	0.3
	%	DEP	100.00%	17.80%	0.07%	0.00%	0.00%	4.48%	0.01%
Development of the Labor Allocator			LABOR COST						
Production Expense:									
Demand-related		D10	1,406.7	-	-	-	-	356.3	0.4
Energy-related		E10	1,140.4	-	-	201.7	0.4	-	-
Subtotal Production-Z30	$		2,547.0	-	-	201.7	0.4	356.3	0.4
	%	Z30	100.00%	0.00%	0.00%	7.92%	0.02%	13.99%	0.02%
Supervision & Engineering		Z30	1,239.7	-	-	98.2	0.2	173.4	0.2
Total Production			3,786.7	-	-	299.9	0.7	529.7	0.7
Transmission Expense-P50		D12	1,647.4	-	-	-	-	417.2	0.5
Distribution Expense:									
Substations		P61	160.5	-	-	-	-	30.6	0.0
OH Lines		P6465	757.5	99.1	0.1	-	-	19.0	0.0
Underground		P6667	407.4	38.6	0.1	-	-	35.8	0.0
Meters		P70	574.0	219.3	1.9	-	-	-	-
Install - Customer Premises		CTOT	170.3	24.7	0.0	-	-	-	-
Street Lighting		C370	70.0	2.3	-	-	-	-	-
Line Transformers		CW368	63.5	35.2	-	-	-	-	-
Other		P60	1,044.0	220.3	0.3	-	-	58.2	0.1
Subtotal Distribution-Z60	$		3,247.2	639.6	2.4	-	-	143.7	0.2
	%	Z60	100.00%	19.70%	0.07%	0.00%	0.00%	4.42%	0.01%
Supervision & Engineering			614.5	121.0	0.5	-	-	27.2	0.0
Total Distribution			3,861.6	760.6	2.9	-	-	170.8	0.2
Customer Accounting-Z90		CWAC	1,619.5	263.1	0.4	-	-	-	-
Customer Service & Info		CWCS	81.8	12.4	0.0	-	-	-	-
Sales		CWS	181.1	25.5	0.0	-	-	-	-
Subtotal Before A & G	$	Sub-Total	11,178.1	1,061.6	3.3	299.9	0.7	1,117.7	1.4
	%		100.00%	9.50%	0.03%	2.68%	0.01%	10.00%	0.01%
Administrative & General			3,867.4	367.3	1.2	103.8	0.2	386.7	0.5
Total Labor Expense-Labor	$		15,045.5	1,428.9	4.5	403.7	0.9	1,504.4	1.9
	%		100.00%	9.50%	0.03%	2.68%	0.01%	10.00%	0.01%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Total Labor Expense-Labor	$		15,045.5	164.7	26.2	710.6	240.9	1,362.5	333.7
	%	Labor	100.00%	1.09%	0.17%	4.72%	1.60%	8.99%	2.22%
N Dakota Revenues At Current Rates - TY 2003	$		85,744,570.7	132,298.0	9,834.0	17,607,476.5	5,440,649.5	6,610,075.0	1,580,827.5
	%	NDREV	100.00%	0.15%	0.01%	20.53%	6.35%	7.71%	1.84%
Coincident Demand at the Generation Level	KW		325,162.3	-	-	-	-	74,176.7	18,218.8
	%	D10	100.00%	0.00%	0.00%	0.00%	0.00%	22.81%	5.60%
Coincident Demand at the Transmission Level	KW		325,162.3	-	-	-	-	74,176.7	18,218.8
	%	D12	100.00%	0.00%	0.00%	0 00%	0.00%	22.81%	5.60%
Non-coincident Demand at Supply - Primary	KW		492,678.0	-	-	-	-	82,381.9	21,586.1
	%	DNCP	100.00%	0.00%	0.00%	0.00%	0.00%	16.72%	4.38%
Noncoincident Demand at Supply - Secondary	KW	D15C	465,741.9	-	-	-	-	82,381.9	-
	%	DNCS	100.00%	0.00%	0.00%	0 00%	0.00%	17 69%	0.00%
Energy at the Generation Level	KWhs		1,446,573,490.7	-	-	450,476,634.3	152,724,216.7	-	-
	%	E10	100.00%	0.00%	0.00%	31.14%	10.56%	0.00%	0.00%
Energy at the Customer Level	KWhs		1,321,359,994.4	-	-	410,789,642.8	141,254,628.0	-	-
	%	MWH	100.00%	0.00%	0 00%	31.09%	10.69%	0.00%	0.00%
Customer Weighted Line Transformers	Count		2,219,877.9	191,702.5	-	-	-	-	-
	%	CW368	100.00%	8.56%	0.00%	0.00%	0.00%	0.00%	0.00%
Line Transformers (Maintenance)	$		63.5	5.4	-	-	-	-	-
	%	P65	100.00%	8.56%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Service Lines	Count		962,210.3	27,040.8	-	-	-	-	-
	%	CW369	100.00%	2.81%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Meters	Count		1,505,684.5	102,110 0	35,377.7	-	-	-	-
	%	CW370	100.00%	6.78%	2.35%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Premises	$		-	-	-	-	-	-	-
	%	CW371	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		-	-	-	-	-	-	-
	%	CA373	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lights	Count		12,266.0	-	-	-	-	-	-
	%	C370	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Residential Customers	Count		721,947.0	-	-	-	-	-	-
	%	CRES	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Customers	Count		907,886.0	8,822.8	266.8	-	-	-	-
	%	CTOT	100.00%	0.97%	0.03%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Accounting Costs	$		897,568.6	10,458.4	445.6	-	-	-	-
	%	CWAC	100.00%	1.17%	0.05%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Customer Service	$		871,080.7	8,822.8	266.8	-	-	-	-
	%	CWCS	100.00%	1.01%	0.03%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Sales Expense	$		859,848.9	8,605.8	266.8	-	-	-	-
	%	CWS	100.00%	1.00%	0.03%	0.00%	0.00%	0.00%	0.00%
Customer Advances	$		-	-	-	-	-	-	-
	%	CADV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Billed Revenues	$		-	-	-	-	-	-	-
	%	REV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Unbilled Revenues	$		-	-	-	-	-	-	-
	%	UNBILL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electric Plant in Service	$		413,897.5	3,006.1	208.8	1,152.9	390.9	61,240.9	15,654.4
	%	EPIS	100.00%	0.73%	0.05%	0.28%	0.09%	14.80%	3.78%
Net Electric Plant in Service	$		180,244.2	1,449.3	115.3	616.4	209.0	26,229.8	6,702.5
	%	NTPLT	100.00%	0.80%	0.06%	0.34%	0.12%	14.55%	3.72%
Total Electric Rate Base	$		143,596.8	1,154.7	91.8	491.1	166.5	20,896.7	5,339.7
	%	BASE	100.00%	0.80%	0.06%	0.34%	0.12%	14.55%	3.72%
Total Production Plant	$		200,389.6	-	-	-	-	37,572.1	9,595.0
	%	P30	100.00%	0.00%	0.00%	0.00%	0.00%	18.75%	4.79%
Net Production Plant	$		84,260.2	-	-	-	-	15,798.4	4,034.5
	%	NP30	100.00%	0.00%	0.00%	0.00%	0.00%	18.75%	4.79%
Total Transmission Plant	$		75,003.5	-	-	-	-	13,455.2	3,469.4
	%	P50	100.00%	0.00%	0.00%	0.00%	0.00%	17.94%	4.63%
Net Transmission Plant	$		31,368.9	-	-	-	-	5,627.4	1,451.0
	%	NP50	100.00%	0.00%	0.00%	0.00%	0.00%	17.94%	4.63%
Total Distribution Substations	$		16,208.0	-	-	-	-	2,710.2	710.1
	%	P61	100.00%	0.00%	0.00%	0.00%	0.00%	16.72%	4.38%
Total Distribution Overhead	$		19,409.4	169.9	5.1	-	-	438.9	107.8
	%	P6465	100.00%	0.88%	0.03%	0.00%	0.00%	2.26%	0.56%
Total Distribution Underground	$		18,413.9	116.9	3.5	-	-	1,457.4	358.0
	%	P6667	100.00%	0.63%	0.02%	0.00%	0.00%	7.91%	1.94%
Total Distribution Transformers	$		19,336.0	1,655.8	-	-	-	-	-
	%	P68	100.00%	8.56%	0.00%	0.00%	0.00%	0.00%	0.00%
Distribution Services	$		9,131.2	256.6	-	-	-	-	-
	%	P69	100.00%	2.81%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Meters	$		6,453.4	437.6	151.6	-	-	-	-
	%	P70	100.00%	6.78%	2.35%	0.00%	0.00%	0 00%	0.00%
Property Inside Customer Premises	$		-	-	-	-	-	-	-
	%	P71	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leased Property	$		496.0	4.8	0.1	-	-	-	-
	%	P72	100.00%	0.97%	0.03%	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		2,990.4	-	-	-	-	-	-
	%	P73	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Distribution Plant	$		93,246.3	2,641.7	160.4	-	-	4,606.5	1,175.9
	%	P60	100.00%	2.83%	0.17%	0.00%	0.00%	4.94%	1.26%
Net Distribution Plant	$		44,462.5	1,273.0	90.5	-	-	2,470.0	630.6
	%	NP60	100.00%	2.86%	0.20%	0.00%	0.00%	5.56%	1.42%
Total Prod, Trans & Distn Plant	$		368,639.4	2,641.7	160.4	-	-	55,633.8	14,240.3
	%	TPTD	100.00%	0.72%	0.04%	0.00%	0.00%	15.09%	3.86%
Net General Plant	$		4,656.5	33.4	2.0	-	-	704.3	180.3
	%	NP80	100.00%	0.72%	0.04%	0.00%	0.00%	15.09%	3.86%

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North Dakota Electric Class Cost of Service Study
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ALLOCATION FACTORS

Description		Allocation	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
				Customer 30		Energy 30		Demand 30	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Primary Distribution N Dakota	$		-	-	-	-	-	-	-
	%	D20M	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total O&M Excluding Fuel and Purchased Power	$		35,903.2	284.5	45.6	724.6	244.5	4,744.9	1,168.6
	%	O&ME	100.00%	0.79%	0.13%	2.02%	0.68%	13.22%	3.25%
Subtotal Production Labor-Z30	$		2,547.0	-	-	355.1	120.4	320.9	78.8
	%	Z30	100.00%	0.00%	0.00%	13.94%	4.73%	12.60%	3.09%
Subtotal Distribution Labor-Z60	$		3,247.2	84.8	15.6	-	-	127.8	32.3
	%	Z60	100.00%	2.61%	0.48%	0.00%	0.00%	3.94%	1.00%
Total Distribution Expense	$		5,632.8	126.2	25.0	-	-	224.7	56.7
	%	DEP	100.00%	2.24%	0.44%	0.00%	0.00%	3.99%	1.01%
Development of the Labor Allocator			LABOR COST						
Production Expense:									
Demand-related		D10	1,406.7	-	-	-	-	320.9	78.8
Energy-related		E10	1,140.4	-	-	355.1	120.4	-	-
Subtotal Production-Z30	$		2,547.0	-	-	355.1	120.4	320.9	78.8
	%	Z30	100.00%	0.00%	0.00%	13.94%	4.73%	12.60%	3.09%
Supervision & Engineering		Z30	1,239.7	-	-	172.8	58.6	156.2	38.4
Total Production			3,786.7	-	-	528.0	179.0	477.1	117.2
Transmission Expense-P50		D12	1,647.4	-	-	-	-	375.8	92.3
Distribution Expense:									
Substations		P61	160.5	-	-	-	-	26.8	7.0
OH Lines		P6465	757.5	6.6	0.2	-	-	17.1	4.2
Underground		P6667	407.4	2.6	0.1	-	-	32.2	7.9
Meters		P70	574.0	38.9	13.5	-	-	-	-
Install - Customer Premises		CTOT	170.3	1.7	0.1	-	-	-	-
Street Lighting		C370	70.0	-	-	-	-	-	-
Line Transformers		CW368	63.5	5.4	-	-	-	-	-
Other		P60	1,044.0	29.6	1.8	-	-	51.6	13.2
Subtotal Distribution-Z60	$		3,247.2	84.8	15.6	-	-	127.8	32.3
	%	Z60	100.00%	2.61%	0.48%	0.00%	0.00%	3.94%	1.00%
Supervision & Engineering			614.5	16.1	3.0	-	-	24.2	6.1
Total Distribution			3,861.6	100.9	18.6	-	-	152.0	38.4
Customer Accounting-Z90		CWAC	1,619.5	18.9	0.8	-	-	-	-
Customer Service & Info		CWCS	81.8	0.8	0.0	-	-	-	-
Sales		CWS	181.1	1.8	0.1	-	-	-	-
Subtotal Before A & G	$	Sub-Total	11,178.1	122.4	19.5	528.0	179.0	1,004.8	247.9
	%		100.00%	1.09%	0.17%	4.72%	1.60%	8.99%	2.22%
Administrative & General			3,867.4	42.3	6.7	182.7	61.9	347.7	85.8
Total Labor Expense-Labor	$		15,045.5	164.7	26.2	710.6	240.9	1,352.5	333.7
	%		100.00%	1.09%	0.17%	4.72%	1.60%	8.99%	2.22%

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North Dakota Electric Class Cost of Service Study
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ALLOCATION FACTORS

Description		Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
				41- Customer	41 - Energy	41 - Demand
Total Labor Expense-Labor	$		15,045.5	302.0	37.1	6.6
	%	Labor	100.00%	2.01%	0.25%	0.04%
N Dakota Revenues At Current Rates - TY 2003	$		85,744,570.7	-	1,420,520.4	-
	%	NDREV	100.00%	0.00%	1.66%	0.00%
Coincident Demand at the Generation Level	KW		325,162.3	-	-	-
	%	D10	100.00%	0.00%	0.00%	0.00%
Coincident Demand at the Transmission Level	KW		325,162.3	-	-	-
	%	D12	100.00%	0.00%	0.00%	0.00%
Non-coincident Demand at Supply - Primary	KW		492,878.0	-	-	5,929.6
	%	DNCP	100.00%	0.00%	0.00%	1.20%
Noncoincident Demand at Supply - Secondary	KW	D15C	465,741.9	-	-	3,335.3
	%	DNCS	100.00%	0.00%	0.00%	0.72%
Energy at the Generation Level	KWhs		1,446,573,490.7	-	23,492,886.4	-
	%	E10	100.00%	0.00%	1.62%	0.00%
Energy at the Customer Level	KWhs		1,321,359,994.4	-	21,557,378.7	-
	%	MWH	100.00%	0.00%	1.63%	0.00%
Customer Weighted Line Transformers	Count		2,219,877.9	-	-	-
	%	CW368	100.00%	0.80%	0.00%	0.00%
Line Transformers (Maintenance)	$		63.5	0.5	-	-
	%	P65	100.00%	0.80%	0.00%	0.00%
Customer Weighted Service Lines	Count		962,210.3	-	-	-
	%	CW369	100.00%	0.00%	0.00%	0.00%
Customer Weighted Meters	Count		1,505,684.5	2,744.0	-	-
	%	CW370	100.00%	0.18%	0.00%	0.00%
Customer Weighted Premises	$		-	-	-	-
	%	CW371	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		-	-	-	-
	%	CA373	0.00%	0.00%	0.00%	0.00%
Street Lights	Count		12,266.0	11,859.0	-	-
	%	C370	100.00%	96.68%	0.00%	0.00%
Residential Customers	Count		721,947.0	-	-	-
	%	CRES	100.00%	-	-	-
Total Customers	Count		907,886.0	40,894.6	-	-
	%	CTOT	100.00%	4.50%	0.00%	0.00%
Customer Weighted Accounting Costs	$		897,568.6	12,281.7	-	-
	%	CWAC	100.00%	1.37%	0.00%	0.00%
Customer Weighted Customer Service	$		871,080.7	4,089.5	-	-
	%	CWCS	100.00%	0.47%	0.00%	0.00%
Customer Weighted Sales Expense	$		859,848.9	4,089.5	-	-
	%	CWS	100.00%	0.48%	0.00%	0.00%
Customer Advances	$		-	-	-	-
	%	CADV	0.00%	0.00%	0.00%	0.00%

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Description		Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
				41- Customer	41 - Energy	41 - Demand
Billed Revenues	$		-	-	-	-
	%	REV	0.00%	0.00%	0.00%	0.00%
Net Unbilled Revenues	$		-	-	-	-
	%	UNBILL	0.00%	0.00%	0.00%	0.00%
Electric Plant in Service	$		413,897.5	5,062.4	60.1	2,688.0
	%	EPIS	100.00%	1.22%	0.01%	0.65%
Net Electric Plant in Service	$		180,244.2	2,415.1	32.1	1,140.8
	%	NTPLT	100.00%	1.34%	0.02%	0.63%
Total Electric Rate Base	$		143,596.8	1,924.1	25.6	908.9
	%	BASE	100.00%	1.34%	0.02%	0.63%
Total Production Plant	$		200,389.6	-	-	1,608.6
	%	P30	100.00%	0.00%	0.00%	0.80%
Net Production Plant	$		84,260.2	-	-	676.4
	%	NP30	100.00%	0.00%	0.00%	0.80%
Total Transmission Plant	$		75,003.5	-	-	722.2
	%	P50	100.00%	0.00%	0.00%	0.96%
Net Transmission Plant	$		31,368.9	-	-	302.0
	%	NP50	100.00%	0.00%	0.00%	0.96%
Total Distribution Substations	$		16,208.0	-	-	195.1
	%	P61	100.00%	0.00%	0.00%	1.20%
Total Distribution Overhead	$		19,409.4	787.6	-	-
	%	P6465	100.00%	4.06%	0.00%	0.00%
Total Distribution Underground	$		18,413.9	541.7	-	-
	%	P6667	100.00%	2.94%	0.00%	0.00%
Total Distribution Transformers	$		19,336.0	155.5	-	-
	%	P68	100.00%	0.80%	0.00%	0.00%
Distribution Services	$		9,131.2	-	-	-
	%	P69	100.00%	0.00%	0.00%	0.00%
Total Meters	$		6,453.4	11.8	-	-
	%	P70	100.00%	0.18%	0.00%	0.00%
Property Inside Customer Premises	$		-	-	-	-
	%	P71	0.00%	0.00%	0.00%	0.00%
Leased Property	$		496.0	22.3	-	-
	%	P72	100.00%	4.50%	0.00%	0.00%
Street Lighting	$		2,990.4	2,891.2	-	-
	%	P73	100.00%	96.68%	0.00%	0.00%
Total Distribution Plant	$		93,246.3	4,410.1	-	195.1
	%	P60	100.00%	4.73%	0.00%	0.21%
Net Distribution Plant	$		44,462.5	2,097.3	-	105.2
	%	NP60	100.00%	4.72%	0.00%	0.24%
Total Prod, Trans & Distn Plant	$		368,639.4	4,410.1	-	2,525.9
	%	TPTD	100.00%	1.20%	0.00%	0.69%
Net General Plant	$		4,666.5	55.8	-	32.0
	%	NP80	100.00%	1.20%	0.00%	0.69%

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North Dakota Electric Class Cost of Service Study
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ALLOCATION FACTORS

Description		Allocation	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
				41- Customer	41 - Energy	41 - Demand
Primary Distribution N Dakota	$		-	-	-	-
	%	D20M	0.00%	0.00%	0.00%	0.00%
Total O&M Excluding Fuel and Purchased Power	$		35,903.2	593.1	36.9	14.1
	%	O&ME	100.00%	1.65%	0.11%	0.04%
Subtotal Production Labor-Z30	$		2,547.0	-	18.5	-
	%	Z30	100.00%	0.00%	0.73%	0.00%
Subtotal Distribution Labor-Z60	$		3,247.2	169.0	-	4.1
	%	Z60	100.00%	5.20%	0.00%	0.13%
Total Distribution Expense	$		5,632.8	329.5	-	6.5
	%	DEP	100.00%	5.85%	0.00%	0.12%
Development of the Labor Allocator			LABOR COST			
Production Expense:						
Demand-related		D10	1,406.7	-	-	-
Energy-related		E10	1,140.4	-	18.5	-
Subtotal Production-Z30	$		2,547.0	-	18.5	-
	%	Z30	100.00%	0.00%	0.73%	0.00%
Supervision & Engineering		Z30	1,239.7	-	9.0	-
Total Production			3,786.7	-	27.5	-
Transmission Expense-P50		D12	1,647.4	-	-	-
Distribution Expense:						
Substations		P61	160.5	-	-	1.9
OH Lines		P6465	757.5	30.7	-	-
Underground		P6667	407.4	12.0	-	-
Meters		P70	574.0	1.0	-	-
Install - Customer Premises		CTOT	170.3	7.7	-	-
Street Lighting		C370	70.0	67.7	-	-
Line Transformers		CW368	63.5	0.5	-	-
Other		P60	1,044.0	49.4	-	2.2
Subtotal Distribution-Z60	$		3,247.2	169.0	-	4.1
	%	Z60	100.00%	5.20%	0.00%	0.13%
Supervision & Engineering			614.5	32.0	-	0.8
Total Distribution			3,861.6	201.0	-	4.9
Customer Accounting-Z90		CWAC	1,619.5	22.2	-	-
Customer Service & Info		CWCS	81.8	0.4	-	-
Sales		CWS	181.1	0.9	-	-
Subtotal Before A & G	$	Sub-Total	11,178.1	224.4	27.5	4.9
	%		100.00%	2.01%	0.25%	0.04%
Administrative & General			3,867.4	77.6	9.5	1.7
Total Labor Expense-Labor	$		15,045.5	302.0	37.1	6.6
	%		100.00%	2.01%	0.25%	0.04%

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North Dakota Electric Class Cost of Service Study
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ALLOCATION FACTORS

Description		Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Total Labor Expense-Labor	$		15,045.5	49.6	0.2	29.2	12.5	97.1	32.6
	%	Labor	100.00%	0.33%	0.00%	0.19%	0.08%	0.65%	0.22%
N Dakota Revenues At Current Rates - TY 2003	$		85,744,570.7	43,633.2	530.4	680,709.8	281,032.6	161,270.5	52,502.1
	%	NDREV	100.00%	0.05%	0.00%	0.79%	0.33%	0.19%	0.06%
Coincident Demand at the Generation Level	KW		326,162.3	-	-	-	-	5,203.2	1,738.4
	%	D10	100.00%	0.00%	0.00%	0.00%	0.00%	1.60%	0.53%
Coincident Demand at the Transmission Level	KW		325,162.3	-	-	-	-	5,203.2	1,738.4
	%	D12	100.00%	0.00%	0.00%	0.00%	0.00%	1.60%	0.53%
Non-coincident Demand at Supply - Primary	KW		492,878.0	-	-	-	-	7,811.0	2,609.6
	%	DNCP	100.00%	0.00%	0.00%	0.00%	0.00%	1.59%	0.53%
Noncoincident Demand at Supply - Secondary	KW	D15C	465,741.9	-	-	-	-	7,811.0	-
	%	DNCS	100.00%	0.00%	0.00%	0.00%	0.00%	1.68%	0.00%
Energy at the Generation Level	KWhs		1,446,573,490.7	-	-	18,520,270.3	7,899,551.7	-	-
	%	E10	100.00%	0.00%	0.00%	1.28%	0.55%	0.00%	0.00%
Energy at the Customer Level	KWhs		1,321,359,994.4	-	-	16,888,634.5	7,306,295.4	-	-
	%	MWH	100.00%	0.00%	0.00%	1.28%	0.55%	0.00%	0.00%
Customer Weighted Line Transformers	Count		2,219,877.9	76,631.1	-	-	-	-	-
	%	CW368	100.00%	3.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Line Transformers (Maintenance)	$		63.5	2.2	-	-	-	-	-
	%	P65	100.00%	3.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Service Lines	Count		962,210.3	2,833.9	-	-	-	-	-
	%	CW369	100.00%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Meters	Count		1,505,684.5	17,945.9	-	-	-	-	-
	%	CW370	100.00%	1.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Premises	$		-	-	-	-	-	-	-
	%	CW371	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		-	-	-	-	-	-	-
	%	CA373	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lights	Count		12,268.0	-	-	-	-	-	-
	%	C370	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Residential Customers	Count		721,947.0	-	-	-	-	-	-
	%	CRES	100.00%	-	-	-	-	-	-
Total Customers	Count		907,886.0	3,838.8	43.2	-	-	-	-
	%	CTOT	100.00%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Accounting Costs	$		897,568.6	4,227.5	47.5	-	-	-	-
	%	CWAC	100.00%	0.47%	0.01%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Customer Service	$		871,080.7	3,838.8	43.2	-	-	-	-
	%	CWCS	100.00%	0.44%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Weighted Sales Expense	$		859,848.9	3,838.8	43.2	-	-	-	-
	%	CWS	100.00%	0.45%	0.01%	0.00%	0.00%	0.00%	0.00%
Customer Advances	$		-	-	-	-	-	-	-
	%	CADV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Billed Revenues	$		-	-	-	-	-	-	-
	%	REV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Unbilled Revenues	$		-	-	-	-	-	-	-
	%	UNBILL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electric Plant in Service	$		413,897.5	1,006.3	1.9	47.4	20.2	5,217.0	1,743.0
	%	EPIS	100.00%	0.24%	0.00%	0.01%	0.00%	1.26%	0.42%
Net Electric Plant in Service	$		180,244.2	516.6	1.0	25.3	10.8	2,230.9	745.3
	%	NTPLT	100.00%	0.29%	0.00%	0.01%	0.01%	1.24%	0.41%
Total Electric Rate Base	$		143,596.8	411.5	0.8	20.2	8.6	1,777.3	593.8
	%	BASE	100.00%	0.29%	0.00%	0.01%	0.01%	1.24%	0.41%
Total Production Plant	$		200,389.6	-	-	-	-	3,186.8	1,064.7
	%	P30	100.00%	0.00%	0.00%	0.00%	0.00%	1.59%	0.53%
Net Production Plant	$		84,260.2	-	-	-	-	1,340.0	447.7
	%	NP30	100.00%	0.00%	0.00%	0.00%	0.00%	1.59%	0.53%
Total Transmission Plant	$		75,003.5	-	-	-	-	1,191.3	398.0
	%	P50	100.00%	0.00%	0.00%	0.00%	0.00%	1.59%	0.53%
Net Transmission Plant	$		31,368.9	-	-	-	-	498.3	166.5
	%	NP50	100.00%	0.00%	0.00%	0.00%	0.00%	1.59%	0.53%
Total Distribution Substations	$		16,208.0	-	-	-	-	257.0	85.9
	%	P61	100.00%	0.00%	0.00%	0.00%	0.00%	1.59%	0.53%
Total Distribution Overhead	$		19,409.4	73.9	0.8	-	-	30.8	10.3
	%	P6465	100.00%	0.38%	0.00%	0.00%	0.00%	0.16%	0.05%
Total Distribution Underground	$		18,413.9	50.8	0.8	-	-	102.2	34.2
	%	P6667	100.00%	0.28%	0.00%	0.00%	0.00%	0.56%	0.19%
Total Distribution Transformers	$		19,336.0	661.9	-	-	-	-	-
	%	P68	100.00%	3.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Distribution Services	$		9,131.2	26.9	-	-	-	-	-
	%	P69	100.00%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Meters	$		6,453.4	76.9	-	-	-	-	-
	%	P70	100.00%	1.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Property Inside Customer Premises	$		-	-	-	-	-	-	-
	%	P71	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leased Property	$		496.0	2.1	0.0	-	-	-	-
	%	P72	100.00%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Street Lighting	$		2,990.4	-	-	-	-	-	-
	%	P73	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Distribution Plant	$		93,246.3	892.6	1.4	-	-	390.0	130.3
	%	P60	100.00%	0.96%	0.00%	0.00%	0.00%	0.42%	0.14%
Net Distribution Plant	$		44,462.5	462.0	0.8	-	-	209.3	69.9
	%	NP60	100.00%	1.04%	0.00%	0.00%	0.00%	0.47%	0.16%
Total Prod, Trans & Distn Plant	$		368,639.4	892.6	1.4	-	-	4,768.2	1,593.0
	%	TPTD	100.00%	0.24%	0.00%	0.00%	0.00%	1.29%	0.43%
Net General Plant	$		4,666.5	11.3	0.0	-	-	60.4	20.2
	%	NP80	100.00%	0.24%	0.00%	0.00%	0.00%	1.29%	0.43%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION FACTORS

Description		Allocation	Total North Dakota	Irrigation & Pumping Power Service					
				Customer		Energy		Demand	
				Secondary	Primary	Secondary	Primary	Secondary	Primary
Primary Distribution N Dakota	$		-	-	-	-	-	-	-
	%	D20M	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total O&M Excluding Fuel and Purchased Power	$		35,903.2	86.8	0.5	29.7	12.6	337.0	112.6
	%	O&ME	100.00%	0.24%	0.00%	0.08%	0.04%	0.94%	0.31%
Subtotal Production Labor-Z30	$		2,547.0	-	-	14.6	6.2	22.5	7.5
	%	Z30	100.00%	0.00%	0.00%	0.57%	0.24%	0.88%	0.30%
Subtotal Distribution Labor-Z60	$		3,247.2	23.7	0.1	-	-	10.4	3.5
	%	Z60	100.00%	0.73%	0.00%	0.00%	0.00%	0.32%	0.11%
Total Distribution Expense	$		5,632.8	35.1	0.1	-	-	18.0	6.0
	%	DEP	100.00%	0.62%	0.00%	0.00%	0.00%	0.32%	0.11%
Development of the Labor Allocator			LABOR COST						
Production Expense:									
Demand-related		D10	1,406.7	-	-	-	-	22.5	7.5
Energy-related		E10	1,140.4	-	-	14.6	6.2	-	-
Subtotal Production-Z30	$		2,547.0	-	-	14.6	6.2	22.5	7.5
	%	Z30	100.00%	0.00%	0.00%	0.57%	0.24%	0.88%	0.30%
Supervision & Engineering		Z30	1,239.7	-	-	7.1	3.0	11.0	3.7
Total Production			3,786.7	-	-	21.7	9.3	33.5	11.2
Transmission Expense-P50		D12	1,647.4	-	-	-	-	26.4	8.8
Distribution Expense:									
Substations		P61	160.5	-	-	-	-	2.5	0.9
OH Lines		P6465	757.5	2.9	0.0	-	-	1.2	0.4
Underground		P6667	407.4	1.1	0.0	-	-	2.3	0.8
Meters		P70	574.0	6.8	-	-	-	-	-
Install - Customer Premises		CTOT	170.3	0.7	0.0	-	-	-	-
Street Lighting		C370	70.0	-	-	-	-	-	-
Line Transformers		CW368	63.5	2.2	-	-	-	-	-
Other		P60	1,044.0	10.0	0.0	-	-	4.4	1.5
Subtotal Distribution-Z60	$		3,247.2	23.7	0.1	-	-	10.4	3.5
	%	Z60	100.00%	0.73%	0.00%	0.00%	0.00%	0.32%	0.11%
Supervision & Engineering			614.5	4.5	0.0	-	-	2.0	0.7
Total Distribution			3,861.6	28.2	0.1	-	-	12.3	4.1
Customer Accounting-Z90		CWAC	1,619.5	7.6	0.1	-	-	-	-
Customer Service & Info		CWCS	81.8	0.4	0.0	-	-	-	-
Sales		CWS	181.1	0.8	0.0	-	-	-	-
Subtotal Before A & G	$	Sub-Total	11,178.1	37.0	0.2	21.7	9.3	72.2	24.1
	%		100.00%	0.33%	0.00%	0.19%	0.08%	0.65%	0.22%
Administrative & General			3,867.4	12.8	0.1	7.5	3.2	25.0	8.3
Total Labor Expense-Labor	$		15,045.5	49.8	0.2	29.2	12.5	97.1	32.5
	%		100.00%	0.33%	0.00%	0.19%	0.08%	0.65%	0.22%

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
			Customer 10		Energy 10		Demand 10	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
CUSTOMER COSTS								
Admin & General Expenses		2,693.8	2,175.8	-	-	-	-	-
Less Other Operating Revenues		-	-	-	-	-	-	-
CUSTOMER COSTS TO BE RECOVERED		**2,693.8**	**2,175.8**	**-**	**-**	**-**	**-**	**-**
DEMAND - BASE COSTS								
Rate Base								
Production Plant - Base		56,201.5	-	-	-	-	31,732.6	-
Transmission Plant - Base		25,095.1	-	-	-	-	14,169.2	-
Distribution Plant		-	-	-	-	-	-	-
Base Plant		24,697.1	12,690.9	-	-	-	4,933.5	-
Services		(382.8)	(284.9)	-	-	-	-	-
Meters		3,653.7	1,862.1	-	-	-	-	-
Installation on Customer Premise		451.7	451.7	-	-	-	-	-
Street Light & Signal System		1,333.2	-	-	-	-	-	-
Total Distribution Plant		**40,039.5**	**17,999.1**	**-**	**-**	**-**	**4,933.5**	**-**
General Plant		4,666.5	518.0	-	-	-	2,002.6	-
Common Plant		13,051.6	4,087.7	-	734.8	-	2,382.3	-
Electric Acquisition Adjustment		2,434.6	-	-	-	-	1,274.3	-
Construction Work in Progress		-	-	-	-	-	-	-
Net Electric Plant In-Service		**141,488.8**	**22,604.8**	**-**	**734.8**	**-**	**56,494.6**	**-**
Other Ratebase Items		**(36,647.4)**	**(4,596.0)**	**-**	**(149.4)**	**-**	**(14,960.9)**	**-**
Total Ratebase		**104,841.4**	**18,008.7**	**-**	**585.4**	**-**	**41,533.7**	**-**
Required Return (After Tax)	**73.01%**	**10,669.6**	**1,832.7**	**-**	**59.6**	**-**	**4,226.8**	**-**
Revenue Reallocation	**73.01%**	**(0.0)**	**(1,839.7)**	**-**	**(59.8)**	**-**	**(4,242.9)**	**-**
Expenses								
Operating & Maintenance		11,851.7	2,980.6	-	196.7	-	3,073.2	-
Admin & General		11,909.8	3,743.3	-	689.5	-	2,187.4	-
Total Expenses		**23,761.5**	**6,724.0**	**-**	**886.3**	**-**	**5,260.7**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
			Customer 10		Energy 10		Demand 10	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
Depreciation Expense								
Production Plant		4,314.1	-	-	-	-	2,435.8	-
Transmission Plant		1,406.4	-	-	-	-	794.1	-
Distribution Plant		-	-	-	-	-	-	-
Base Plant		1,292.7	778.3	-	-	-	177.2	-
Services		799.7	595.1	-	-	-	-	-
Meters		158.1	80.6	-	-	-	-	-
Installation on Customer Premise		42.6	42.6	-	-	-	-	-
Street Light & Signal System		78.9	-	-	-	-	-	-
Total Distribution Plant		**2,806.6**	**1,635.2**	**-**	**-**	**-**	**177.2**	**-**
General Plant		212.9	23.6	-	-	-	91.4	-
Common Plant-Electric		560.5	175.5	-	31.6	-	102.3	-
Amortization of Intangible -General		252.2	28.0	-	-	-	108.2	-
Amortization of Intangible -Common		743.2	232.8	-	41.8	-	135.7	-
Amortization of Acquisition Adjustment		246.4	-	-	-	-	129.0	-
Total Depreciation Expense		**10,542.3**	**2,095.1**	**-**	**73.4**	**-**	**3,973.7**	**-**
Taxes Other Than Income Taxes								
Property and Franchise Taxes	78.5%	2,050.4	344.2	-	8.3	-	759.5	-
Other Taxes excluding Production-related Taxes		1,213.7	379.9	-	68.5	-	221.5	-
Total Taxes Other Than Income Taxes		**3,264.1**	**724.1**	**-**	**76.8**	**-**	**981.0**	**-**
Income Taxes	**73.01%**	**960.5**	**165.0**	**-**	**5.4**	**-**	**380.5**	**-**
Income Tax on Revenue Deficiency	**73.01%**	**2,938.8**	**504.8**	**-**	**16.4**	**-**	**1,164.2**	**-**
Less Other Operating Revenues		**(2,776.3)**	**(331.0)**	**-**	**(25.8)**	**-**	**(775.9)**	**-**
BASE COSTS TO BE RECOVERED		**49,360.5**	**9,875.0**	**-**	**1,032.2**	**-**	**10,968.1**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
			Customer 10		Energy 10		Demand 10	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
DEMAND - PEAK COSTS								
Rate base								
Production Plant - Peak		28,058.6	-	-	-	-	12,371.6	-
Transmission Plant - Peak		6,273.8	-	-	-	-	2,766.2	-
Distribution Plant - Peak		4,423.0	-	-	-	-	1,950.2	-
Total Rate base		**38,755.4**	**-**	**-**	**-**	**-**	**17,088.0**	**-**
Required Return (After Tax)	**26.99%**	**3,944.1**	**-**	**-**	**-**	**-**	**1,739.0**	**-**
Revenue Reallocation	**26.99%**	**(0.0)**	**-**	**-**	**-**	**-**	**(2,270.6)**	**-**
Expenses								
Purchased Power - Capacity-Related		7,448.0	-	-	-	-	3,284.0	-
Other Production - Capacity-Related		9,447.9	-	-	-	-	4,165.8	-
Total Expenses		**16,895.9**	**-**	**-**	**-**	**-**	**7,449.7**	**-**
Depreciation Expense-Booked								
Production Plant - Peak		2,153.8	-	-	-	-	949.7	-
Transmission Plant - Peak		351.6	-	-	-	-	155.0	-
Distribution Plant - Peak		255.0	-	-	-	-	112.4	-
Total Depreciation Expense		**2,760.4**	**-**	**-**	**-**	**-**	**1,217.1**	**-**
Taxes Other Than Income Taxes								
Property and Franchise Taxes:	21.50%	561.6	94.3	-	2.3	-	208.0	-
Total Taxes Other than Income Taxes		**561.6**	**94.3**	**-**	**2.3**	**-**	**208.0**	**-**
Income Taxes	**26.99%**	**355.1**	**-**	**-**	**-**	**-**	**156.6**	**-**
Income Tax on Revenue Deficiency	**26.99%**	**1,086.3**	**-**	**-**	**-**	**-**	**479.0**	**-**
Less Other Operating Revenues		**-**	**-**	**-**	**-**	**-**	**-**	**-**
PEAK COSTS TO BE RECOVERED		**25,603.4**	**94.3**	**-**	**2.3**	**-**	**8,978.9**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	10 - Residential Electric Service (Including Rates 11, 13, 50 Res, 56 Res and 16 (TOD))					
			Customer 10		Energy 10		Demand 10	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
ENERGY COSTS								
Operating and Maintenance Expenses								
Fuel		13,236.4	-	-	4,913.5	-	-	-
Purchased Power - Energy-Related		4,281.9	-	-	1,589.5	-	-	-
Other Production - Energy-Related		-	-	-	-	-	-	-
Total Operating and Maintenance Expenses		**17,518.3**	-	-	**6,503.0**	-	-	-
Taxes Other Than Income Taxes								
Electric Production Related Taxes:		-	-	-	-	-	-	-
Montana Electric Tax		110.4	-	-	41.0	-	-	-
ND Coal Conversion		644.1	-	-	239.1	-	-	-
Total Taxes Other than Income Taxes		**754.5**	-	-	**280.1**	-	-	-
Less Other Operating Revenues		-	-	-	-	-	-	-
ENERGY COSTS TO BE RECOVERED		**18,272.8**	-	-	**6,783.0**	-	-	-
NUMBER OF ACTUAL BILLING DETERMINANTS		-	713,655.2	-	489,674,269.5	-	-	-
TOTAL COST OF SERVICE TO BE RECOVERED THROUGH RATES		**95,930.5**	**12,145.1**	-	**7,817.5**	-	**19,947.0**	-

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
			Customer 20		Energy 20		Demand 20	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
CUSTOMER COSTS								
Admin & General Expenses		2,693.8	266.5	-	-	-	-	-
Less Other Operating Revenues		-	-	-	-	-	-	-
CUSTOMER COSTS TO BE RECOVERED		**2,693.8**	**266.5**	**-**	**-**	**-**	**-**	**-**
DEMAND - BASE COSTS								
Rate Base								
Production Plant - Base		56,201.5	-	-	-	-	4,000.9	-
Transmission Plant - Base		25,095.1	-	-	-	-	1,786.5	-
Distribution Plant		-	-	-	-	-	-	-
Base Plant		24,697.1	1,028.0	-	-	-	622.0	-
Services		(382.8)	(51.3)	-	-	-	-	-
Meters		3,653.7	513.3	-	-	-	-	-
Installation on Customer Premise		451.7	-	-	-	-	-	-
Street Light & Signal System		1,333.2	44.2	-	-	-	-	-
Total Distribution Plant		**40,039.5**	**3,922.1**	**-**	**-**	**-**	**622.0**	**-**
General Plant		4,666.5	104.2	-	-	-	292.9	-
Common Plant		13,051.6	526.6	-	129.6	-	470.5	-
Electric Acquisition Adjustment		2,434.6	-	-	-	-	189.4	-
Construction Work in Progress		-	-	-	-	-	-	-
Net Electric Plant In-Service		**141,488.8**	**4,552.9**	**-**	**129.6**	**-**	**7,362.3**	**-**
Other Ratebase Items		**(36,647.4)**	**(925.7)**	**-**	**(26.3)**	**-**	**(2,214.5)**	**-**
Total Ratebase		**104,841.4**	**3,627.2**	**-**	**103.2**	**-**	**5,147.8**	**-**
Required Return (After Tax)	**73.01%**	**10,669.6**	**369.1**	**-**	**10.5**	**-**	**523.9**	**-**
Revenue Reallocation	**73.01%**	**(0.0)**	**3.7**	**-**	**0.1**	**-**	**2.2**	**-**
Expenses								
Operating & Maintenance		11,851.7	426.3	-	30.2	-	528.4	-
Admin & General		11,909.8	337.7	-	105.5	-	367.6	-
Total Expenses		**23,761.5**	**763.9**	**-**	**135.7**	**-**	**896.0**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
			Customer 20		Energy 20		Demand 20	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
Depreciation Expense								
Production Plant		4,314.1	-	-	-	-	307.1	-
Transmission Plant		1,406.4	-	-	-	-	100.1	-
Distribution Plant		-	-	-	-	-	-	-
Base Plant		1,292.7	63.0	-	-	-	22.3	-
Services		799.7	107.2	-	-	-	-	-
Meters		158.1	22.2	-	-	-	-	-
Installation on Customer Premise		42.6	-	-	-	-	-	-
Street Light & Signal System		78.9	2.6	-	-	-	-	-
Total Distribution Plant		**2,806.6**	**296.0**	**-**	**-**	**-**	**22.3**	**-**
General Plant		212.9	4.8	-	-	-	13.4	-
Common Plant-Electric		560.5	22.6	-	5.6	-	20.2	-
Amortization of Intangible -General		252.2	5.6	-	-	-	15.8	-
Amortization of Intangible -Common		743.2	30.0	-	7.4	-	26.8	-
Amortization of Acquisition Adjustment		246.4	-	-	-	-	19.2	-
Total Depreciation Expense		**10,542.3**	**359.0**	**-**	**12.9**	**-**	**524.9**	**-**
Taxes Other Than Income Taxes								
Property and Franchise Taxes	78.5%	2,050.4	70.7	-	1.5	-	111.9	-
Other Taxes excluding Production-related Taxes		1,213.7	48.9	-	12.1	-	43.7	-
Total Taxes Other Than Income Taxes		**3,264.1**	**119.6**	**-**	**13.5**	**-**	**155.7**	**-**
Income Taxes	**73.01%**	**960.5**	**33.2**	**-**	**0.9**	**-**	**47.2**	**-**
Income Tax on Revenue Deficiency	**73.01%**	**2,938.8**	**101.7**	**-**	**2.9**	**-**	**144.3**	**-**
Less Other Operating Revenues		**(2,776.3)**	**(71.1)**	**-**	**(4.5)**	**-**	**(136.3)**	**-**
BASE COSTS TO BE RECOVERED		**49,360.5**	**1,679.1**	**-**	**172.0**	**-**	**2,158.0**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
			Customer 20		Energy 20		Demand 20	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
DEMAND - PEAK COSTS								
Rate base								
Production Plant - Peak		28,058.6	-	-	-	-	2,321.0	-
Transmission Plant - Peak		6,273.8	-	-	-	-	519.0	-
Distribution Plant - Peak		4,423.0	-	-	-	-	365.9	-
Total Rate base		**38,755.4**	**-**	**-**	**-**	**-**	**3,205.9**	**-**
Required Return (After Tax)	**26.99%**	**3,944.1**	**-**	**-**	**-**	**-**	**326.3**	**-**
Revenue Reallocation	**26.99%**	**(0.0)**	**-**	**-**	**-**	**-**	**44.0**	**-**
Expenses								
Purchased Power - Capacity-Related		7,448.0	-	-	-	-	587.1	-
Other Production - Capacity-Related		9,447.9	-	-	-	-	744.7	-
Total Expenses		**16,895.9**	**-**	**-**	**-**	**-**	**1,331.8**	**-**
Depreciation Expense-Booked								
Production Plant - Peak		2,153.8	-	-	-	-	178.2	-
Transmission Plant - Peak		351.6	-	-	-	-	29.1	-
Distribution Plant - Peak		255.0	-	-	-	-	21.1	-
Total Depreciation Expense		**2,760.4**	**-**	**-**	**-**	**-**	**228.3**	**-**
Taxes Other Than Income Taxes								
Property and Franchise Taxes:	21.50%	561.6	19.4	-	0.4	-	30.7	-
Total Taxes Other than Income Taxes		**561.6**	**19.4**	**-**	**0.4**	**-**	**30.7**	**-**
Income Taxes	**26.99%**	**355.1**	**-**	**-**	**-**	**-**	**29.4**	**-**
Income Tax on Revenue Deficiency	**26.99%**	**1,086.3**	**-**	**-**	**-**	**-**	**89.9**	**-**
Less Other Operating Revenues		**-**	**-**	**-**	**-**	**-**	**-**	**-**
PEAK COSTS TO BE RECOVERED		**25,603.4**	**19.4**	**-**	**0.4**	**-**	**2,080.4**	**-**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	20 - Small General (Including Rates 22,23, 401, 50 Com, 56 Com, 410 and 27)					
			Customer 20		Energy 20		Demand 20	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
ENERGY COSTS								
Operating and Maintenance Expenses								
Fuel		13,236.4	-	-	754.9	-	-	-
Purchased Power - Energy-Related		4,281.9	-	-	244.2	-	-	-
Other Production - Energy-Related		-	-	-	-	-	-	-
Total Operating and Maintenance Expenses		**17,518.3**	-	-	**999.2**	-	-	-
Taxes Other Than Income Taxes								
Electric Production Related Taxes:		-	-	-	-	-	-	-
Montana Electric Tax		110.4	-	-	6.3	-	-	-
ND Coal Conversion		644.1	-	-	36.7	-	-	-
Total Taxes Other than Income Taxes		**754.5**	-	-	**43.0**	-	-	-
Less Other Operating Revenues		-	-	-	-	-	-	-
ENERGY COSTS TO BE RECOVERED		**18,272.8**	-	-	**1,042.2**	-	-	-
NUMBER OF ACTUAL BILLING DETERMINANTS		-	91,928.8	-	64,206,365.8	-	5,190.2	-
TOTAL COST OF SERVICE TO BE RECOVERED THROUGH RATES		**95,930.5**	**1,965.0**	-	**1,214.6**	-	**4,238.3**	-

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
			Customer 30		Energy 30		Demand 30	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
CUSTOMER COSTS								
Admin & General Expenses		2,693.8	201.5	1.5	-	-	-	-
Less Other Operating Revenues		-	-	-	-	-	-	-
CUSTOMER COSTS TO BE RECOVERED		**2,693.8**	**201.5**	**1.5**	**-**	**-**	**-**	**-**
DEMAND - BASE COSTS								
Rate Base								
Production Plant - Base		56,201.5	-	-	-	-	16,128.1	2,474.7
Transmission Plant - Base		25,095.1	-	-	-	-	7,201.5	1,105.0
Distribution Plant		-	-	-	-	-	-	-
Base Plant		24,697.1	1,448.1	5.4	-	-	2,507.4	384.7
Services		(382.8)	(45.5)	-	-	-	-	-
Meters		3,653.7	1,133.4	94.7	-	-	-	-
Installation on Customer Premise		451.7	-	-	-	-	-	-
Street Light & Signal System		1,333.2	-	-	-	-	-	-
Total Distribution Plant		**40,039.5**	**6,720.6**	**100.1**	**-**	**-**	**2,507.4**	**384.7**
General Plant		4,666.5	178.4	2.2	-	-	1,207.3	181.2
Common Plant		13,051.6	857.2	25.1	837.3	209.6	2,007.9	291.0
Electric Acquisition Adjustment		2,434.6	-	-	-	-	782.5	117.2
Construction Work in Progress		-	-	-	-	-	-	-
Net Electric Plant In-Service		**141,488.8**	**7,756.2**	**127.4**	**837.3**	**209.6**	**29,834.8**	**4,553.9**
Other Ratebase Items		**(36,647.4)**	**(1,577.0)**	**(25.9)**	**(170.2)**	**(42.6)**	**(9,141.8)**	**(1,369.7)**
Total Ratebase		**104,841.4**	**6,179.2**	**101.5**	**667.1**	**167.0**	**20,693.0**	**3,184.1**
Required Return (After Tax)	**73.01%**	**10,669.6**	**628.9**	**10.3**	**67.9**	**17.0**	**2,105.9**	**324.0**
Revenue Reallocation	**73.01%**	**(0.0)**	**423.2**	**34.1**	**181.7**	**61.8**	**4,454.6**	**1,175.8**
Expenses								
Operating & Maintenance		11,851.7	704.2	27.5	228.6	56.1	2,687.3	377.4
Admin & General		11,909.8	903.9	22.4	782.5	189.1	1,875.6	265.2
Total Expenses		**23,761.5**	**1,608.1**	**49.9**	**1,011.1**	**245.2**	**4,562.8**	**642.6**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
			Customer 30		Energy 30		Demand 30	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
Depreciation Expense								
Production Plant		4,314.1	-	-	-	-	1,238.0	190.0
Transmission Plant		1,406.4	-	-	-	-	403.6	61.9
Distribution Plant		-	-	-	-	-	-	-
Base Plant		1,292.7	88.8	0.3	-	-	90.1	13.8
Services		799.7	95.0	-	-	-	-	-
Meters		158.1	49.0	4.1	-	-	-	-
Installation on Customer Premise		42.6	-	-	-	-	-	-
Street Light & Signal System		78.9	-	-	-	-	-	-
Total Distribution Plant		**2,806.6**	**409.6**	**4.4**	**-**	**-**	**90.1**	**13.8**
General Plant		212.9	8.1	0.1	-	-	55.1	8.3
Common Plant-Electric		560.5	36.8	1.1	36.0	9.0	86.2	12.5
Amortization of Intangible -General		252.2	9.6	0.1	-	-	65.2	9.8
Amortization of Intangible -Common		743.2	48.8	1.4	47.7	11.9	114 3	16.6
Amortization of Acquisition Adjustment		246.4	-	-	-	-	79.2	11.9
Total Depreciation Expense		**10,542.3**	**513.0**	**7.2**	**83.6**	**20.9**	**2,131.8**	**324.7**
Taxes Other Than Income Taxes								
Property and Franchise Taxes	78.5%	2,050.4	120.6	1.9	9.4	2.4	461.8	69.2
Other Taxes excluding Production-related Taxes		1,213.7	79.7	2.3	78.0	19.5	186.7	27.1
Total Taxes Other Than Income Taxes		**3,264.1**	**200.3**	**4.3**	**87.4**	**21.9**	**648.6**	**96.3**
Income Taxes	**73.01%**	**960.5**	**56.6**	**0.9**	**6.1**	**1.5**	**189.6**	**29.2**
Income Tax on Revenue Deficiency	**73.01%**	**2,938.8**	**173.2**	**2.8**	**18.7**	**4.7**	**580.0**	**89.3**
Less Other Operating Revenues		**(2,776.3)**	**(122.4)**	**(1.5)**	**(29.3)**	**(7.3)**	**(574.4)**	**(84.3)**
BASE COSTS TO BE RECOVERED		**49,360.5**	**3,480.8**	**108.0**	**1,427.2**	**365.6**	**14,098.9**	**2,597.6**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
			Customer 30		Energy 30		Demand 30	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
DEMAND - PEAK COSTS								
Rate base								
Production Plant - Peak		28,058.6	-	-	-	-	11,186.5	1,580.5
Transmission Plant - Peak		6,273.8	-	-	-	-	2,501.2	353.4
Distribution Plant - Peak		4,423.0	-	-	-	-	1,763.4	249.1
Total Rate base		**38,755.4**	**-**	**-**	**-**	**-**	**15,451.1**	**2,183.1**
Required Return (After Tax)	**26.99%**	**3,944.1**	**-**	**-**	**-**	**-**	**1,572.4**	**222.2**
Revenue Reallocation	**26.99%**	**(0.0)**	**-**	**-**	**-**	**-**	**1,877.7**	**462.6**
Expenses								
Purchased Power - Capacity-Related		7,448.0	-	-	-	-	2,998.4	419.5
Other Production - Capacity-Related		9,447.9	-	-	-	-	3,803.5	532.2
Total Expenses		**16,895.9**	**-**	**-**	**-**	**-**	**6,801.8**	**951.8**
Depreciation Expense-Booked								
Production Plant - Peak		2,153.8	-	-	-	-	858.7	121.3
Transmission Plant - Peak		351.6	-	-	-	-	140.2	19.8
Distribution Plant - Peak		255 0	-	-	-	-	101.7	144
Total Depreciation Expense		**2,760.4**	**-**	**-**	**-**	**-**	**1,100.5**	**155.5**
Taxes Other Than Income Taxes								
Property and Franchise Taxes:	21.50%	561.6	33.0	0.5	2.6	0.6	126.5	19.0
Total Taxes Other than Income Taxes		**561.6**	**33.0**	**0.5**	**2.6**	**0.6**	**126.5**	**19.0**
Income Taxes	**26.99%**	**355.1**	**-**	**-**	**-**	**-**	**141.6**	**20.0**
Income Tax on Revenue Deficiency	**26.99%**	**1,086.3**	**-**	**-**	**-**	**-**	**433.1**	**61.2**
Less Other Operating Revenues		**-**	**-**	**-**	**-**	**-**	**-**	**-**
PEAK COSTS TO BE RECOVERED		**25,603.4**	**33.0**	**0.5**	**2.6**	**0.6**	**12,053.7**	**1,892.2**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	30 - Large General Electric (Including Rates 26&31 (TOD) and 39)					
			Customer 30		Energy 30		Demand 30	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
ENERGY COSTS								
Operating and Maintenance Expenses								
Fuel		13,236.4	-	-	5,710.0	1,401.3	-	-
Purchased Power - Energy-Related		4,281.9	-	-	1,847.2	453 3	-	-
Other Production - Energy-Related		-	-	-	-	-	-	-
Total Operating and Maintenance Expenses		**17,518.3**	**-**	**-**	**7,557.1**	**1,854.6**	**-**	**-**
Taxes Other Than Income Taxes								
Electric Production Related Taxes:		-	-	-	-	-	-	-
Montana Electric Tax		110.4	-	-	47.6	11.7	-	-
ND Coal Conversion		644.1	-	-	277.8	68.2	-	-
Total Taxes Other than Income Taxes		**754.5**	**-**	**-**	**325.5**	**79.9**	**-**	**-**
Less Other Operating Revenues		-	-	-	-	-	-	-
ENERGY COSTS TO BE RECOVERED		**18,272.8**	**-**	**-**	**7,882.6**	**1,934.5**	**-**	**-**
NUMBER OF ACTUAL BILLING DETERMINANTS		-	43,242.2	304.3	580,083,535.0	141,643,513.3	1,882,395.5	331,863.6
TOTAL COST OF SERVICE TO BE RECOVERED THROUGH RATES		**95,930.5**	**3,715.3**	**110.0**	**9,312.4**	**2,300.8**	**26,152.6**	**4,489.8**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
			41- Customer	41 - Energy	41 - Demand
CUSTOMER COSTS					
Admin & General Expenses		2,693.8	35.7	-	-
Less Other Operating Revenues		-	-	-	-
CUSTOMER COSTS TO BE RECOVERED		**2,693.8**	**35.7**	**-**	**-**
DEMAND - BASE COSTS					
Rate Base					
Production Plant - Base		56,201.5	-	-	676.4
Transmission Plant - Base		25,095.1	-	-	302.0
Distribution Plant		-	-	-	-
Base Plant		24,697.1	718.9	-	105.2
Services		(382.8)	-	-	-
Meters		3,653.7	6.7	-	-
Installation on Customer Premise		451.7	-	-	-
Street Light & Signal System		1,333.2	1,289.0	-	-
Total Distribution Plant		**40,039.5**	**2,097.3**	**-**	**105.2**
General Plant		4,666.5	55.8	-	32.0
Common Plant		13,051.6	262.0	32.1	5.7
Electric Acquisition Adjustment		2,434.6	-	-	19.5
Construction Work in Progress		-	-	-	-
Net Electric Plant In-Service		**141,488.8**	**2,415.1**	**32.1**	**1,140.8**
Other Ratebase Items		**(36,647.4)**	**(491.0)**	**(6.5)**	**(232.0)**
Total Ratebase		**104,841.4**	**1,924.1**	**25.6**	**908.9**
Required Return (After Tax)	**73.01%**	**10,669.6**	**195.8**	**2.6**	**92.5**
Revenue Reallocation	**73.01%**	**(0.0)**	**64.3**	**1.3**	**47.5**
Expenses					
Operating & Maintenance		11,851.7	329.5	8.6	6.5
Admin & General		11,909.8	227.9	30.3	7.6
Total Expenses		**23,761.5**	**557.4**	**38.9**	**14.1**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
			41- Customer	41 - Energy	41 - Demand
Depreciation Expense					
Production Plant		4,314.1	-	-	51.9
Transmission Plant		1,406.4	-	-	16.9
Distribution Plant		-	-	-	-
Base Plant		1,292.7	44.1	-	3.8
Services		799.7	-	-	-
Meters		158.1	0.3	-	-
Installation on Customer Premise		42.6	-	-	-
Street Light & Signal System		78.9	76.3	-	-
Total Distribution Plant		**2,806.6**	**124.2**	**-**	**3.8**
General Plant		212.9	2.5	-	1.5
Common Plant-Electric		560.5	11.3	1.4	0.2
Amortization of Intangible -General		252.2	3.0	-	1.7
Amortization of Intangible -Common		743.2	14.9	1.8	0.3
Amortization of Acquisition Adjustment		246.4	-	-	2.0
Total Depreciation Expense		**10,542.3**	**155.9**	**3.2**	**78.4**
Taxes Other Than Income Taxes					
Property and Franchise Taxes	78.5%	2,050.4	37.6	0.4	11.9
Other Taxes excluding Production-related Taxes		1,213.7	24.4	3.0	0.5
Total Taxes Other Than Income Taxes		**3,264.1**	**61.9**	**3.4**	**12.4**
Income Taxes	**73.01%**	**960.5**	**17.6**	**0.2**	**8.3**
Income Tax on Revenue Deficiency	**73.01%**	**2,938.8**	**53.9**	**0.7**	**25.5**
Less Other Operating Revenues		**(2,776.3)**	**(561.0)**	**(1.1)**	**(6.4)**
BASE COSTS TO BE RECOVERED		**49,360.5**	**545.9**	**49.2**	**272.4**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
			41- Customer	41 - Energy	41 - Demand
DEMAND - PEAK COSTS					
Rate base					
Production Plant - Peak		28,058.6	-	-	-
Transmission Plant - Peak		6,273.8	-	-	-
Distribution Plant - Peak		4,423.0	-	-	-
Total Rate base		**38,755.4**	-	-	-
Required Return (After Tax)	**26.99%**	**3,944.1**	-	-	-
Revenue Reallocation	**26.99%**	**(0.0)**	-	-	-
Expenses					
Purchased Power - Capacity-Related		7,448.0	-	-	-
Other Production - Capacity-Related		9,447.9	-	-	-
Total Expenses		**16,895.9**	-	-	-
Depreciation Expense-Booked					
Production Plant - Peak		2,153.8	-	-	-
Transmission Plant - Peak		351.6	-	-	-
Distribution Plant - Peak		255.0	-	-	-
Total Depreciation Expense		**2,760.4**	-	-	-
Taxes Other Than Income Taxes					
Property and Franchise Taxes:	21.50%	561.6	10.3	0.1	3.3
Total Taxes Other than Income Taxes		**561.6**	**10.3**	**0.1**	**3.3**
Income Taxes	**26.99%**	**355.1**	-	-	-
Income Tax on Revenue Deficiency	**26.99%**	**1,086.3**	-	-	-
Less Other Operating Revenues		-	-	-	-
PEAK COSTS TO BE RECOVERED		**25,603.4**	**10.3**	**0.1**	**3.3**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	41 - Street Lighting (Includes 420, 412, 422, 52)		
			41- Customer	41 - Energy	41 - Demand
ENERGY COSTS					
Operating and Maintenance Expenses					
Fuel		13,236.4	-	215.0	-
Purchased Power - Energy-Related		4,281.9	-	69.5	-
Other Production - Energy-Related		-	-	-	-
Total Operating and Maintenance Expenses		**17,518.3**	**-**	**284.5**	**-**
Taxes Other Than Income Taxes					
Electric Production Related Taxes:		-	-	-	-
Montana Electric Tax		110.4	-	1.8	-
ND Coal Conversion		644.1	-	10.5	-
Total Taxes Other than Income Taxes		**754.5**	**-**	**12.3**	**-**
Less Other Operating Revenues		-	-	-	-
ENERGY COSTS TO BE RECOVERED		**18,272.8**	**-**	**296.8**	**-**
NUMBER OF ACTUAL BILLING DETERMINANTS		-	40,895.1	21,557,377.7	-
TOTAL COST OF SERVICE TO BE RECOVERED THROUGH RATES		**95,930.5**	**591.9**	**346.1**	**275.6**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	Irrigation & Pumping Power Service					
			Customer		Energy		Demand	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
CUSTOMER COSTS								
Admin & General Expenses		2,693.8	12.6	0.1	-	-	-	-
Less Other Operating Revenues		-	-	-	-	-	-	-
CUSTOMER COSTS TO BE RECOVERED		**2,693.8**	**12.6**	**0.1**	**-**	**-**	**-**	**-**
DEMAND - BASE COSTS								
Rate Base								
Production Plant - Base		56,201.5	-	-	-	-	891.0	297.7
Transmission Plant - Base		25,095.1	-	-	-	-	397.9	132.9
Distribution Plant		-	-	-	-	-	-	-
Base Plant		24,697.1	67.5	0.8	-	-	138.5	46.3
Services		(382.8)	(1.1)	-	-	-	-	-
Meters		3,653.7	43.5	-	-	-	-	-
Installation on Customer Premise		451.7	-	-	-	-	-	-
Street Light & Signal System		1,333.2	-	-	-	-	-	-
Total Distribution Plant		**40,039.5**	**462.0**	**0.8**	**-**	**-**	**138.5**	**46.3**
General Plant		4,666.5	11.3	0.0	-	-	60.4	20 2
Common Plant		13,051.6	43.2	0.2	25.3	10.8	84.3	28.2
Electric Acquisition Adjustment		2,434.6	-	-	-	-	38.7	12.9
Construction Work in Progress		-	-	-	-	-	-	-
Net Electric Plant In-Service		**141,488.8**	**516.6**	**1.0**	**25.3**	**10.8**	**1,610.7**	**538.1**
Other Ratebase Items		**(36,647.4)**	**(105.0)**	**(0.2)**	**(5.2)**	**(2.2)**	**(453.6)**	**(151.5)**
Total Ratebase		**104,841.4**	**411.5**	**0.8**	**20.2**	**8.6**	**1,157.2**	**386.6**
Required Return (After Tax)	**73.01%**	**10,669.6**	**41.9**	**0.1**	**2.1**	**0.9**	**117.8**	**39.3**
Revenue Reallocation	**73.01%**	**(0.0)**	**(64.0)**	**(0.1)**	**(3.3)**	**(1.5)**	**(173.6)**	**(65.3)**
Expenses								
Operating & Maintenance		11,851.7	35.1	0.1	6.8	2.9	109.0	36.4
Admin & General		11,909.8	39.1	0.2	22.9	9.8	76.8	25.7
Total Expenses		**23,761.5**	**74.2**	**0.3**	**29.7**	**12.6**	**185.8**	**62.1**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	Irrigation & Pumping Power Service					
			Customer		Energy		Demand	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
Depreciation Expense								
Production Plant		4,314.1	-	-	-	-	68.4	22.9
Transmission Plant		1,406.4	-	-	-	-	22.3	7.4
Distribution Plant		-	-	-	-	-	-	-
Base Plant		1,292.7	4.1	0.0	-	-	5.0	1.7
Services		799.7	2.4	-	-	-	-	-
Meters		158.1	1.9	-	-	-	-	-
Installation on Customer Premise		42.6	-	-	-	-	-	-
Street Light & Signal System		78.9	-	-	-	-	-	-
Total Distribution Plant		**2,806.6**	**23.3**	**0.0**	**-**	**-**	**5.0**	**1.7**
General Plant		212.9	0.5	0.0	-	-	2.8	0.9
Common Plant-Electric		560.5	1.9	0.0	1.1	0 5	3.6	1.2
Amortization of Intangible -General		252.2	0.6	0.0	-	-	3.3	1.1
Amortization of Intangible -Common		743.2	2.5	0.0	1.4	0.6	4.8	1.6
Amortization of Acquisition Adjustment		246.4	-	-	-	-	3.9	1.3
Total Depreciation Expense		**10,542.3**	**28.7**	**0.1**	**2.5**	**1.1**	**114.0**	**38.1**
Taxes Other Than Income Taxes								
Property and Franchise Taxes	78.5%	2,050.4	8.1	0.0	0.3	0.1	23.0	7.7
Other Taxes excluding Production-related Taxes		1,213.7	4.0	0.0	2.4	1.0	7.8	2.6
Total Taxes Other Than Income Taxes		**3,264.1**	**12.1**	**0.0**	**2.6**	**1.1**	**30.8**	**10.3**
Income Taxes	**73.01%**	**960.5**	**3.8**	**0.0**	**0.2**	**0.1**	**10.6**	**3.5**
Income Tax on Revenue Deficiency	**73.01%**	**2,938.8**	**11.5**	**0.0**	**0.6**	**0.2**	**32.4**	**10.8**
Less Other Operating Revenues		**(2,776.3)**	**(8.3)**	**(0.0)**	**(0.9)**	**(0.4)**	**(25.7)**	**(8.6)**
BASE COSTS TO BE RECOVERED		**49,360.5**	**99.8**	**0.4**	**33.5**	**14.2**	**292.1**	**90.3**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	Irrigation & Pumping Power Service					
			Customer		Energy		Demand	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
DEMAND - PEAK COSTS								
Rate base								
Production Plant - Peak		28,058.6	-	-	-	-	449.0	150.0
Transmission Plant - Peak		6,273.8	-	-	-	-	100.4	33.5
Distribution Plant - Peak		4,423.0	-	-	-	-	70.8	23.6
Total Rate base		**38,755.4**	**-**	**-**	**-**	**-**	**620.2**	**207.2**
Required Return (After Tax)	**26.99%**	**3,944.1**	**-**	**-**	**-**	**-**	**63.1**	**21.1**
Revenue Reallocation	**26.99%**	**(0.0)**	**-**	**-**	**-**	**-**	**(82.7)**	**(31.1)**
Expenses								
Purchased Power - Capacity-Related		7,448.0	-	-	-	-	119.2	39.8
Other Production - Capacity-Related		9,447.9	-	-	-	-	151.2	50.5
Total Expenses		**16,895.9**	**-**	**-**	**-**	**-**	**270.4**	**90.3**
Depreciation Expense-Booked								
Production Plant - Peak		2,153.8	-	-	-	-	34.5	11.5
Transmission Plant - Peak		351.6	-	-	-	-	5.6	1.9
Distribution Plant - Peak		255.0	-	-	-	-	4.1	1.4
Total Depreciation Expense		**2,760.4**	**-**	**-**	**-**	**-**	**44.2**	**14.8**
Taxes Other Than Income Taxes								
Property and Franchise Taxes:	21.50%	561.6	2.2	0.0	0.1	0.0	6.3	2.1
Total Taxes Other than Income Taxes		**561.6**	**2.2**	**0.0**	**0.1**	**0.0**	**6.3**	**2.1**
Income Taxes	**26.99%**	**355.1**	**-**	**-**	**-**	**-**	**5.7**	**1.9**
Income Tax on Revenue Deficiency	**26.99%**	**1,086.3**	**-**	**-**	**-**	**-**	**17.4**	**5.8**
Less Other Operating Revenues		**-**	**-**	**-**	**-**	**-**	**-**	**-**
PEAK COSTS TO BE RECOVERED		**25,603.4**	**2.2**	**0.0**	**0.1**	**0.0**	**324.3**	**104.9**

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Montana-Dakota Utilities Co.

North Dakota Electric Class Cost of Service Study
For the Test Period Ending December 31, 2003
ALLOCATION SUMMARY

Description	Classify (Base/Peak)	Total North Dakota	Irrigation & Pumping Power Service					
			Customer		Energy		Demand	
			Secondary	Primary	Secondary	Primary	Secondary	Primary
ENERGY COSTS								
Operating and Maintenance Expenses								
Fuel		13,236.4	-	-	169.5	72.3	-	-
Purchased Power - Energy-Related		4,281.9	-	-	54.8	23.4	-	-
Other Production - Energy-Related		-	-	-	-	-	-	-
Total Operating and Maintenance Expenses		**17,518.3**	**-**	**-**	**224.3**	**95.7**	**-**	**-**
Taxes Other Than Income Taxes								
Electric Production Related Taxes:		-	-	-	-	-	-	-
Montana Electric Tax		110.4	-	-	1.4	0.6	-	-
ND Coal Conversion		644.1	-	-	8.2	3.5	-	-
Total Taxes Other than Income Taxes		**754.5**	**-**	**-**	**9.7**	**4.1**	**-**	**-**
Less Other Operating Revenues		-	-	-	-	-	-	-
ENERGY COSTS TO BE RECOVERED		**18,272.8**	**-**	**-**	**233.9**	**99.8**	**-**	**-**
NUMBER OF ACTUAL BILLING DETERMINANTS		-	3,557.3	43.5	16,888,634.8	7,306,295.7	72,430.3	24,739.6
TOTAL COST OF SERVICE TO BE RECOVERED THROUGH RATES		**95,930.5**	**114.7**	**0.5**	**267.6**	**114.0**	**616.4**	**195.2**

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Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Income Statement - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Total Average Electric Rate Base	127,496.0	16,100.8	143,596.8
Total Operating Revenues			
Total Sales Revenues	81,556.5	4,211.0	85,767.5
Opportunity Sales Revenues	14,327.2	(14,327.2)	-
Other Operating Revenues	2,776.3	-	2,776.3
Total Revenues	98,660.0	(10,116.2)	88,543.8
Total Operating Expenses			
Operation & Maintenance Expenses	60,322.5	547.0	60,869.5
Depreciation Expense	12,008.8	1,293.9	13,302.7
Taxes Other Than Income Taxes	4,058.4	521.8	4,580.2
Total Operating Expenses	76,389.7	2,362.6	78,752.3
Utility Operating Income Before Taxes	22,270.3	(12,478.8)	9,791.5
Income Taxes:			
Federal	6,687.3	(4,745.4)	1,941.9
State	1,536.0	(1,112.6)	423.4
Less: Adjustments	(70.2)	70.2	-
Deferred Income Taxes	(996.6)	(53.4)	(1,050.0)
Total Operating Expenses	83,546.2	(3,478.6)	80,067.7
Total Operating Income	15,113.8	(6,637.6)	8,476.1
Earned Rate of Return - %	11.854%		5.903%

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Miscellaneous Revenues - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Other Miscellaneous Operating Revenues			
Miscellaneous Service Revenues-Account 451:			
Seasonal Reconnect Fees	7.8		7.8
Reconnect Fees for Non Payment	15.4		15.4
NSF Checks Fee	13.4		13.4
Construction Work (Municipals & Other)	39.2		39.2
Energy Diversion	0.2		0.2
Subtotal - Account 451	76.0		76.0
Rents-Account 454:			
Buildings	-		-
General Office Complex	354.2		354.2
Equipment	63.2		63.2
Pole Attachments/Contacts	111.3		111.3
Street Lights	385.4		385.4
Yard Lights	150.3		150.3
Joint Use Facilities	54.3		54.3
Other/Miscellaneous	775.5		775.5
Subtotal - Account 454	1,894.2		1,894.2
Other Revenue-Account 456:			
Sale of Sundry Junk Material	3.0		3.0
Sale of Operating/Construction	-		-
Patronage Dividends	2.2		2.2
Joint Use Agreements	36.3		36.3
Miscellaneous	95.6		95.6
Transfers-Nonfirm	669.0		669.0
Subtotal - Account 456	806.1		806.1
Total Other Operating Revenues	2,776.3	-	2,776.3

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Operation & Maintenance Expenses - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Production Expenses	40,096.5	(4,498.5)	35,598.0
Transmission Expenses	4,195.2	840.0	5,035.2
Distribution Expenses	4,692.9	939.9	5,632.8
Customer Accounting Expenses	2,244.5	449.3	2,693.8
Sales Expenses	238.9	48.0	286.9
Administrative & General Expenses	8,854.9	2,768.0	11,622.9
Total Operation & Maintenance Expenses	60,322.9	546.6	60,869.5

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Labor Expenses by Function - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Production	3,218.0	568.7	3,786.7
Transmission	1,400.0	247.4	1,647.4
Distribution	3,281.7	579.9	3,861.6
Customer Accounting	1,445.8	255.5	1,701.3
Sales	153.9	27.2	181.1
Administrative & General	3,286.6	580.8	3,867.4
Total Labor Expenses	12,786.0	2,259.5	15,045.5

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Depreciation Expense by Function - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Production Plant	5,514.9	953.0	6,467.9
Glendive Turbine Project Adjustment	-	-	-
Transmission Plant	1,746.7	11.3	1,758.0
Distribution Plant	2,739.3	322.3	3,061.6
General Plant	341.2	(128.3)	212.9
Common Plant - Other Electric	642.8	(82.3)	560.5
Amortization of Intangible - General	198.1	54.1	252.2
Amortization of Intangible - Common	537.8	205.4	743.2
Amortization of Acquisition Adjustment	288.0	(41.6)	246.4
Total Book Depreciation & Amortization	12,008.8	1,293.9	13,302.7

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Taxes Other Than Income Taxes - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Taxes Other Than Income Taxes			
Payroll Related	918.5	293.8	1,212.3
Gross Revenue Taxes:		-	
Montana PSC	-	-	-
Montana Consumer Counsel	-	-	-
South Dakota	-	-	-
Wyoming	-	-	-
Total Gross Revenue Taxes	-	-	-
Electric Production Related Taxes:			
Montana Electric Tax	110.4	-	110.4
ND Coal Conversion	498.0	146.1	644.1
Total Electric Related Taxes	608.4	146.1	754.5
Property Taxes:			
Production	826.2	(27.3)	798.9
Transmission	550.2	(16.5)	533.7
Distribution	800.5	79.9	880.4
General	64.0	10.2	74.2
Common	211.2	(28.4)	182.8
Intangible	19.7	64.0	83.7
Total Property Taxes	2,471.8	81.9	2,553.7
Franchise Taxes:			
By State	-	-	-
Common-Delaware	58.3	-	58.3
Total Franchise Taxes	58.3	-	58.3
Other Taxes:			
Highway Use Tax	0.8	-	0.8
Sect of State Filing Fee	0.6	-	0.6
Total Other Taxes	1.4	-	1.4
Total Taxes Other Than Income Taxes	4,058.4	521.8	4,580.2

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Calculation of Current Income Taxes - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Summary Of Income Taxes			
Total Operating Revenues	98,660.0	(10,116.2)	88,543.8
Operation & Maintenance Expenses	60,322.5	547.0	60,869.5
Depreciation Expense	12,008.8	1,293.9	13,302.7
Taxes Other Than Income Taxes	4,058.4	521.8	4,580.2
Interest - Long Term	4,977.8	813.1	5,790.9
Net Operating Income-Pretax	17,292.5	(13,291.9)	4,000.6
Deductions and Adjustments:			
Net M-1 Adjustments	4,456.9	(2,485.7)	1,971.2
Preferred Dividend Paid Deduction	(84.5)	84.5	-
Total Deductions & Adjustments	4,372.4	(2,401.2)	1,971.2
Taxable Income Before State Income Taxes	21,664.9	(15,693.1)	5,971.8
Federal Income Tax:			
Net Operating Income	21,664.9	(15,693.1)	5,971.8
Other Additions & Deductions-State Income Taxes	(1,536.0)	1,112.6	(423.4)
Federal Taxable Income	20,128.9	(14,580.5)	5,548.4
Federal Tax @ 35%	7,045.1	(5,103.2)	1,941.9
Less: Credits & Adjustments	(357.8)	357.8	-
Total Federal Income Taxes	6,687.3	(4,745.4)	1,941.9
State Income Taxes:			
Taxable Income Before State Income Taxes	21,664.9	(15,693.1)	5,971.8
Additions & Deductions	-	-	-
State Taxable Income	21,664.9	(15,693.1)	5,971.8
State Income Tax Rates	7.09%		7.09%
State Income Taxes	1,536.0	(1,112.6)	423.4
Total Income Taxes:			
Federal Income Taxes	6,687.3	(4,745.4)	1,941.9
State Income Taxes	1,536.0	(1,112.6)	423.4
Less: Rounding & Prior Year's Adjustment	(70.2)	70.2	-
Total Federal & State Income Taxes	8,153.1	(5,787.8)	2,365.3

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Interest Expense Annualization - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Net Electric Rate Base	127,496.0	16,100.8	143,596.8
Weighted Cost of Long-Term Debt:			
Long-Term Debt Ratio -	44.67%	44.67%	44.67%
Long-Term Debt Cost -	9.03%	9.03%	9.03%
Weighted Cost of Debt	4.03%	4.03%	4.03%
Interest Expense	5,141.6	649.3	5,790.9

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Income Statement - Projected 2003
Statement N - North Dakota Electric
(X000)

Income Tax Deductions - Projected 2003

Description - 2002	Actual 6/30/2002	Description - 2003	Projected 12/31/2003
Income Tax - Deductions & Adjustments:			
Management Incentive Compensation	177.7	**Additions:**	
Pension Expense	(1,059.9)		
VEBA	-	Regulatory, NonCurrent:	
Sundry Reserves	(29.7)	Pension Expense	(429.2)
Reserve For Deferred Maintenance	(18.3)	VEBA	281.4
Property Insurance Adjustment	27.0	Regulatory, Permanent	66.9
Bad Debt Expense	24.9	Book Depreciation-Adjusted	13,302.7
Accrued Vacation	(94.2)	Amortization - Debt Expense	510.9
Customer Advances	2.8	Amortization Debt Loss/Discount	1.8
Restricted Stock Bonus Plan	(119.1)	**Total Additions**	13,734.5
FAS 106 - OPRB	(66.8)		
Deferred Compensation - Directors	50.6	**Deductions:**	
Board of Directors - Retirement Benefits	780.8	Tax Depreciation	11,763.3
Reclassify	13.8	**Total Net M-1 Adjustments**	1,971.2
Liberalized Depreciation	3,135.3		
Normalized Timing Differences-Common	117.7		
Contributions in Aid of Construction	10.6	**Total Net M-1 Adjustments:**	
Amortization of Loss-Bond Retirements	533.0	As of 6/30/2002	4,456.9
Deferred Gain on Sale of Building	884.4	As of 12/31/2003	1,971.2
Disallowed Meals & Entertainment	83.7	Difference	(2,485.7)
Federal Non-Highway Use Tax Credit	2.6		
Total Net M-1 Adjustments	4,456.9		
Preferred Dividend Paid Deduction	(84.5)		
Total Deductions & Adjustments	4,372.4		

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Electric Rate Base - Projected 2003
Statement O
(X000)

Total Company Average Electric Rate Base - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Average Electric Plant in Service	593,638.1	44,474.9	638,113.0
Accumulated Provision for Depreciation	339,204.6	16,777.8	355,982.4
Net Electric Plant in Service	254,433.5	27,697.1	282,130.6
Other Rate Base Items - Additions:			
Fuel Stocks	2,063.8	(150.6)	1,913.2
Prepayments-Insurance	317.3	341.4	658.7
Materials & Supplies	5,492.3	(104.7)	5,387.6
Total Additions	7,873.4	86.1	7,959.5
Total Rate Base Before Deductions	262,306.9	27,783.2	290,090.1
Other Rate Base Items - Deductions:			
Customer Advances	1,147.7	-	1,147.7
Accumulated Deferred ITCs	2,761.9	(507.5)	2,254.5
Accumulated Deferred Income Taxes	58,083.5	1,076.9	59,160.4
Total Deductions	61,993.1	569.5	62,562.6
Total Average Electric Rate Base	200,313.8	27,213.7	227,527.5

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Electric Rate Base - Projected 2003
Statement O
(X000)

Total Company Average Electric Plant in Service - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Intangible Plant-General	3,170.9	593.2	3,764.1
Production Plant - Steam & Other	257,170.5	28,748.3	285,918.8
Transmission Plant	118,679.8	2,043.7	120,723.6
Distribution Plant	150,810.0	8,840.7	159,650.7
General Plant	17,677.7	709.0	18,386.7
Common Plant	27,614.6	1,605.0	29,219.6
Intangible Plant-Common	8,127.0	1,935.1	10,062.1
Electric Acquisition Adjustment	10,387.7	(0.1)	10,387.6
Total Electric Plant in Service	593,638.1	44,474.9	638,113.0

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Electric Rate Base - Projected 2003
Statement O
(X000)

Total Company Average Accumulated Provision for Depreciation - Projected 2003

Description	Actual 6/30/2002	Adjustments	Projected 12/31/2003
Production	163,138.8	348.9	163,487.7
Transmission	66,735.1	4,009.2	70,744.3
Distribution	76,756.1	6,061.7	82,817.7
General	9,103.0	108.2	9,211.2
Intangible Plant - General	1,386.2	475.0	1,861.2
Subtotal	317,119.1	11,003.0	328,122.0
Acquisition Adjustment	6,334.8	621.4	6,956.2
RWIP - Electric	-	2,818.4	2,818.4
RWIP - Common	-	8.9	8.9
Amortization - MT Coyote Plant	-	112.2	112.2
Other Plant Depreciation	-	(18.0)	(18.0)
Adjustments for Actual	-	26.0	26.0
Common - Intangible	3,030.0	1,195.1	4,225.0
Common - Other	12,720.8	1,011.0	13,731.8
Total Average Accum Provision	339,204.6	16,777.8	355,982.4

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Electric Rate Base - Projected 2003
Statement O
(X000)

Total Company Working Capital - Projected 2003

Description	Fuel Stocks	Prepayments Insurance	Materials & Supplies
June,2001	1,921.5	1,308.9	5,035.2
July	1,920.3	1,201.4	5,204.0
August	1,898.4	1,093.8	5,249.8
September	1,675.3	986.2	5,159.0
October	1,589.4	878.6	5,044.7
November	1,786.3	771.0	4,787.0
December	1,908.0	663.5	4,540.6
January, 2002	1,888.8	553.0	4,496.2
February	1,964.3	442.5	4,529.5
March	2,072.7	332.0	4,537.6
April	2,091.2	221.5	4,904.0
May	2,091.1	110.7	4,862.6
June	2,063.8	(0.0)	4,975.9
Totals	24,871.1	8,563.0	63,326.1
Average	1,913.2	658.7	4,871.2
Glendive No 2 Adjustment	-	-	516.4
Totals	1,913.2	658.7	5,387.6

Montana-Dakota Utilities Company
Before The North Dakota Public Service Commission
Average Electric Rate Base - Projected 2003
Statement O
(X000)

Total Company Other Rate Base Components - Projected 2003

Description	Customer Advances	Accum Def ITCs	Accum Def Income Taxes
December, 2002	1,147.7	2,508.2	57,691.1
December, 2003	1,147.7	2,000.7	60,629.7
Totals	2,295.4	4,508.9	118,320.8
Average	1,147.7	2,254.5	59,160.4

RECEIVED
MAR - 2 2004
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

March 1, 2004

N.D. Public Service Commissioners,

I would just like to put into words how the Dec 18, 2003 approval of the MDU electric rate increase has affected my MDU bill.

I was on RS & AE service rates before

RS
Base $6.15
Kwh .032650
Kwh Disc .002666

AE
Base $3.50
Kwh .070220
Kwh Disc .002666

By using the old rates my Feb bill would have been 114.34 the new rates it is 139.53 a .2203078% increase to be exact.

I paid 723.20 to MDU in 2003. If the new rates had been used last year my total would have been 913.97 a .2637859% increase to be exact.

MDU comes out pretty good to me.

Sincerely
Paul J Baack
1701 W 28th St
Williston ND

c Comm
Legal
Pld

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Wednesday, December 03, 2003 11:16 AM
To: Comm; Legal; PUD
Subject: MDU Gas Rate Case

A gentleman called and preferred not to leave his name. But he wanted me to tell the Commission he thinks they treated MDU like they are Enron and they are not. MDU is a fine company , very dependable and if they ask for an increase, they certainly must need it. He knows it doesn't look good in the papers if the commission gives them what they ask for, but he thinks that's the wrong way to look at it.

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Monday, December 01, 2003 9:05 AM
To: Comm; PUD; Legal
Subject: FW: MDU Electric Rate Increase MDU Electric

-----Original Message-----
From: Fortney, Kathy M.
Sent: Monday, December 01, 2003 8:50 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Gary Giardini
3040 Twin City Drive
Mandan ND 58554 Phone: 701-663-9745

The issue is as follows: 3-4 years ago on TV MDU was advertising a surplus of natural gas well into the 21st century. They converted their utility vehicles to natural gas. They are the biggest crooks - raping consumers big time. Now they want an electric increase. He watched Commissioner Wefald on TV saying MDU was willing to settle for a 1.2% increase. $3.50 - $5.50? Something wrong with math. It should only be 38 cents at that percent. He worked with the Department of Energy and knows the industry. He knows MDU reads meters incorrectly but will not admit it. MDU shouldn't get the increase. They don't need it. The natural gas hike was bogus. Across the nation since 1973 consumers were asked to conserve but are penalized by the utility company. His heat is never over 63. He is blind. He moved in March and the heat was not over 50 degrees - fuel bill for gas was $81. Utilities just as well charge him for free sunshine. Every spring they contend the price went up at the well head. Working at the DOE he knows better. He is really upset about gas increase 3-4 years ago. At that time MDU paid for so much advertising - they didn't need the increase. MDU doesn't need rate increases. When he had no electricity use, he was charged more than $3.50. His bill was $9?!

The resolution so far is as follows: Explained 1.2% increase in addition to the base rate increase and cost issues. Assured him the information would be shared with staff and the commissioners. Told him about the informal hearing 12/1/03 as well.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 12/01/03 08:36
This issue is jurisdictional.

Fortney

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Tuesday, November 25, 2003 8:23 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Lorraine Hanson
Rhame ND
Phone: 701-279-5737

The issue is as follows: She's against MDU getting any increase at all.

The resolution so far is as follows: .
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

This issue is not resolved.
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Tuesday, November 25, 2003 1:09 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW:

-----Original Message-----
From: Bauske, Shelly A.
Sent: Tuesday, November 25, 2003 12:28 PM
To: Helbling, Sharon D.
Subject: FW:

-----Original Message-----
From: Fleck, Randy [mailto:Randy.Fleck@dhs.gov]
Sent: Tuesday, November 25, 2003 11:56 AM
To: ndpsc@psc.state.nd.us
Subject:

Public Service Commision
I cannot believe you are going to let MDU get away with it again. When is the profit margin high enough. If their profit margin is only 3.3 million to 7.65 million we will only be forced to pay a 3.65% surcharge. How much will the CEO take home with stock options and wages. Has the commision told the public what is going on and actually listened to what they have to say or are you all STOCKHOLDERS.

SEEKING NEW COMMISIONERS

RECEIVED
NOV 24 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

Public Service Comm.

I am just writing to give my opinion of MDU's new proposal that I read about in todays paper.

I think the main thing is how a person can be sure of the accounting of profits the company talks about. There slight of hand tricks In accounting is just another way of getting To the people looking like there really trying to do something good. Once the deal is made if there is loop holes they sure are not going back I still think they are being excessive with there increases.

thank you

Larry W. Kalmas
Box 507
Belfield, N. Dak.
58622

C. Comm
Regal
Pubd
MDU
Public Inquiry

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 20, 2003 7:31 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW: MDU Rate Increase

-----Original Message-----
From: Bauske, Shelly A.
Sent: Wednesday, November 19, 2003 5:02 PM
To: Helbling, Sharon D.
Subject: FW: MDU Rate Increase

-----Original Message-----
From: Robert Jennings [mailto:rljgolf@bis.midco.net]
Sent: Tuesday, November 18, 2003 5:01 AM
To: ndpsc@psc.state.nd.us
Subject: MDU Rate Increase

MDU Utilities is asking for a 9% increase in rate of return which seems a little excessive considering the cost of living according to Social Security has been 2.6%. To top it off, they're going to raise it on the people that can afford it least, our senior citizens and low income families. Considering what the CEO,s and top management of MDU RESOURSES (which really own MDU) are receiving in compensation, this sounds a little like the corporate greed that the energy companies pulled in California to keep their stock prices up and thus pad their own nest egg. Our senior citizens in North Dakota have seen their water bills, their food prices, their property taxes, their gasoline bills, their insurance premiums (House, Health, Automobile etc.) and even basic necessities increase. Many are having to go to Canada for their prescriptions because they can't afford U.S. prices and even our N.D. Government Agencies are endorsing this practice. Before I retired I had a number of patients to whom I gave free service and samples of meds because they couldn't afford them. In short any increase to MDU should be general to all and probably should not exceed 3%. Remember these are the people that vote and a lot like myself are Republicans.

R.L. Jennings, M.D.FAAFP
Founder of Mid Dakota Clinic

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Wednesday, November 19, 2003 2:33 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Ray Schaefer
943 E Central Ave
Bismarck ND
Phone: 701-223-9019

The issue is as follows: Opposed to rate increase. Maybe they should have some but not that much.

The resolution so far is as follows: .
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/19/03 14:31
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Tuesday, November 18, 2003 2:51 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

David Palmer
Mandan ND
Phone: 701-663-8496

The issue is as follows: He has a small shop out by Century Motors and is on the commercial rate. He now pays $12 customer service charge. If this rate increase goes through that will be raised to $35. He doesn't use that much gas and electricity combined in a month. He's opposed.

The resolution so far is as follows: I thanked him for calling and told him his comments would be given to the commissioners.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

This issue is not resolved.
This issue is jurisdictional.

Helbling

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NOV 17 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

1459 1st St W.
Dickinson, ND

Nov. 12, 2003

Public Service Comm.
Bismarck, ND.

I strongly oppose the outrageous increase MDU is requesting in monthly service to its customers.

It hó gets such an outrageous monthly increase in pay - especially an 88 year old widow on Social Security.

I truly hope you will deny this increase.

Sincerely,
Arlene Nordby

C. Comm
Legal
Pub
MDU
Public Input

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 13, 2003 3:23 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Donald Carlson
Rhame ND
Phone: 701-279-5740

The issue is as follows: He's opposed to the increase.

As of now there is no resolution.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

This issue is not resolved.
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 13, 2003 2:29 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW: mdu greed....

-----Original Message-----
From: Bauske, Shelly A.
Sent: Thursday, November 13, 2003 1:16 PM
To: Helbling, Sharon D.
Subject: FW: mdu greed....

-----Original Message-----
From: carl clark [mailto:clark@ctctel.com]
Sent: Thursday, November 13, 2003 12:32 PM
To: ndpsc@psc.state.nd.us
Subject: mdu greed....

Hello, just a comment from another MDU customer in Western ND. Their proposal to increase their base rate is insane.
I know from personal experience the coal generation employees in this state are very highly paid (compared to the average ND income), which indicates to me there is substantial room for electric costs to come DOWN, not go up. Please do what's right and stick up for the consumer on this issue. Thanks.

Carl Clark

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 13, 2003 2:17 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Flo Haas
Bismarck ND
Phone: 701-258-3027

The issue is as follows: This increase is not fair. They are retired and everything goes up but the money they have coming in. They can't afford it.

The resolution so far is as follows: .
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/13/03 14:15
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 13, 2003 10:39 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Leo Frieze
2909 E Ave B
Bismarck ND
Phone: 701-223-0689

The issue is as follows: Opposed to increase. $3.50 to $17 is excessive.

The resolution so far is as follows: I thanked him for calling and told him I would relay his comments to the commissioners
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

This issue is not resolved.
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 13, 2003 10:12 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Vicky Gross
1010 N 12th St
Bismarck ND
Phone: 701-258-9580

The issue is as follows: Opposed to increase. Going from $3.50 to $17 is excessive.

The resolution so far is as follows: I thanked her for calling and assured her I would relay her comments to the commissioners
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

This issue is not resolved.
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 13, 2003 11:20 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Lyle Anderson
230 E Kaveney Dr
Bismarck ND
Phone: 701-223-2802

The issue is as follows: Opposed to increase. A bit much.

The resolution so far is as follows: I thanked him for calling and told him I would relay his comments to the commissioners.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/13/03 11:18
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Wednesday, November 12, 2003 12:06 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

James Ronholdt
Center ND
Phone: 701-794-3330

The issue is as follows: Against MDU's increase. It will hurt the little guy.

The resolution so far is as follows: I thanked him for calling and told him I would forward his comments to the commissioners and put them in the public input file for this case.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/12/03 12:05
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Wednesday, November 12, 2003 12:30 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Tim Beaudoin
P O Box 1271
Dickinson ND 58602 Phone: 701-227-4675

The issue is as follows: He doesn't agree with the $17 service fee. He thinks an increase in the electric rates would be more appropriate b/c it would be based on usage. This way even the low usage customer has to pay the $17.

The resolution so far is as follows: I thanked him for calling and told him I would relay he comments to the commissioners and put them in the public input file
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/12/03 12:28
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Wednesday, November 12, 2003 11:12 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW: MDU Rate Increase!

-----Original Message-----
From: Bauske, Shelly A.
Sent: Wednesday, November 12, 2003 9:48 AM
To: Helbling, Sharon D.
Subject: FW: MDU Rate Increase!

-----Original Message-----
From: Bknheart45 Bknheart45 [mailto:bknheart45@hotmail.com]
Sent: Monday, November 10, 2003 9:56 PM
To: ndpsc@psc.state.nd.us
Subject: MDU Rate Increase!

Public Service Commission,

The news is out and all Montana Dakota Utilities customers deserve to be heard concerning MDU's request for a electrical rate increase. I'm a native of North Dakota, have lived here all my life. At one time was the owner of a two store photofinishing lab and was a progressive successful businessman. That American Dream ended when a large discount store started offering the same product at a lower price. That contributed to a divorce in which I am now paying 50% of my income for child support. I have managed to find employement but starting in a new career does not pay well in Williston, North Dakota. Am just damn glad that I found someone willing to start me at $11.00 an hour! (could YOU live on that?) Income is limited now to the point where, at times, I must put off buying groceries for up to a week until a paycheck a issued. I was hit this summer with a 56% increase in premium for my house insurance. Also an increase in the amount of premium for Blue Cross/Blue Shield which is being witheld from my paycheck. Grocery prices are rising, gasoline for the car is rising, in general the cost of surviving continues to rise. A splurge for me is once a month I go out to eat at Mcdonalds. Now along comes Montana Dakota Utilities asking for an increase in electrical rates. Sorry, but to make my point, I must be bold. How much profit did MDU make last year? What was their bottom line? Boils down to a very simple fact...Management at MDU makes more money in a year than I make in 10.
Why do they ask for more? Simple GREED! Do they care if I stay warm this winter? Doubt it. Do they care that my 85 year old Mother, living alone, may have difficulty paying her utility bill? Doubt it. It's time that big business and major corporations got slapped down a little and told that if they want to grow, not to continue making the poor people go without food and clothing just to increase their bottom line but instead should, from within, tighten their financial belt a little.

Randal J. Arcand
919 4th Street

West

Williston, ND

58801

Crave some Miles Davis or Grateful Dead? Your old favorites are always playing on MSN Radio Plus. Trial month free!
http://join.msn.com/?page=offers/premiumradio

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Wednesday, November 12, 2003 10:29 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Anton Huber
1117 North 29th Street
Bismarck ND 58501 Phone: 701-255-1100

The issue is as follows: An increase from $3.50 to $17 is just outrageous. He is on social security and even works part time for a little extra. He is 81 years old. This would cut into his budget which isn't that big. He is for an increase because they haven't had one for a long time - maybe $5 would be okay. $10 is even too much. This year he is making less than last year. It gets tougher right along.

The resolution so far is as follows: Thanked him for calling and assured him his comments would be shared with the Commissioners and staff.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/12/03 10:27
This issue is jurisdictional.

Fortney

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Wednesday, November 12, 2003 10:48 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW: Another concerned MDU customer

-----Original Message-----
From: Bauske, Shelly A.
Sent: Wednesday, November 12, 2003 9:48 AM
To: Helbling, Sharon D.
Subject: FW: Another concerned MDU customer

-----Original Message-----
From: Stephanie Sneed [mailto:precisiondoors@netzero.net]
Sent: Tuesday, November 11, 2003 9:39 AM
To: ndpsc@psc.state.nd.us
Subject: Another concerned MDU customer

Good Morning!
I'm writing to express my concerns regarding the MDU rate proposal.

1. It's seems rather unfair to increase the minimum charge which will affect mostly elderly people living on their own in apts., etc.
2. What is wrong with paying for what you use? Isn't this the best way to make sure we are conserving our energy? My monthly water bill is always at it's minimum during the winter months, do you think I try to conserve water during these months when I know it won't affect my bill? Honestly, I don't. Yet, I make sure all of my lights are turned off when I leave for work every morning and if I come home and see my husband left the kitchen light on, he hears it from me!! :) 3. Who will benefit from this proposal? Businesses mostly, not you, not your family.

I am a business owner and I have 2 young children, so I know I personaly may benefit from the changes of a lower KW charge but I still feel the best way to go is to pay for what you use.... Thank you!

Stephanie Sneed
Precision Door & Hardware, Inc.
Phone: 701-221-0750 Fax: 701-221-0755
1543 Park Ave., Bismarck, ND 58504
Email: precisiondoors@netzero.net

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Wednesday, November 12, 2003 9:45 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Wallace Beaudoin
921 14th Avenue East
Dickinson ND 58601 Phone: 701-225-3304

The issue is as follows: He feels the increase in unjustified. He read they are requesting a 10% return on investment. Most people are getting a lot less for their money than 10%. It will hit the lower income people harder.

The resolution so far is as follows: Thanked him and assured him his comments would be shared with the Commissioners and staff.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

This issue is not resolved.
This issue is jurisdictional.

Fortney

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Wednesday, November 12, 2003 8:59 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Lenore Wagner
Rhame ND
Phone: 701-279-5561

The issue is as follows: Opposed to MDU increase. Would hurt all senior citizens in the Rhame area.

The resolution so far is as follows: I thanked her for calling and assured her the commissioners would get her comments.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/12/03 08:58
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Wednesday, November 12, 2003 8:30 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

William Jackson
Dakota Justice
Dickinson ND
Phone: 701-483-2052

The issue is as follows: "Abhored" by amount of MDU increase. They should be turned down and get nothing until they can come before the Commission and prove they need anything at all, or request a reasonable increase. It behooves the commission to act in the interest of the people of ND to say enough is enough, people can't afford any more increases. This is absurd, astronomical.

The resolution so far is as follows: I thanked him for his call and assured him the commissioner would get his comments.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/12/03 08:29
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Jeffcoat-Sacco, Illona
Sent: Monday, November 10, 2003 5:02 PM
To: Comm; Mielke, Jon H.
Cc: Legal; PUD; 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

Joe Geiger
Mandan

The issue is as follows: wanted the Commission to know that he is concerned about the MDU rate increase and the huge increase in customer charge--especially compared to the customer charges in their other jurisdictions. He thinks that he knows what MDU is doing--increasing their customer charge and lowering their rates so that they can annex all of Capital Electric Territory--based on having lower rates.

The resolution so far is as follows: thanked him and told him the comment would be forwarded to the commissioners and placed in the file.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 16:59
This issue is jurisdictional.

Jeffcoat_Sacco

TO: North Dakota Public Service Commission

FROM: Mouse River Park Association, Tolley, N.D.
c/o Chuck Leet, Sec./Treas.

DATE: Nov. 10, 2003

SUBJECT: MDU electrical base rate increase

We have over one hundred forty cabin/property owners at the Mouse River Park. The properties are using electricity only three to four months and are on the base rate for the rest of the year. Many of the owner's simply cannot afford this increase.

We believe the MDU rate increase is quite absorbent and should not be allowed.

Chuck Leet

Scott, Sandi L.

From: Lein, Jerry R.
Sent: Monday, November 10, 2003 2:18 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

Robert Verke
1339 South 7th St
Bismarck ND 58504 Phone: 222-4177

The issue is as follows: 480% base rate increase is way out of line. Telephone base rates may be about that much (Minot is less) but that includes service. Also concerned that he read in paper staff and MDU working out a deal.

The resolution so far is as follows: Explained settlement process and that his comments would be placed in public input file
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 14:17
This issue is jurisdictional.

Lein

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Monday, November 10, 2003 2:15 PM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU

I spelled her name wrong - it is Frieboes not Fieboes

The following contact was recorded into the Public Contact System:

Irene Frieboes
1111 North First Street #5C
Bismarck ND 58501 Phone: 701-258-6628

The issue is as follows: She wishes to protest the MDU rate increase. It is especially hard on the senior people already suffering with medications and other expenses.

The resolution so far is as follows: Forwarded her comments to Commissioners and staff.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 14:13
This issue is jurisdictional.

Fortney

Scott, Sandi L.

From: Jeffcoat-Sacco, Illona
Sent: Monday, November 10, 2003 1:44 PM
To: Comm; Mielke, Jon H.
Cc: Legal; PUD; 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

Ardyce Haugen
Bismarck

The issue is as follows: Wants to leave message for Commissioners, against the MDU increase. in last 6 or 7 years in Bismarck all she has seen is the rich gettng richer and the poor getting poorer--. She sells a t craft fairs and the last three in bismarck have been terrible, no one has any money to spend. The average person is hurting and they do not need this increase slapped on them. She built a geothermal home so it will not impact her but she is trying to speak to the average person in Bismarck

The resolution so far is as follows: thanked her for calling an informed her that the comment will be forwarded to the Commissioners and placed in the file.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 13:43
This issue is jurisdictional.

Jeffcoat_Sacco

Scott, Sandi L.

From: Magstadt, Charlene A.
Sent: Monday, November 10, 2003 1:42 PM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

Sylvester Snyder
206 S. 6th Street
Glen Ullin ND 58631 Phone: 348-3538

The issue is as follows: He's a senior citizen getting Social Security which is not as much as most people. He and his wife are barely making it now. They are both on medications which continue to go up in price. They don't want to see MDU's rates go from $3.50 to $17.00 just to be hooked up to them. Otter Tail and other companies are not getting $17 a month according to the newspaper. MDU's earnings are sky high already--They do not need more. They are on a fixed income and can't hardly make it as it is.

The resolution so far is as follows: Referred to case file and with copies to commissioners and staff
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 11:57
This issue is jurisdictional.

Magstadt

Scott, Sandi L.

From: Jeffcoat-Sacco, Illona
Sent: Monday, November 10, 2003 1:15 PM
To: Comm; Mielke, Jon H.
Cc: Legal; PUD; 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

Thelma Geuni (?)
Bowman

The issue is as follows: wanted to go on record as opposed to huge MDU increase--all the corporate scandals make one lose faith

The resolution so far is as follows: thanked her for calling and informed her that comment would be forwarded to Commissioners and placed in file.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 13:15
This issue is jurisdictional.

Jeffcoat_Sacco

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Monday, November 10, 2003 11:39 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Mike Roehrick
1809 Marian Drive
Bismarck ND 58501

The issue is as follows: He thinks that the MDU increase is outrageous. We are at war and taxpayers are being strapped to the maximum. MDU is buying all kinds of new companies. He is uncomfortable with them wanting such massive amounts. In war we should all be sacrificing.

The resolution so far is as follows: Confirmed his message would be shared with the Commissioners and staff.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 11:39
This issue is jurisdictional.

Fortney

Scott, Sandi L.

From: Lein, Jerry R.
Sent: Monday, November 10, 2003 11:17 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Cc: Comm; Legal; PUD
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

Clarence Bittner
Bismarck

The issue is as follows: Wants to protest MDU rate increase application. $17 customer charge - are they nuts? Will PSC just rubber stamp? How much will kWh rate go down then? Should go down to 1 cent pe kWh if they're getting their money up front. Now averaging 8 cents per kWh. Should let capital electric and others compete so customers can choose the cheapest.

The resolution so far is as follows: Explained comment would be placed in public input file.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 11:02
This issue is jurisdictional.

Lein

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Monday, November 10, 2003 10:18 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Ann Klooten
580 Brandon Place
Bismarck ND 58503 Phone: 701-223-0165

The issue is as follows: Her husband died 5 years ago and she is still paying his bill. Her rent is up, health insurance up, car insurance up. She pays utilities where she lives. She is against the increase.

The resolution so far is as follows: Assured her that her concerns would be shared with the Commissioners and staff.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/10/03 10:18
This issue is jurisdictional.

Fortney

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Friday, November 07, 2003 3:47 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Elaine Beyl
Bismarck ND
Phone: 701-255-2956

The issue is as follows: Opposed to increase. Where are the senior citizens suppose to get this money, especially those on fixed incomes. Groceries are going up, medical expenses going up. She thinks its a "greed thing" and they should lower the rates rather than raise them.

The resolution so far is as follows: .
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/07/03 15:46
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Monday, November 10, 2003 10:07 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Alton Kloster
2013 N 5th St
Bismarck ND 58501 Phone: 701-222-3381

The issue is as follows: He has a friend that retired from MDU. This year he was given a $50 bonus more per month on his retirement. MDU pays his medical, drugs - everything. MDU donated $2,000,000 to a college this year. He is on a fixed income and everything continues to go up and there is nothing he can do about it. They take advantage of us as residential customers and not the commercial people. He gets along on retirement. His hospital and medical is over $650 per month. If costs continue to go up like MDU he will have to consider getting out of Bismarck.

The resolution so far is as follows: Confirmed that his information would be shared with the Commissioners and staff.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

This issue is not resolved.
This issue is jurisdictional.

Fortney

PASTOR AND MRS. E. EDWARD TORNOW

387 E. Brandon Dr.
Bismarck, ND 58503



Public Service Commission
600 E. Boulevard,
Dept. 408
Bismarck, ND 58505

Dear Commissioners: Grace and Peace!

We have learned that MDU wants a rate increase, something that may not affect some people, but which surely will add to the already heavy load that we who live primarily on Social Security will feel very much.

I am sure you good people are aware of this situation fully as much as some of us who find the cost of medicine and all that goes with it, plus other rising costs for seniors, are becoming difficult to hand.

While I feel certain that you will do the right thing by uswho are long since retired and trying to keep our heads above the currents of demands, I just want to join those who are banking on you for help and for a proper adjustment of these rising demands.

Thank you kindly and God bless you.

Sincerely in His Service,

Pastor & Mrs. E. Edward Tornow

Pastor and Mrs. E. Edward Tornow

C. Comm
Legal
Pubil
MDU
Public Input file

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Friday, November 07, 2003 12:13 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Clara Lacher
Bismarck ND
Phone: 701-223-8333

The issue is as follows: She hopes MDU doesn't get an increase.

The resolution so far is as follows:
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/07/03 12:12
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Friday, November 07, 2003 9:55 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Margaret Zarndt
New Salem ND
Phone: 701-843-7036

The issue is as follows: She's opposed to this increase. She's on a fixed income and it will really hurt. Let the people with great big houses pay.

The resolution so far is as follows:
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/07/03 09:54
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Friday, November 07, 2003 9:29 AM
To: Comm; Legal; PUD
Subject: FW: MDU Electric Rate Increase MDU Electric

-----Original Message-----
From: Fortney, Kathy M.
Sent: Friday, November 07, 2003 9:28 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Carl Ferguson
PO Box 506
Bowman ND 58623 Phone: 701-523-3569

The issue is as follows: He thinks the increase from $3.50 to $17 is excessive. They should be more reasonable. Four times higher an increase is asking too much.

The resolution so far is as follows: Thanked him for calling and confirmed that his comments would be shared with the Commissioners and staff.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/07/03 09:27
This issue is jurisdictional.

Fortney

Scott, Sandi L.

From: Jeffcoat-Sacco, Illona
Sent: Thursday, November 06, 2003 4:46 PM
To: Comm; Mielke, Jon H.
Cc: Legal; PUD; 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

Ray Miller
Bismarck

The issue is as follows: Hopes the Commission does not grant the requested big increase--a smaller one might be ok (like 2 or 3 percent). MDU does not need it if they can buy Atlas and buy up all the gravel rights in the county. Even if they are only "affiliated" with the gravel company, they certainly don't need to charge so much more to senior citizens on fixed income. Senior citizens and the working people are being squeezed and can only afford to pay for their medicine, food and MDU.

As of now there is no resolution.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

This issue is not resolved.
This issue is jurisdictional.

Jeffcoat_Sacco

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 06, 2003 1:35 PM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW: mdu rate increase

-----Original Message-----
From: Bauske, Shelly A.
Sent: Thursday, November 06, 2003 12:42 PM
To: Helbling, Sharon D.
Subject: FW: mdu rate increase

-----Original Message-----
From: Scott Newcomb [mailto:newc1@prodigy.net]
Sent: Thursday, November 06, 2003 11:09 AM
To: ndpsc@psc.state.nd.us
Subject: mdu rate increase

I have emailed you in the past, and hopefully many people have emailed you on the rate increase. I was listening to News and Views on KFYR radio when i believe it was the ARP did research on this increase and found that MDU deserves a very little increase in electricity rates.

I urge you not to let MDU "stick it" to the elderly and poor people in this state by increasing the base rate to a unbelievable $17 a month, that number is just outrageous. If anything, the people who use the most electricity should have to pay more, that is just right. Why decrease the amount that huge users have to pay? That just doesnt make sense. Obviously the people that use the most elecricity can also afford it more, why MDU is "picking" on people who conserve and use little energy, I havent figured that out yet.

I urge you not to give in to MDU, I know you have researched their rate increase, and I hope you do what is best for the people of ND. Giving over a million dollars in bonuses to the top execs at MDU and then making us pay for it, is just not right.

Scott Newcomb
Concerned Citizen
Mandan, ND

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 06, 2003 7:39 AM
To: Comm; Legal; PUD
Subject: FW: MDU Rate Increase

-----Original Message-----
From: Bauske, Shelly A.
Sent: Wednesday, November 05, 2003 2:44 PM
To: Helbling, Sharon D.
Subject: FW: MDU Rate Increase

-----Original Message-----
From: Linda Krumwiede [mailto:lkrumwiede@pioneer.state.nd.us]
Sent: Wednesday, November 05, 2003 2:34 PM
To: ndpsc@psc.state.nd.us
Subject: MDU Rate Increase

11/05/03

Dear Public Service Commission:

I would like to express my concern about the rate increase that Montana Dakota Utilities is proposing, as I am a MDU customer. I am also, not only low-income, but fixed-income as well. A hike of rates of the magnitude that they are proposing would greatly affect myself, as I'm sure it would also greatly affect a number of people who may be in the same financial situation as myself.

I am asking for your help and support in this matter.

Thank you very much,
Linda Krumwiede

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Thursday, November 06, 2003 7:43 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW: MDU's rate increase request

-----Original Message-----
From: Bauske, Shelly A.
Sent: Wednesday, November 05, 2003 2:45 PM
To: Helbling, Sharon D.
Subject: FW: MDU's rate increase request

-----Original Message-----
From: Janet Beltran [mailto:jbeltran@btinet.net]
Sent: Wednesday, November 05, 2003 2:30 PM
To: ndpsc@psc.state.nd.us
Subject: MDU's rate increase request

To the Commissioners:

According to information I received from AARP regarding MDU's desire to increase rates, the utility hopes to increase residential customers' bills by as much as $120 a year. Is this true? If so, what is the reason? I am wary of any large increases by huge companies, such as MDU, at a time when we learn so much about the ways in which companies "feather their own nests" at the expense of the customer.

As a retiree, I have seen my income shrink steadily in the last few years while prices of food, medicine, and other necessities rise. Therefore, I think the large amount that MDU wants to increase its rates is out of line. I hope you will consider this point of view when hold the hearing regarding this matter.

Sincerely,

Janet Beltran
1715 N. 8th Street #2
Bismarck, ND 58501

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Tuesday, November 04, 2003 12:03 PM
To: Comm; PUD; Legal
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Lucille Lamprecht
474 Custer
Dickinson ND
Phone: 701-225-6170

The issue is as follows: Opposed to MDU increase request.

The resolution so far is as follows:
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/04/03 12:01
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Tuesday, November 04, 2003 11:04 AM
To: 'aberlet@mdu.mdures.com'; 'collinsk@mdu.mdures.com'
Subject: MDU Electric Rate Increase MDU

The following contact was recorded into the Public Contact System:

Evelyn Bjorness
Dickinson ND
Phone: 701-225-6209

The issue is as follows: Called to express her opposition to this increase b/c it is way too much. People are being pushed as far as they can be pushed with all the higher taxes, etc. and now this. 11/04/03 She called in a second time to restate her concerns. She does not need any additional responses but wishes the Commission to know the MDU should absolutely not be granted an increase. They do not need a rate increase. They had enough increases in the past. They would be hurting the public not helping. An increase would hurt all of western ND economy. This is way out of hand - tell MDU absolutely NO!!!

The resolution so far is as follows: I thanked her for calling and told her I would make sure the Commissioners got her concerns, and her message will be placed in the public input file associated with this proceeding.
Additional Notes read as follows:
MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

The issue is resolved as of 08/28/03 10:11
This issue is jurisdictional.

Fortney

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Tuesday, November 04, 2003 10:14 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Irving Schmid
2508 Hoover Ave
Bismarck ND
Phone: 701-250-9739

The issue is as follows: Charge from $3.50 to $17 is unreasonable for retired people with limited income.

The resolution so far is as follows: .
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/04/03 10:13
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Fortney, Kathy M.
Sent: Tuesday, November 04, 2003 9:29 AM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

tamie.aberle@mdu.com; karen.collins@mdu.com;
The following contact was recorded into the Public Contact System:

Ken & Ellen Bolstad
551 NE Sixth Street
Valley City ND 58072 Phone:

The issue is as follows: The MDU electric rate increase is absolutely rediculous. They are senior citizens on a fixed income. MDU isn't thinking at all - something has to give. Do they need higher exec salaries funded. Everything is going up - health care, insurance, taxes and now utilities. She has spoken to several people. If costs continue people will have to sell their homes. Valley City is a town with a lot of senior citizens and this would be a terrible drain on their income. Absolutely ridiculous!!!

The resolution so far is as follows: Thanked her for calling and said her comments would be shared with the Commissioners and staff and made part of the case.
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/04/03 09:27
This issue is jurisdictional.

Fortney

RECEIVED
NOV - 4 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

Ray, N. D.
Nov. 2-03

Public Service Members,

I just read a 'letter to the editor' from Ms. Cheney of the AARP. She states MDU wants to raise our base rate on electricity from $3.50 to $17.00 per mo.

I recently read a press release that stated MDU wanted a 17% increase in residential rates for electricity. A 17% increase would have raised my last [redacted] bill just $4.31

If Ms Cheney is correct my last bill would have gone up $13.50. Thats a whole lot more than 17%

As you know MDU recently got a raise to cover their natural gas lines + meter to residential houses. Were been in this house for 42 years + they haven't spent a dime on this gas line. they have changed out the meter.

I want to tell you folks the social security check only goes so far + its getting stretched pretty thin.

Thanks for listening.

Duard Weyrauch
224 Hawthorn St.
Ray, N.D., 58849

C. Comm
Legal
Pedd
MDU
Public Input file

ACCOUNT / NAME / SERVICE ADDRESS		BILLING DATE / CURRENT BILL / DUE DATE	
219003 23- WEYRAUCH, DUARD J 224 WINTHER ST RAY ND 58849			10-20-03 11-11-03

TYPE OF SERVICE	READING DATE	NO. DAYS	METER READING PRESENT	METER READING PREVIOUS	DIFFERENCE KWH-MCF	BILLING FACTOR FOR	BILLING FACTOR MULTIPLIER	USAGE KWH-KW-DK	AMOUNT
RE	10/16	31	36840	36469	371			371	28.85
RG	10/16	31	994.1	985.7	8.4	TF	.9964	8.4	65.58
APPLICABLE STATE AND LOCAL TAXES									1.31
TOTAL UTILITY BILLING									95.74
MINIMUM AMOUNT DUE FOR OTHER SERVICES (SEE BELOW)									10.95

	BASE RATE =	3.50		
371 KWH AT	$.070220 =	26.05		
371 KWH AT	$.001900-=	.70-	28.85	
BASIC SERVICE CHARGE				
31 DAYS AT	$.290000 /DAY	8.99		
8.4 DK AT	$.641000 =	5.38		
PGA 8.4 DK AT	$6.096000 =	51.21	65.58	

THANK YOU FOR YOUR RECENT PAYMENT(S) OF $ 69.18

BILLS PAID AFTER THE DUE DATE SHOWN ABOVE ARE SUBJECT TO A 1% PER MONTH LATE PAYMENT CHARGE.

UTILITY TYPE	ADJUSTMENTS GAS - PGA / ELECTRIC - FCA	AVERAGE DAILY USE	AVERAGE DAILY COST
GAS	$6.096/DK	.3	$2.12
ELE	$.0019-/KWH	12	$.93

THE TEMPERATURE THIS BILLING PERIOD AVERAGED 5 DEGREES WARMER THAN THE SAME PERIOD LAST YEAR AND 19 DEGREES COOLER THAN THE LAST BILLING PERIOD

AMOUNT DUE

$ 106.69

DIRECT INQUIRIES OR COMMENTS TO MDU, PO BOX 1406
TELEPHONE 1(800) 638-3278 WILLISTON ND 58802

OTHER SERVICES

REVOLVING CHARGE PLAN (RCP)

PAST DUE	PREVIOUS BALANCE	PYMT/CR	FINANCE CHG	PURCHASES	NEW BALANCE	INSTALLMENT DUE

MERCH-SALES - 30 DAY CHG $ 10.95 PYMT RECVD	
CURRENT PURCHASES	10.95
LATE PAY CHARGE- 1.50% ON PREV BAL AMT (18.00% APR)	.00
TOTAL DUE FOR OTHER SERVICES	10.95

OTHER SERVICES

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Monday, November 03, 2003 8:14 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Kenneth Berger
Dickinson ND
Phone: 701-483-9202

The issue is as follows: IF MDU can keep buying cement plants, they must be making enough money from electricity. They don't need this increase.

The resolution so far is as follows:
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 11/03/03 08:13
This issue is jurisdictional.

Helbling

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Monday, November 03, 2003 7:39 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW: Utility rates

-----Original Message-----
From: Bauske, Shelly A.
Sent: Friday, October 31, 2003 4:03 PM
To: Helbling, Sharon D.
Subject: FW: Utility rates

-----Original Message-----
From: Galen Bren [mailto:gbren@state.nd.us]
Sent: Friday, October 31, 2003 4:02 PM
To: ndpsc@psc.state.nd.us
Subject: Utility rates

Please continue to keep utility rates down, MDU proposal for an increase on the electric base rate, Natural gas prices increasing. Please keep working for the tax payers. Thank you.

Galen J. Bren

832 San Angelo Dr,

Bismarck, ND 58504

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Friday, October 31, 2003 11:17 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Mike Rosemore
Bismarck ND
Phone: 701-258-3476

The issue is as follows: Opposed to increase. $3 of $4 would be reasonable, but not $17.

The resolution so far is as follows:
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

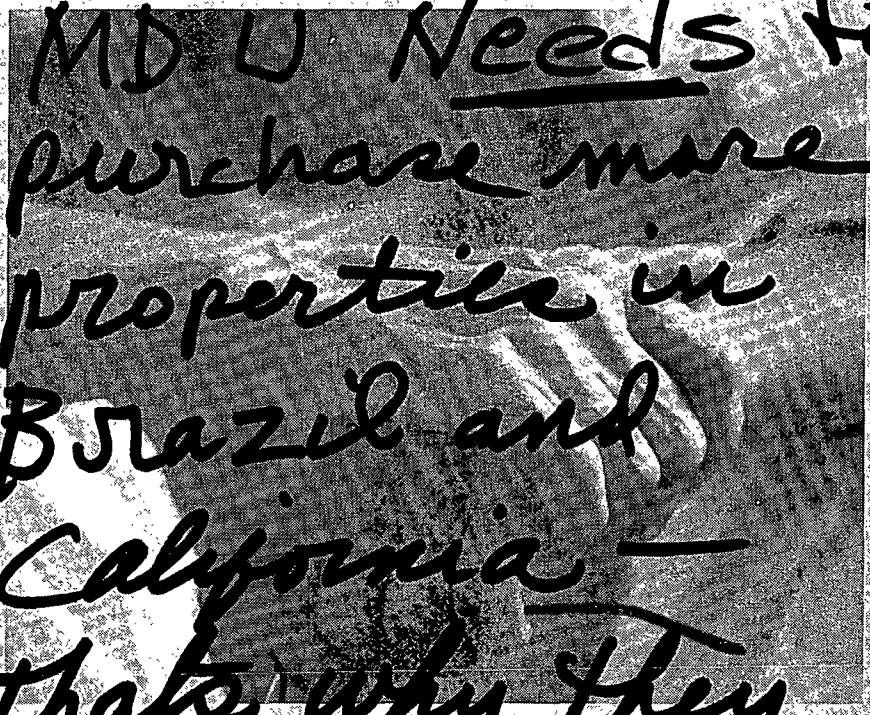
This issue is not resolved.
This issue is jurisdictional.

Helbling

(Comm ord Pld

MDU Public Input

Some people have to choose between eating in the dark or starving with the lights on.



MDU Needs to purchase more properties in Brazil and California — that's why they have a franchise!!

Contact the Public Service Commission to stop the rising cost of utilities.

Utility services can cost up to a quarter of a person's income, leaving little money for other necessities like food and healthcare. Now, your electric company wants to raise your monthly bill by more than $10. North Dakotans can afford [illegible]

Oppose Montana-Dakota Utilities' proposed rate increase. Call the North Dakota Public Service Commission to express your concerns.

North Dakota Public Service Commission
Phone: 701-328-2400
For hearing impaired TTY 800-366-6888
Email: ndpsc@psc.state.nd.us

Right? Please stick it to us — It Feels So Good!!!

AARP North Dakota

"The power to make it better."

Call 701-[illegible] or visit us online at www.aarp.org/nd

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Wednesday, October 29, 2003 3:03 PM
To: Helbling, Sharon D.
Subject: FW: MONTANA DAKOTA UTILITIES/BASE RATE CHANGE

-----Original Message-----
From: Susan E. Hasz [mailto:11hass@STATE.ND.US]
Sent: Wednesday, May 20, 1998 4:53 AM
To: ndpsc@psc.state.nd.us
Subject: MONTANA DAKOTA UTILITIES/BASE RATE CHANGE

TO WHOM IT MAY CONCERN: I am writing to let you know that I hope that Montana Dakota Utility Compay will reconcider the utility base rate as too high. MDU wants to increase to an additional $7.8 billion. We feel that this would be a hardship for the low income and fixed income households. Ron Binz, AARP's expert feels that the increase should be no more than $84,000 of the $7.8 million. He suggest that a monthly service charge of $6 would be appropriate. Thank you so much for listening to our concerns.
S. Hasz

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Wednesday, October 29, 2003 3:03 PM
To: Helbling, Sharon D.
Subject: FW: I oppose the rate increase.

-----Original Message-----
From: MARY LAHAISE [mailto:MLAHAISE@altru.org]
Sent: Wednesday, October 29, 2003 1:31 PM
To: ndpsc@psc.state.nd.us
Subject: I oppose the rate increase.

I oppose the rate increase.

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Wednesday, October 29, 2003 3:03 PM
To: Helbling, Sharon D.
Subject: FW: Proposed Rate increase

-----Original Message-----
From: Twila H. Novak [mailto:50novt@state.nd.us]
Sent: Wednesday, October 29, 2003 1:06 PM
To: ndpsc@psc.state.nd.us
Subject: Proposed Rate increase

As a personal consumer, I am very much opposed to the proposed increase MDU is requesting. This is almost a 500% increase in the basic rate!!!! That is absurd!
As the Director of Walsh County Social Services, I must say that this would be a very detrimental increase for many low income working families in Walsh County and throughout North Dakota. Last year we assisted 411 households in Walsh County with heating assistance. This number would surely skyrocket if the proposed increased were approved.

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Wednesday, October 29, 2003 3:03 PM
To: Helbling, Sharon D.
Subject: FW: utilities

-----Original Message-----
From: Gaylene Bren [mailto:gbren@mohs.org]
Sent: Wednesday, October 29, 2003 12:43 PM
To: ndpsc@psc.state.nd.us
Subject: utilities

Please stop the rise of utilities
Gaylene Bren
Bismarck, ND 58504

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Thursday, October 30, 2003 8:34 AM
To: Helbling, Sharon D.
Subject: FW: MDU rate increase

-----Original Message-----
From: Loretta A. Moe [mailto:50moel@state.nd.us]
Sent: Thursday, October 30, 2003 8:25 AM
To: ndpsc@psc.state.nd.us
Subject: MDU rate increase

----------Confidentiality Statement----------
This transmission is intended only for the use of the individual to whom it is addressed and may contain information that is made confidential by law. If you are not the intended recipient, you are hereby notified any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please respond immediately to the sender and then destroy the original transmission as well as any electronic or printed copies. Thank you.
TO WHOM IT MAY CONCERN: I AM WRITING TO ADDRESS MY CONCERN ABOUT THE
MDU RATE INCREASE: I AGREE WITH AARP'S EXPERT WITNESS, RON BINZ, THAT THE
INCREASE SHOULD PROBABLY BE NO MORE THEN $6. - RATHER THEN $17.00!! I AM
AN ELIGIBILITY WORKER IN WALSH CO. SOCIAL SERVICES (& HAVE BEEN FOR OVER 35
YRS.) AND EVEN THO I HELP ADMINISTER THE LiHEAP PROGRAM HERE IN WALSH
CO./NO. DAK. WHICH HELPS THE 'LOW-INCOME' FAMILIES WITH THEIR HEATING BILLS
- I ALSO AM A CONSUMER OF MDU MYSELF!! HERE IN WALSH CO. - WE HAVE NOT
SEEN A RAISE IN 'OUR' WAGES FOR 2 YEARS, AND, I KNOW WE ARE NOT THE ONLY
ONE'S. "WE" ALL KNOW THERE ARE A LOT OF FOLKS/RESIDENTS OF NORTH DAKOTA
THAT DO "NOT" MAKE HUGE SALARIES AND ADDING MORE THEN $10.00 A MONTH TO
THEIR MONTHLY MDU BILL -COULD AND OFTEN TIMES 'WILL' BE ESPECIALLY

HARD ON
LOW-INCOME AND FIXED- INCOME PEOPLE. EVEN THO A GOOD NUMBER OF FOLKS GET
HELP THRU THE LiHEAP PROGRAM, THAT PROGRAM DOES NOT PAY 100% OF THE HEATING
BILL! I RESPECTIVELY ASK THAT THIS MDU "RATE-INCREASE" BE LOOKED AT AND
RESEARCHED THOROUGHLY; AND "NOT" RAISE THE MONTHLY CUSTOMER SERVICE
CHARGE MORE THEN $6.00 PER MONTH!! THANK YOU FOR THE OPPORTUNITY TO
ADDRESS THIS SITUATION.....LORETTA A. MOE, 1416 DOGWOOD AVE., GRAFTON, N.D. 58237

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Wednesday, October 29, 2003 5:06 PM
To: Helbling, Sharon D.
Subject: FW: M D U rate increase

-----Original Message-----
From: speicher lester [mailto:earll@daktel.com]
Sent: Wednesday, October 29, 2003 5:05 PM
To: ndpsc@psc.state.nd.us
Subject: M D U rate increase

I am approaching 85 years and live an apartment heated by M D U Natural gas. I would prefer lowest possible rate increase and yet be fair to all. Socail Security is a large part of my income.

Lester Speicher
1036 East Main St
Valley City N D 58072

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Thursday, October 30, 2003 8:34 AM
To: PUD
Subject: FW: MDU

-----Original Message-----
From: eugene dick [mailto:gdlake@yahoo.com]
Sent: Wednesday, October 29, 2003 6:46 PM
To: ndpsc@psc.state.nd.us
Subject: MDU

I think that rate increase is larger then what we are going to get on our social security increase. Lets reconsider.
Thank you
Eugene C Dick

=====
Eugene C. Dick

Do you Yahoo!?
Exclusive Video Premiere - Britney Spears
http://launch.yahoo.com/promos/britneyspears/

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Wednesday, October 29, 2003 5:06 PM
To: Helbling, Sharon D.
Subject: FW: MDU

-----Original Message-----
From: Charlotte Glynn [mailto:gly_c@hotmail.com]
Sent: Wednesday, October 29, 2003 3:55 PM
To: ndpsc@psc.state.nd.us
Subject: MDU

A PROPOSED INCREASE LIKE THIS WOULD BE VERY HARD ON MOST NORTH DAKOTA FAMILIES. I WORK AT SOCIAL SERVICES AND EVERYONE I DEAL WITH WOULD BE AFFECTED. PLEASE DO WHAT YOU CAN TO KEEP THE INCREASE TO A MINIMUM. THANK YOU. CHARLOTTE GLYNN

Cheer a special someone with a fun Halloween eCard from American Greetings! Go to http://www.msn.americangreetings.com/index_msn.pd?source=msne134

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Thursday, October 30, 2003 8:34 AM
To: Helbling, Sharon D.
Subject: FW:

-----Original Message-----
From: terry oestreich [mailto:oestreichterry@hotmail.com]
Sent: Wednesday, October 29, 2003 5:59 PM
To: ndpsc@psc.state.nd.us
Subject:

dear sirs I am a MDU customer in Dickinson N.D. I am opposed to the rade increas MDU is attempting to get. As you all know we all need to tighten our budgets or so we are constantly told. Why in the world cam MDU get a raise like that when every one else needs to cut back.
Thank you for your consideration
Terry Oestreich
848 13 Ave. W.
Dicksinon N.D. 58601

Add MSN 8 Internet Software to your current Internet access and enjoy patented spam control and more. Get two months FREE!
http://join.msn.com/?page=dept/byoa

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Thursday, October 30, 2003 8:34 AM
To: Helbling, Sharon D.
Subject: FW: Base Service Charge increase

-----Original Message-----
From: james kyes [mailto:tpickyes@srt.com]
Sent: Wednesday, October 29, 2003 7:52 PM
To: ndpsc@psc.state.nd.us
Subject: Base Service Charge increase

PSC: An increase of 2 or 3 dollars to 5 or 6 would be tolerable and reasonable. My household insurance premium has gone up almost 100% in three years.
James H Kyes, Minot

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Thursday, October 30, 2003 9:46 AM
To: Helbling, Sharon D.
Subject: FW:

-----Original Message-----
From: Janet Dvorak [mailto:jedvorak@state.nd.us]
Sent: Thursday, October 30, 2003 9:22 AM
To: ndpsc@psc.state.nd.us
Subject:

TO WHOM IT MAY CONCERN:
I and everyone I have talked to about it are dismayed at and oppose the proposed rate increase. Why does the company feel such a drastic increase is warranted? It will mean a great hardship to all who struggle to make ends meet on a fixed income. Heat is not a luxury. Please consider other options.

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Thursday, October 30, 2003 9:52 AM
To: Helbling, Sharon D.
Subject: FW: heat increase!

-----Original Message-----
From: Karol Dupree-Robinson [mailto:kdupree@STATE.ND.US]
Sent: Thursday, October 30, 2003 9:49 AM
To: ndpsc@psc.state.nd.us
Subject: heat increase!

TO WHOM IT MAY CONCERN:
I and everyone I have talked to about it are dismayed at and oppose the proposed rate increase. Why does the company feel such a drastic increase is warranted? It will mean a great hardship to all who struggle to make ends meet on a fixed income. Heat is not a luxury. Please consider other options.

Karol Dupree-Robinson
Grafton, ND 58237

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Thursday, October 30, 2003 12:52 PM
To: Helbling, Sharon D.
Subject: FW: MDU Increase

-----Original Message-----
From: Janet Burns [mailto:jburns@gft.midco.net]
Sent: Thursday, October 30, 2003 12:03 PM
To: ndpsc@psc.state.nd.us
Subject: FW: MDU Increase

Dear Friends: I am writing to ask you to please help us "senior citizens" fight against the huge increase MDU is proposing. As I am sure you are aware, North Dakota has lots of us "seniors" who are often just getting by on our Social Security and occasionally a small pension or some savings. MDU has proposed this huge base rate increase and it would be detrimental to those of us living on a very fixed budget. I thank you for the hard work you do and how you continue to have the best interests of the citizens of North Dakota foremost in your minds. God Bless You as you continue in His service. Sincerely, Mrs. Janet Burns, 244 1/2 Kittson Avenue, Grafton, ND 58237.

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Thursday, October 30, 2003 12:52 PM
To: Helbling, Sharon D.
Subject: FW: MDU's basic rate

-----Original Message-----
From: suzie schrum [mailto:s_schrum@hotmail.com]
Sent: Thursday, October 30, 2003 12:44 PM
To: ndpsc@psc.state.nd.us
Subject: MDU's basic rate

To Whom It May Concern:

I was talking with my co-workers and someone mentioned that they heard MDU was going to rasie the rates!!! We all stated that this will mean a great hardship to all who struggle to make ends meet!!! I myself will have a hard time making ends meet. I use the budget plan through MDU now and my monthly bill is high!! Please, are there any other options that could be considered????
Suzanne Schrum
Grafton, ND 58237

Concerned that messages may bounce because your Hotmail account has exceeded
its 2MB storage limit? Get Hotmail Extra Storage!
http://join.msn.com/?PAGE=features/es

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Friday, October 31, 2003 9:21 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW:

-----Original Message-----
From: Bauske, Shelly A.
Sent: Friday, October 31, 2003 9:04 AM
To: Helbling, Sharon D.
Subject: FW:

-----Original Message-----
From: Bev Ostenson [mailto:bevostenson@hotmail.com]
Sent: Thursday, October 30, 2003 10:33 PM
To: ndpsc@psc.state.nd.us
Subject:

I oppose the MDU increase.

Bev Ostenson
418 6 Street East - #1
West Fargo, ND 58078

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( ) ( )

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Friday, October 31, 2003 9:25 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: FW:

-----Original Message-----
From: Bauske, Shelly A.
Sent: Friday, October 31, 2003 8:59 AM
To: Helbling, Sharon D.
Subject: FW:

-----Original Message-----
From: Ardie J. Demers [mailto:54dema@state.nd.us]
Sent: Friday, October 31, 2003 8:48 AM
To: ndpsc
Subject:

I do not support an increase in MDU's basic rate. Especially an increase of that enormous amount. Ardie J. Demers

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Friday, October 31, 2003 9:28 AM
To: Comm; Legal; PUD
Cc: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Subject: MDU Electric Rate Increase MDU Electric

;
The following contact was recorded into the Public Contact System:

Eunice Kronschnabel
Dickinson ND
Phone: 701-225-2333

The issue is as follows: She is opposed to this increase.

The resolution so far is as follows:
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 10/31/03 09:27
This issue is jurisdictional.

Helbling

RECEIVED
OCT 21 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

Dickinson N.D.
Oct. 20, 2003

N.D. Public Service Commission
Bismarck, N.D.

I am writing in regards to the Mont. Dak. Utl. rate case that you will hear soon.

I think you should consider the Proposed "Margin Sharing". As a shareholder, I believe this would enhance our shares and also good for the Company and their Regul Customers.

C. Comm (4)
Pub
Atty - Public Agnt
MDL

Sincerely
Clarene Russell
Dickinson, N.D.

Scott, Sandi L.

From: Lein, Jerry R.
Sent: Friday, October 24, 2003 4:02 PM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Cc: Comm; Legal; PUD
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

LaVonne Glasser
235 Connecticut Street
Bismarck ND 58504 Phone: 222-3436

The issue is as follows: Protests MDU rate increase. Even on Average Monthly Payment bill is still around $115 per month, which is way too much already.

The resolution so far is as follows: Protest Registered
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 10/24/03 15:59
This issue is jurisdictional.

Lein

Scott, Sandi L.

From: Lein, Jerry R.
Sent: Friday, October 24, 2003 4:02 PM
To: 'tamie.aberle@mdu.com'; 'karen.collins@mdu.com'
Cc: Comm; Legal; PUD
Subject: MDU Electric Rate Increase MDU Electric

The following contact was recorded into the Public Contact System:

LaVonne Glasser
235 Connecticut Street
Bismarck ND 58504 Phone: 222-3436

The issue is as follows: Protests MDU rate increase. Even on Average Monthly Payment bill is still around $115 per month, which is way too much already.

The resolution so far is as follows: Protest Registered
Additional Notes read as follows:
MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;

The issue is resolved as of 10/24/03 15:59
This issue is jurisdictional.

Lein

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 10/13/2003 09:15 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011446

Caller Info: Name - First: Vern | Last: Leverson

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 701-223-9687 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 10/13/2003 09:16 am | Jurisdictional: Yes ● No ○ | CM Year: 03 | Seq: 296

Explanation of Issue: | Refered To:

They are against the rate increase. They feel elderly can't afford this much of an increase.

Resolution:

I thanked Mrs. Leverson for calling and told her I would put her comments in the Public Input file related to the case and make sure the Commission is aware of her concerns.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pld (4)
MDL
C Public Input File

RECEIVED
OCT - 9 2003
NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

Public Service Commission

I read the article ~~the~~ long jump in rates - my husband works for the state of N.D - We will be lucky if he makes 30,000.00 by the end of the year - I am getting 642.00 a month disability for various different handicaps - my medication cost me 258.00 a month for 7 different prescription after insurance - I see two specialist and a Dr doctor every 2 to 3 months my husband is a diabetic and is on insulin 2x a day - Because he works for the state, we can't go in to the welfare office to ask for any assistance - If you let MDU raise their prices according to that article we will be in the poor house - we don't make 300 thousand dollars a year - we don't get bonuses of 182,940 - why can't N.D. be fair to the lower class of people - its no wonder why people move out to different states - I know the

C: Comm
Legal
Pub 3
M ou
Orig. Input

J R

city of Dickinson doesn't give a
damn about these low class people
But the state should - taxes keep going higher
N.D is one of the lowest paying
states in the nation, and one
of the highest tax paying states -
Its time to start saying no to
high cost of living - high utility
rates - high taxes etc.
MDU doesn't need these expensive
buildings - they are using our money
to get rich by providing a service
that people can't live without -
We are in a recession - people
don't know from day to day if they
can go to work the next -
time to put a stop to
rate increases -

Linda L Gullickson
204 4th St SW
Dickinson N.D. 58601

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 10/03/2003 10:30 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011413

Caller Info: Name - First: Connie | Last: Bjelland

Represents:

Address: 929 North Third Street, Apt. 1

City: Bismarck | St: ND | Zip: 58501

Phone: | E-mail:

Public Utilities

Detailed - On Agenda

Fortney

Resolved: 10/06/2003 08:10 am | Jurisdictional: Yes (●) No ( ) | CM Year: 03 Seq: 296

Refered To:

Explanation of Issue:

She called Susan Wefald regarding concerns about both the increases in natural gas and electricity. She requested information on the eligibility level for 1 person for energy assistance.

Resolution:

I called her with the energy assistance guidelines she requested. She was also sent a letter acknowledging her concerns about the electric rate increases.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

Helbling, Sharon D.

From: Helbling, Sharon D.
Sent: Thursday, October 02, 2003 8:26 AM
To: 'oranders@nemontel.net'
Subject: RE: MDU Electrical Price Increase

Mr. Anderson:

Thank you for your comments concerning MDU's request for an electric rate increase. We appreciate hearing from you.

Copies of your contact will be given to the commissioners, and filed in the Public Input file for this proceeding.

Sharon Helbling
Public Utilities Division

[Helbling, Sharon D.] -----Original Message-----
From: Bauske, Shelly A.
Sent: Wednesday, October 01, 2003 10:03 AM
To: Helbling, Sharon D.
Subject: FW: MDU Electrical Price Increase

-----Original Message-----
From: Orrin Anderson [mailto:oranders@nemontel.net]
Sent: Wednesday, October 01, 2003 9:18 AM
To: ndpsc@psc.state.nd.us
Subject: MDU Electrical Price Increase

I would like to ask you to reject the MDU electrical rate increase.Here are the points
1.I am a 53 year old on 100% disability I have to live on 750.00 a month. **With this increase it will cost me double,and there is no help with this from low income assistanceLast winter my electric daily usage was around .89 cents a day. when the gas went up,I went from paying 89 cents a day to 1.89 a day.**
I know that the electric companys will figure a way to artificially make a shortage of power so the rates can go up.
just as they do with gas.I get pretty hungry or real Cold when this stuff is allowed and these increases take effect.
Thank you
Orrin Anderson,oranders@yahoo.com

C. Comm
Legal
Orig - Public Input file

10/2/2003

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/24/2003 01:59 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011368

Caller Info: Name - First: Ken | Last: Fettig

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 701-530-7000 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/24/2003 01:58 pm | **Jurisdictional:** Yes ● No ○ | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

He has no problem with MDU people getting the large salaries-he feels in a corporate structure they deserve them. But he also heard MDU made in excess of $2 billion last year. In light of that, he feels they should not get the full 17% increase-give them 2.5% instead.

Resolution:

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/18/2003 09:08 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011349

Caller Info: Name - First: Brian | Last: Fosaaen

Represents:

Address: 910 12th Ave E

City: Dickinson | St: ND | Zip:

Phone: | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/18/2003 09:08 am | **Jurisdictional:** Ye● No○ | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

After reading the Marlin Haakenson letter to the editor in the September 7th Bismarck Tribune, I felt compelled to voice an opinion. Salaries like those described are way out of line with the vast majority of the people struggling to ake a living in ND. It's pretty hard for the average person to be sympathetic to their request when we see these people making salaries that are almost unimaginable to most of the state's residents. The PSC needs to vote "NO" on this requested rate hike. Thank you for your service to the people of North Dakota.

Resolution:

I thanked him for his comments and told him they would be forwarded to the Commission and placed in the Public Input File in this case.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

Comm
Legal
Pld (4)
MDL
Public Input File

Helbling, Sharon D.

From: Helbling, Sharon D.
Sent: Wednesday, September 17, 2003 9:44 AM
To: Helbling, Sharon D.
Subject: MDU Electric Rate Increase MDU

The following contact was recorded into the Public Contact System:

Gail Krise

The issue is as follows:
-----Original Message-----
From: Gail HKrise [mailto:gailhkrise@yahoo.com]
Sent: Tuesday, September 16, 2003 10:19 PM
To: NDPSC@PSC.STATE.ND.US
Subject: rate hike

NDPSC,

I am definitely against the rate hike that MDU proposes. I don't see why we should pay more because CA and other states are having problems. We pay plenty. It is absurd to consider such a rate for basic service.

Sincerely,
Gail Krise

The resolution so far is as follows: I thanked her for her comments and put them in the Public Input File.
Additional Notes read as follows:
MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

The issue is resolved as of09/17/03 09:40
This issue is jurisdictional.

Helbling

C. Comm
Legal
Pub (4)
Mail
Public Input File

E J BERNHARDT
715 N 27TH STREET
BISMARCK ND 58501-3

BISMARCK ND 585
9 PM
13 SEP
2003

USA
2002

Public Service Commission
600 E Boulevard Ave. Dept. 408
Bismarck ND 58505-0408

58505+0602

Shocking jump in rates

By MARLAN "HAWK" HAAKENSON
Bismarck

Are state salaries high ("100,000 club growing," Tribune, Aug. 31)? How about at Montana-Dakota Utilities?

MDU is asking for a 9.1 percent rate increase—17 percent for residential customers—producing an additional $7.8 million in revenue. The charge for a meter, $3.50 now, would jump to $17 per month.

You will be paying that. For more money for their officers? Martin White (chairman of the board, president and CEO) in 2002 received $517,038 in salary and a $509,340 bonus. His total package, salary and bonus, was up by 41 percent in only two years.

Do you really think anyone in North Dakota needs over a million dollars a year to live on? I think not.

Here is what some other officers made:

- Douglas Kane received $273,942 in salary and $1,069,333 "in connection with his resignation as an officer," according to MDU.
- Ron Tipton received $306,815 salary and $111,958 as a bonus.
- Warren Robinson got $278,265 salary, $182,840 bonus.
- Lester Loble II got $256,688 salary, $153,455 bonus.
- Vernon Raile got $169,037 salary, $88,808 bonus.

Protest the proposed MDU rate hike by contacting the Public Service Commission.

(The writer is a Burleigh County commissioner and former Bismarck mayor. — Editor)

Comm
Legal
Pull (4)
MDL
Public Input File

Sept. 11,2003

Public Service Comission:

To Whom it may concern:

I am protesting the Proposed MDU rate hike. Cannot believe the salaries some of these people ger plus Bonuses. No wonder they can live so high and those that make less then half of that have to survive on their income. It hardly seems fair to me.

The 9.1 percent rate increase is ridiculous and unfair when so many have problems making both ends meet on SO much less, and it will surely make a big difference in monthly payments and even I a widow need to budget very carefully.

Eleanor Oeder

Eleanor Oeder
XXXXX
1115 No. 1st St.

Copy Retained

ELEANOR L OEDER
1115 N 1ST ST APT 204
BISMARCK, ND 58501-3527

RECEIVED
SEP 12 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

C. Comm
Legal
Pubd (4)
MDU
Public Input File

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/16/2003 09:40 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011334

Caller Info: Name - First: Renee | Last: Remmick

Represents:

Address: 1531 N 23rd St

City: Bismarck | St: ND | Zip: 58501

Phone: 701-221-2125 | E-mail:

Public Utilities

Detailed - On Agenda

Fortney

Resolved: 09/16/2003 09:40 am | **Jurisdictional: Yes** ● **No** ○ | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

She totally agrees with the newspaper article. The officers can give up their bonuses instead of increases.

Resolution:

Assured her message would be placed in the input file and shared with with the Commissioners and staff.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/10/2003 02:23 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011303

Caller Info: Name - First: Jim/Marlys | Last: Purdy

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 701-255-3390 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/10/2003 02:23 pm | Jurisdictional: Yes ● No ○ | CM Year: 03 | Seq: 296

Explanation of Issue: | Refered To:

They are against the increase b/c it's excessive at this time. Seeing the salaries and bonuses executives get, they don't want an Enron in ND. This will be a hardship on many people. Marlys feels MDU should do like other successful companies and cut back on administration salaries, and vacations. If three republicans all vote to approve increase, it will give the appearance that the republicans are caving into big business.

Resolution:

I thanked them for calling and assured them I would relay their comments to the commissioner. I also told them their comments would be placed into the Public Input File for this case.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pud (4)
Public Input File

Scott, Sandi L.

From: Cramer, Kevin
Sent: Thursday, September 11, 2003 3:08 PM
To: PUD; Comm; Legal
Subject: MDU increase

Bob Freed, 3756 Renee Drive in Bismarck, called me to express concern about the MDU rate increase. Bob owns rental property in Bismarck and expressed concern over the increase from $3.50 to $17 of the basic meter charge. His renters are largely low income tenants paying their own utilities and will be hit hardest by the base charge increase. He said he would prefer any increase be applied to the actually usage.

Scott, Sandi L.

From: Cramer, Kevin
Sent: Friday, September 12, 2003 11:28 AM
To: PUD; Comm; Legal
Subject: MDU Rate

Curtis Roberts from Bismarck called to express his opposition to MDU's rate increase. He was especially upset over the wages of MDU executives as printed in Marlin Haakenson's letter to the editor. He said he "doesn't mind paying for reasonable wages and equipment." He characterized the printed wages as "outrageous."

I thanked him for his input and told him it would be part of the public input file.

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/11/2003 11:58 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011306

Caller Info: Name - First: Beth | Last: Peterson

Represents:

Address:

City: Mandan | St: ND | Zip:

Phone: 701-663-5199 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/11/2003 11:59 am | Jurisdictional: Yes ● No ○ | CM Year: 03 Seq: 296

Explanation of Issue: | Refered To:

She called to protest this increase. Her electric bills are already $200/Mo. She called MDU to find out why they're so high and was told they don't know. She thinks the bonuses these people get are outrageous and ridiculous.

Resolution:

I thanked her for calling and placed her comments in the Public Input file.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pubd (4)
Public Input File

Scott, Sandi L.

From: Wefald, Susan E.
Sent: Wednesday, September 10, 2003 4:29 PM
To: Comm; PUD; Legal
Subject: MDU Rate increase contact

Foster Hager, Washburn, called me regarding his concerns with the MDU proposed increase, which he described as "unreal." He is especially concerned with the increase from $3.50 to $17.00 for the basic connection charge. I told him that we would be taking a close look at that issue, as well as others.
His phone number is 701-462-3409.
Please place a copy of this message in the public contact file for this case.

Commissioner Susan E. Wefald
North Dakota Public Service Commission
701-328-4559
swefald@state.nd.us

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/15/2003 08:34 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011324

Caller Info: Name - First: Robert | Last: Stastney

Represents:

Address:

City: Mandan | St: ND | Zip:

Phone: 701-663-3819 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/15/2003 08:34 am | **Jurisdictional:** Yes (●) No ( ) | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

Called to voice his objection to the increase. Wouldn't it be nice if we could get a 17% raise on our salaries? If they need such an increase, how can they afford to buy Atlas and Pioneer? Where is MDU coming up with the fact that they need an increase like this; how can they justify it?

Resolution:

I thanked him for calling, and put his comments in the Public Input file.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pltd (4)
MDU
Public Input File

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/15/2003 08:21 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011323

Caller Info: Name - First: None left | Last:

Represents:

Address:

City: | St: | Zip:

Phone: | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/15/2003 08:21 am | Jurisdictional: Yes ● No ○ | CM Year: 03 Seq: 296

Explanation of Issue: | Refered To:

Message on voice mail this morning to vote No on MDU increase. They just want to rip people off. They have too much money already.

Resolution:

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pdd (4)
Mail
Public Input File

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/10/2003 08:27 am

Company:

Location: | BusinessType: | 200000011295

Caller Info: Name - First: Tina | Last: Bay

Represents:

Address: 2500 Centenial Road #68

City: Bismarck | St: ND | Zip: 58503

Phone: 701-255-0259 | E-mail:

Public Utilities

Detailed - On Agenda

Fahn

Resolved: 09/10/2003 08:27 am | **Jurisdictional: Yes ● No ○** | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

Had many concerns about the amount of the MDU increase request compared to her small cost-of-living wage increase. Feels the amount of the requested increase is too much and is not justified at this time because of the state of the economy.

Resolution:

None

Additional Notes:

C Comm
Legal
Pub (4)
Public Input File

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Wednesday, September 10, 2003 8:47 AM
To: Helbling, Sharon D.
Subject: FW: M D U RATE INCREASE COMPLAINT

-----Original Message-----
From: Mark A. Nichols [mailto:manfc@nccray.com]
Sent: Tuesday, September 09, 2003 5:04 PM
To: NDPSC@PSC.STATE.ND.US
Subject: M D U RATE INCREASE COMPLAINT

Hello.
Please make sure NOT to grant M D U a rate increase-I am a consumer who does NOT want to be subject to any more rate increases!!!
Thank you.

C. Comm
Legal
Pud (4)
Public Input File

Scott, Sandi L.

From: Wefald, Susan E.
Sent: Tuesday, September 09, 2003 12:07 PM
To: Comm; PUD; Legal
Subject: MDU increase

Gordon Anderson from Bismarck called me to comment about the MDU rate increase case. He was astonished by the salaries of the MDU officials. He does not think MDU should have any rate increase. Please look out for the little guy. Many people in service area make only $20,000 to $30,000 a year. Please place this in the public input file.

Commissioner Susan E. Wefald
North Dakota Public Service Commission
701-328-4559
swefald@state.nd.us

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/09/2003 11:53 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011291

Caller Info: Name - First: Arliss | Last: Moe

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 701-222-2766 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/09/2003 11:53 am | **Jurisdictional: Yes** ● **No** ○ | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

She wants the Commission to know that she is against this rate increase. She also asked how they would get her message and what they're going to do.

Resolution:

I thanked her for calling and told her I would relay her comments to the Commission and put her comments in the Public Input file. I also told her we won't know what the final decision of the Commission will be until after the hearing in November.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pild(4)
Public Input file

Regarding: Electric | Su' t:: MDU Electric Rate Increase | Added: 09/09/2003 11:51 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011290

Caller Info: Name - First: [redacted] Last: [redacted]
Represents: [redacted]
Address: [redacted]
City: [redacted] St: [redacted] Zip: [redacted]
Phone: [redacted] E-mail: [redacted]

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/09/2003 11:51 am | Jurisdictional: Ye● No○ | CM Year: 03 Seq: 296

Explanation of Issue: | Refered To:

This lady didn't want to leave her name or number. She is very concerned about people being able to pay their bills if MDU gets this rate increase.

Resolution:

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pld (N)
Atty - Pettis Ingrid File

Bauske, Shelly A.

From: fay mindeman [faynjimm@drtel.net]

Sent: Wednesday, August 20, 2003 8:46 PM

To: ndpsc@psc.state.nd.us

Subject: Emailing: public-input

Im writing in concern about raising the electric rates...when a person is earning minumum wage level its hard enough to pay electric bills on top of all the other basic living bills...now to up the electric rate another 10.00 thats alot to somepeople...just think of the people that are living on very low social security checks and mimumum wages....I feel the electric is high enough ....no increase please...think about all the poor people out in our state and there are alot of them

Your files are attached and ready to send with this message.

Bauske, Shelly A.
From: Venita Quamme [vquamme@yahoo.com]
Sent: Wednesday, August 20, 2003 7:37 PM
To: ndpsc@psc.state.nd.us
Subject: mdu increase

My question: How can MDU justify a 9.1 increase when wages are stagnant?
I cannot afford that large an increase. I suggest a 2%
increase
VQuamme
Hettinger ND

Do you Yahoo!?
Yahoo! SiteBuilder - Free, easy-to-use web site design software
http://sitebuilder.yahoo.com

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/09/2003 11:27 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011289

Caller Info: Name - First: Robert | Last: Renner

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: Unlisted | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/09/2003 11:27 am | Jurisdictional: Yes ● No ○ | CM Year: 03 Seq: 296

Explanation of Issue: | Refered To:

Came into office regarding MDU rate increase. He thinks it's OK if they get a little, but not that much.

Resolution:

I told him I would make a record of his visit, relay his comments to the commissioners, and put them in the Public Input file related to the case.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pud (H)
Org - Public Input file

Regarding: Electric | Sub: MDU Electric Rate Increase | Recorded: 09/09/2003 09:49 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011288

Caller Info: Name - First: Alma | Last: Miller

Represents:

Address: 204 Teton Avenue

City: Bismarck | St: ND | Zip: 58501

Phone: 701-255-2899 | E-mail:

Public Utilities

Detailed - On Agenda

Fortney

Resolved: 09/09/2003 09:47 am | Jurisdictional: Yes (●) No ( ) | CM Year: 03 Seq: 296

Explanation of Issue: | Refered To:

She is a senior citizen on a fixed income. She protests the increase for MDU. It is completely out of line especially with the article with salaries in the paper on Sunday. Those of us depending on fixed income to make a living and social security not up to where it should be - increased $4. When you see what the senator and representatives added to their salaries, it makes a person sick.

Resolution:

Thanked her for sharing her concerns and entered in case public record. Commissioner Wefald sent a letter acknowledging her concerns.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C Comm
Legal
PUD (4)
Public Input File

Fortney, Kathy M.

From: Wefald, Susan E.
Sent: Monday, September 08, 2003 3:58 PM
To: Fortney, Kathy M.
Subject: FW: MDU

Kathy, please send a response and include my title block etc. Please send me a copy of the response. Thank you!

-----Original Message-----
From: Rusty [mailto:plienis@bektel.com]
Sent: Sunday, September 07, 2003 5:12 PM
To: swefald@state.nd.us
Subject: MDU

Dear Ms. Wefald:

I am writing to you in regards to the rate increases MDU have requested. When reading information in the Bismarck Tribune it does make us wonder why if they are paying high salary and bonus figures to employees and what some of us fee excessive to management that a price hike is necessary. To many in North Dakota are trying to make a living with both husband and wife working for $6 or $7 per hour and can hardly pay the MDU bill and other utility bills already in place. I just don't think corporate ND should be allowed to increase rates at this time when jobs are being lost and new jobs are not readily available.

Thank you for your time in reading this email.

Sincerely,
Rusty Plienis

Q: Comm
Legal
PUC(3)
Public Input File

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/08/2003 01:15 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011279

Caller Info: Name - First: Cheryl | Last: Tryhus

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 701-224-9823 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/08/2003 01:15 pm | **Jurisdictional:** Ye● No○ | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

She called to oppose the rate increase-"wouldn't be nice to make a salary just in what they get for bonuses."

Resolution:

.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pkd (4)
Orig - Public Input

Scott, Sandi L.

From: Jeffcoat-Sacco, Illona
Sent: Monday, September 08, 2003 3:55 PM
To: Comm; Mielke, Jon H.
Cc: Legal; PUD
Subject: another MDU Electric call

I had another call on MDU electric and the MDU Resources management salaries. The woman who called appreciated my taking time to explain the corporate structure and the ratemaking process. This woman did not want to leave her name, but wanted us to know (among other comments) that she is on social security, her meds run her over $500 per month, and she buys $10 worth of gas at a time. She uses the gas to take several elderly acquaintances who do not drive to the grocery store, dentist and clinic. She wants to know if Martin White spends any time running elderly folks to the grocery store (with coupons), dentist or clinic? She also wanted us to know that she had a hard time paying her MDU bill last winter, despite turning down the heat and bundling up with sweaters, and is worried about how she will pay this winter's, with gas prices high and the electric increase.

Illona A. Jeffcoat-Sacco
Director, Public Utilities Division
Public Service Commission
600 E. Boulevard Ave., Dept. 408
Bismarck, ND 58505-0480

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/08/2003 03:05 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011283

Caller Info: Name - First: Bob | Last: Moyle

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 701-255-0948 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/08/2003 03:05 pm | Jurisdictional: Yes (●) No ( ) | CM Year: 03 | Seq: 296

Explanation of Issue: | Refered To:

Called to voice his "displeasure" with MDU's request-it's totally out of line. If government has to cut back and they can't pay teachers, MDU should do the same with its budget. He agrees with the article in the Sunday Bismarck Tribune.

Resolution:

I thanked him for his call and told him I would relay is comments to the commissioners and place them in the Public Input file.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pud (4)

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/08/2003 02:05 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011281

Caller Info: Name - First: Arnold | Last: Schieve

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 701-223-6928 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/08/2003 02:05 pm | Jurisdictional: Yes ● No ○ | CM Year: 03 Seq: 296

Explanation of Issue: | Refered To:

Opposes the increase when top officials make half a million each. How do they expect people to pay these rate increases. Every business pays the increase and then they raise their prices so we end up paying again. If they have money to buy Atlas Ready Mix in ND & MT and a gravel pit in Bismarck, why do they need an increase.

Resolution:

I thanked him for calling and told him I would relay his comments to the commissioners and placed his comments in the Public Input file in this case.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Cmm
Legal
Pub (4)

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/08/2003 01:39 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011280

Caller Info: Name - First: Chris | Last: Schneider

Represents:

Address:

City: Mandan | St: ND | Zip:

Phone: 701-663-3253 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/08/2003 01:39 pm | Jurisdictional: Yes ● No ○ | CM Year: 03 | Seq: 296

Explanation of Issue: | Refered To:

He called to oppose the increase. He's a residential and commercial customer and MDU's raised its rates enough. They use the excuse of supply and demand when the real reason is to put more money in the wallets of the CEO's.

Resolution:

I thanked him for his comments and told him they would be placed in the Public Input file and relayed to the Commission.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pub (AL)

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/08/2003 11:03 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011274

Caller Info: Name - First: | Last:
Represents:
Address:
City: | St: | Zip:
Phone: | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: | **Jurisdictional: Yes** ● **No** ○ | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

This person did not want to leave his/her name or phone number. Just said they don't understand why MDU needs this increase. Instead of paying the bonuses to MDU employees, they should pass them onto the customers.

Resolution:

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/08/2003 12:08 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011278

Caller Info: Name - First: [redacted] Last: [redacted]
Represents: [redacted]
Address: [redacted]
City: [redacted] St: [redacted] Zip: [redacted]
Phone: [redacted] E-mail: [redacted]

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/08/2003 12:08 pm | Jurisdictional: Yes (●) No ( ) | CM Year: 03 Seq: 296

Explanation of Issue: | Refered To:

This was voice mail. She did not leave a name or number. Just said "No" to the increase.

Resolution:

.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

Scott, Sandi L.

From: Jeffcoat-Sacco, Illona
Sent: Monday, September 08, 2003 1:27 PM
To: Comm; Mielke, Jon H.
Cc: Legal; PUD
Subject: MDU rate case contact

Ellis Pittenger called to register his complaint against the MDU rate increase: "they don't need it if 6 guys make close to $4 million"

Illona A. Jeffcoat-Sacco
Director, Public Utilities Division
Public Service Commission
600 E. Boulevard Ave., Dept. 408
Bismarck, ND 58505-0480
Phone: 701-328-2407
Fax: 701-328-2410
E-mail: ijs@oracle.psc.state.nd.us

Regarding: Electric/Gas | Subject: MDU Electric Rate Increase | Added: 09/08/2003 11:18 am

Company: MDU

Location: Bismarck | BusinessType: IOU | 200000011277

Caller Info: Name - First: Vera | Last: Doll

Represents:

Address: 904 W Turnpike Ave

City: Bismarck | St: ND | Zip: 58503

Phone: 701-255-1035 | E-mail:

Public Utilities

Detailed - On Agenda

Fortney

Resolved: | Jurisdictional: Yes (●) No ( ) | CM Year: 02 Seq: 183

Explanation of Issue: | Refered To:

It is tough to be a homeowner if rates keep increasing. I am certainly against it.

Resolution:

Thanked her for calling and placed record in case input file. Commissioner Wefald also sent a letter.

Additional Notes:

MDU contact: tamie.aberle@mdu.com; karen.collins@mdu.com;;

C: Comm
Legal
Pub (4)
Public Input file

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 09/08/2003 09:37 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011270

Caller Info: Name - First: Janice | Last: Ehli

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 701-223-8218 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 09/08/2003 09:37 am | **Jurisdictional:** Yes (●) No ( ) | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

Called this morning to protest rate increase. If MDU can pay their people those high salaries, they don't need a rate increase. It just isn't right.

Resolution:

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Comm
Legal
Pub (4)
Orig. file

Regarding: Electric | Sub: MDU Electric Rate Increase | Added: 09/08/2003 10:37 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011272

Caller Info: Name - First: Joe/Elizabeth | Last: Pfeiler

Represents:

Address:

City: Mandan | St: ND | Zip:

Phone: 701-663-8284 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved:

Jurisdictional: Ye● No○

CM Year: **03** Seq: **296**

Explanation of Issue:

Refered To:

Mrs. Pfeiler called in. If Commission gives MDU requested increase, they will have to give up their home and move into an apartment where the heat is included in their rent. They've been homeowners for 43 years.

Resolution:

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

C. Corman
Legal
Pad (4)
Orig. - file

Helbling, Sharon D.

From: Bauske, Shelly A.
Sent: Friday, September 05, 2003 11:01 AM
To: Helbling, Sharon D.
Subject: FW: MDU Electricity Rate Hike

-----Original Message-----
From: Shynot@webtv.net [mailto:Shynot@webtv.net]
Sent: Friday, September 05, 2003 10:46 AM
To: sab@psc.state.nd.us
Cc: shynot@webtv.net
Subject: MDU Electricity Rate Hike

Dear Sirs/Ladies,

I am writing in regard to the MDU Electricity Rate Hike which they are proposing. I am definitely against it as I am currently on Social Security Disability and am receiving retirement benefits from the State. I am a single, 43-year old woman, with a long-term disability, who is making mortgage payments on my home. The only help I receive is $10 per month for Food Stamps, some help with my 7 prescription meds, and commodities about once every 6 weeks. During this past year my income has decreased by approximately $100 to pay for Medicare Part B and supplemental insurance through Blue Cross/Blue Shield (which I need to have in order to receive Medicare Part B). Due to the legislature, I did not receive a pay increase in my retirement, nor do I know if I will get a cost of living pay raise for SSDI until November. When I applied for Fuel Assistance last year, I received a lump sum of $50 for the year to help with that, along with my furnace being cleaned. This year, due to cutbacks, when will I apply again, I'm not even sure I will receive that. So, I am against such a rate hike which is proposed because I can barely afford what I'm paying now. I feel people who are in the same circumstances probably feel the way I do, and am having the same strain and added pressure of thinking how to pay such an added price when they can't afford what they are paying now. If the rate hike does go through, would there be more assistance to those of us who finds ourselves in this situation? Overall, I just don't agree with this. Thank you for taking the time to read this email, and I do hope you take this into serious consideration.
Sincerely,
Maryann Jahner

C Comm
Legal
Pub (4)
orig - file

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

28 August 2003

Jim Roache
P.O. Box 564
Crosby, ND 58730

Dear Mr. Roache:

Thank you for your call. Enclosed is a copy of an intervention request (from a different case), as well as a copy of an affidavit containing the names and addresses of the MDU representatives to whom you should send your filing, and a copy of the notice issued today regarding intervention and the rate of return settlement. The title of the rate case and the docket number are on both the affidavit and the notice.

As I mentioned to you, some Public Utilities Division staff have been assigned as ***staff advocates***. They are:

Bill Binek,	Chief Counsel	701-328-4088
Mike Diller,	Director, Accounting	701-328-4079
Jerry Lein,	Public Utilities Analyst	701-328-1035

The staff advocates are also working with a consultant retained by the Commission to help investigate the case. Two staff members have been assigned as ***advisors***:

Illona A. Jeffcoat-Sacco, Director, Public Utilities	701-328-2407
Pat Fahn, Public Utilities Analyst	701-328-4077

I have enclosed a copy of our *Split Staff Guidelines* which will help explain how these assignments work, and a copy of our *Rate Design Guidelines*, since a substantial issue in the MDU case concerns how rates should be implemented (customer charge, seasonal rates, different increases for different classes, etc.).

Please feel free to call if you have questions. We look forward to hearing from you.

Best regards,

Illona A. Jeffcoat-Sacco
Director, Public Utilities Division

encl.

Regarding: Electric | Subject: MDU Electric Rate Increase | Added: 08/28/2003 10:11 am

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011203

Caller Info: Name - First: Evelyn | Last: Bjorness

Represents:

Address:

City: Dickinson | St: ND | Zip:

Phone: 701-225-6209 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved: 08/28/2003 10:11 am | **Jurisdictional: Yes** ● **No** ○ | CM Year: **03** Seq: **296**

Explanation of Issue: | Refered To:

Called to express her opposition to this increase b/c it is way too much. People are being pushed as far as they can be pushed with all the higher taxes, etc. and now this.

Resolution:

I thanked her for calling and told her I would make sure the Commissioners got her concerns, and her message will be placed in the public input file associated with this proceeding.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

RECEIVED
AUG 27 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

Case 20 2003

ND Public Service Commission

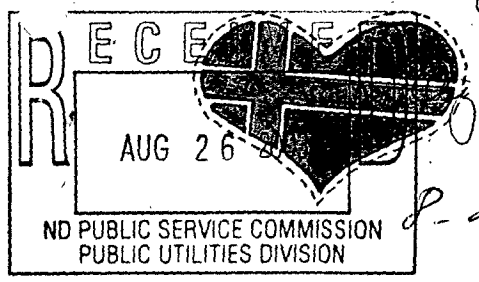
In regard to MDU request ~~large rate~~ increase: I am not convinced such a large increase is justified. MDU has spent millions of dollar buying other companies in other countries as well as in US. Also attempted to take customers from REA in addition to their own growing customer base. Apparently MDU was making large profits. Perhaps some of these profits should be used to maintain equipment and build a generating station.

Are we also paying for the latest stock split? Most wage earners don't get more than a living wage, if that. Interest on life savings is way down, so older people must watch expenses.

I am not against a fair return, but this is too large an increase. Makes me wonder what increases in salary and perks MDU managers have gotten lately. - or is belt tightening just for the so-called middle class in this economic down turn??

C. Comm
Legal
Pub
Dir - Public Input

Carol Boeder
3909 N 4th St. #124
Bismarck, ND 58503



C. Comm
Legal
Pub
Public Input
File

8-24-03

Dear Commissioners:

The rate increase that MDU wants the public to pay is out of reach as far as I'm concerned.

My social security never has a increase like that. And if their equipment is in need of

repaire. why are they
waiting so long to do
that. That should be
kept up to date like any
thing else. —

Please don't let
them put it all on our
shoulders, people that
can't demand an increase
such as that from any
cause besides our social
security.

2820 Attica Dr #306
Bismarck

Sincerely.
Bonnie Holland
Bismarck ND.

Jay Braugch
208 South G Str.
Glen Ullin, ND
58631

8/24/'03

RECEIVED
AUG 26 2003
ND PUBLIC SERVICE COMMISSION
SUSAN E. WEFALD

Dear: Commissioner Susan Wefald,

From what I have seen on the local TV news regarding MDU's proposed substantial rate increase for electricity and your encouragement by the public to respond, I have decided to write this letter. I can say that it is a good thing that MDU has finally allowed for full cut-off light fixtures on their poles (since July 1, 2001). This was essentially done verbally and on paper, with really no burdensome cost to the utility. Any substantiation for such a marked increase from my viewpoint would be to actually see results ongoing of such a decision, that would undoubtedly preserve a divine education resource (our night sky) and make use of electricity more efficient. I am assuming from MDU's advertisements too that the utility is concerned about energy efficiency. Yet at the edges of every small town and city within its large service area, light and electricity is directed into ditches, fields, and other places where it is not needed. Note the article enclosed. In our age, making energy more efficient is good common sense. Individually, policies and wasted MDU light continues to adulterate my livelihood, though the "leadership" (city council) has politicized how well I am allowed to do my work here. I have essentially been told by them (and the local MDU maintainance person) simply, and narrowmindedly, "that's progress. Buy a vehicle and get out!" However, an arguement that is very viable can be said, "What right do they have to adulterate and eventually destroy my livelihood — my "living?" Now, expand the arguement beyond just myself: what right does the utility company have to increase its rates as such when a principal population of our state (senior citizens), already considerably surviving on subsistance, gets a cost of "living" increase of just 1-3%? Unsubstantiated and often greedy price increases in the medical field have well turned them already into "cash cows." A spokesman for the utility company may say, "We have not had a rate of electricity increase since the 1980's." However, how much have wages improved for the working sector in our state compared to the cost of living, including energy? How many working families

C. Comm
Legal
PUC
Grey-Public Input file

are working full time at an uncertain job (or two), just to make ends meet? Remember, commissioner, how many people lined up for help to pay MDU when the gas rates skyrocketed a couple winters ago? Notice today how even the price of gas (not natural gas) one puts in his/her automobile fluctuates. Not a few pennies this way or that or from here or there, but rather nickels & dimes at a time. Does it have to be with electricity this way? Like the greedy medical field, MDU and other utilities make sure they are fully paid by everyone for their services (of whatever quality) once they are allowed to charge such/a certain rate, while individuals that comprise "everyone" are supposed to fend for money/employment part-time here, or temporarily there & often barely over minimum wage in the economic "jungle" (world of work). It doesn't make much sense, especially when this jungle is fickle and not growing very well. I have written to you before about the many advantages of cleaning up light pollution, and it likewise doesn't make sense for a utility company to tell us to conserve energy/electricity in our homes while it splashes so much of it where it is not wanted/needed outside at night to a point where it aids crime, affects nature, and destroys the view of our timeless starry resource. Proportionally and beyond a shadow of a doubt, employees of MDU are doing financially better than most senior citizens and service workers in this state, and with little or no results seen by the utility company to actually implement making outdoor lighting more efficient and safer, I cannot/would not justify an electrical rate increase for them. Based on these facts and what I see as just an individual, this decision should be a "no-brainer" to you and something (common sense) that they should well know. Time and again, MDU has well stated their considerable financial status (see copied clippings), and they have further "accidentally" overcharged its customers – which the commission has noted. The company and especially its leadership are not on the financial brink as much of the population segments (including me and my elder parents) I've mentioned are. Many senior citizens are being forced out of their homes that they've worked all their lives for by these unneeded rate increases.

(3). Such high rates for necessities only drive more people to human "services," and government (the state of ND, etc) has to pay. And when people cannot enjoy life and work to just make ends meet, an eventual attitude of negativity develops with a host of social ills. An MDU spokesman or CEO would simply say, "If you can't pay your electric bill (or natural gas, etc), there is help out there to do so." I say that when programs are created to help people pay for food, (Food Stamps, etc), the telephone, medical, AND energy (energy share), then those things all are already too expensive. The real basis for any rate increase for them would and should be a comparison of how well the company (MDU) is doing in comparison to a proportion of its valued customers. The National Alliance for Energy states that at least 30% of the energy used today could be saved with better, more efficient fixtures now on the market. For MDU to say "we need this/a rate increase for electricity because we haven't had one since the 1980's" is lame considering their financial status compared to so many other people here. Even I was not paid for over 15 years doing the work I've done. Others have not fared much better based on the cost of living since. IF MDU would decide to incur the expense of changing outdoor lighting fixtures from the glary inefficient "cobra head" (semi-cut-off) type to the better full cut-off type at the edges of towns, cities, and other appropriate places gradually (instead of any significant pay raise for its management), and make changes, an electric rate increase would be more understandable. I would think this is a wise proposal that would possibly enable MDU to be a "leader of the pack" amongst utility companies in upgrading outdoor lighting efficiency. When the water, gas, medical, energy (electricity) "has" to go up in price, people only verbally gripe some, pay it, and say, "What can anybody do?" I would hope that this letter is one influence to your authority for a better, common sense, and understandable outcome.

Thanks for your time!

Sincerely,

Jay Brausch

MDU posts record year

By MARK HANSON
Bismarck Tribune

MDU Resources Group Inc. posted record revenues last year, and in an effort to do even better in the coming year the company has about 600 employees in Bismarck attending its annual Leadership Conference.

MDU has about 8,000 employees in 17 states and is headquartered in Bismarck. The conference is a way for employees who have accomplished something unique over the past year to pass along what they learned. The topics include such things as safety and innovation.

MDU Resources President and CEO Martin White said during a Tuesday press conference that the company's goal is to continue to grow.

The company's revenues for 2001 were $2.2 billion with earnings at $155.1 million.

"Five years from now we hope to be a bigger company, more profitable and a better place to work," White said.

One of the bigger projects the company is looking at is a lignite-fired power plant in southwest North Dakota. White said a feasibility study is under way and it will likely be a couple of years before a decision is made on whether to build the plant.

White also said the company continues to look at buying other companies, including existing power plants in the United States.

MDU has paid dividends to its stockholders every year since 1937 and has increased dividends each of the past 11 years. The corporation owns companies in the construction and mining business, utility services, natural gas and oil, and pipeline and energy services.

The Leadership Conference continues today at the Bismarck Radisson Inn.

MDU Resources In Fortune 1000

MDU Resources Group Inc. (NYSE:MDU) made its first appearance on the Fortune 1000 list recently.

According to the ranking that appeared in the April 16 issue of Fortune magazine, MDU Resouces ranked as the 738th largest company based on total revenues in 2000. It was also ranked as the ninth-largest company based on total annual revenues of the 14 companies listed in the energy industry. MDU Resources' 2000 revenues totaled $1.9 billion, a 46 percent increase over 1999.

"Our company is pleased to have grown its revenues to the level at where we are now included in the Fortune 1000," said Martin A. White, MDU's chairman, president and CEO. ... "The fact that this growth has been recognized by other organizations is gratifying in that it brings a new level of recognition to our company."

In March the company was added to the S&P MidCap 400 Index. It also has been named to Forbes magazine's Platinum List of America's 400 Best Big Companies.

MDU Resources reports higher earnings

MDU Resources reports its first-quarter earnings, helped by oil and gas, rose to $32.5 million, or 49 cents per share, compared to $13.2 million, or 23 cents per share, in the same period last year.

"First quarter earnings increased 147 percent due largely to an increase in natural gas and oil production volumes combined with higher commodity prices," said Martin White, MDU's chief executive officer.

Natural gas and oil volume increased by a combined 36 percent for the quarter, MDU said. Natural gas prices were 159 percent higher than the same period last year and oil prices were 24 percent higher, MDU said.

The company reported first quarter revenue was a record $641million, a 72 percent increase from a year ago.

— Associated Press

State regulators order MDU to cut electric rates

By DALE WETZEL
Associated Press Writer

State regulators ordered Montana-Dakota Utilities Co. to cut its electric rates next month, a move that would save each residential customer about $31 annually.

A Public Service Commission analysis showed Montana-Dakota made too much money on electricity sales during the past three years, commissioners said Wednesday.

The rate cut "is fair, both to the utility and to the consumer," Commissioner Leo Reinbold said.

Dan Sharp, a Montana-Dakota spokesman, said the commission's analysis included sales of surplus electricity outside the utility's service area, made when prices and demand were unusually high.

Electric demand is already starting to slacken in those external markets, Sharp said.

"What the commission is doing is penalizing us for being efficient," Sharp said. "We want you to sell electricity ... but don't sell too much. Don't get too profitable, because then we'll have to reduce your rates."

The commission's order, which takes effect May 8, directs Montana-Dakota to cut its electric rates by 5 percent.

The reduction will benefit both residential and business customers. It will cut the utility's annual revenues by $4.27 million, commission President Susan Wefald said.

She said it would save $31 annually for a residential customer who uses 750 kilowatt hours per month.

Montana-Dakota, which is based in Bismarck, has about 70,000 North Dakota electric customers. It provides power to Bismarck, Williston, Dickinson and other cities.

The utility is a unit of MDU Resources Group Inc., which is based in Bismarck. Last week, Montana-Dakota filed a request to raise its natural gas rates by $2.8 million annually, or 4.1 percent.

The commission voted Wednesday to suspend the natural gas rate increase request, pending further study.

Commissioner Tony Clark said Montana-Dakota had asked regulators to overlook its added electric profits because they were unusual, and go along with the company's predictions that demand would decline.

He preferred to look at the company's earnings and compare them to benchmarks, rather than try to predict the future, Clark said. He described the utility's arguments as "heads we win, tails you lose."

"Any time that the utility would make excessive profits, they could argue that the natural ... cycle of the market would soon be coming down," Clark said. "Any time that the profits fell short, they could ... justifiably ask for a rate increase. So the customers would get little of the benefit, but most of the risk."

friendships have been established standing along the sidelines with other parents," said Julie Ryan in Edina. With three sons in athl — Corey, 13, Connor, 10, and Cullen, 7 — Jer and Julie Ryan spend most of their evenings watching hockey, lacrosse, soccer or football.

"These people have similar values," Ryan said. "They enjoy being part of their children's lives and encouraging their children to be in good, healthy activities and learn to be part of a team."

The moms' conversations cover everything

Life Time Athletic Club in downtown Minneapolis. He is a corporate lawyer at Fredrikson & Byron, and is married and has three chil . But fitness is still important to the former University of Wisconsin football player, and the club is fundamental to his busy day.

"It fits my lifestyle of getting exercise and staying in shape," Yarano said. "I enjoy athletic competition and the sort of camaraderie that goes with it."

The contacts have spun into a little business,

hours a day, you get to know a person reall well," Schnick said. "You know, you're alw kinda told to keep your business and professional lives separate. We haven't, and it worked out great."

The two hit it off so well that their famili bought a cabin together at Sarona, Wis. Bo husbands love to fish. Most recently, Schni has turned to Robey's daughters — Jessica and Kristen, 10 — along with other friends family for help while she recuperates from

Light pollution can obstruct view of the stars

By Karen Youso
Fixit Editor

FIXIT

Q Although we used to enjoy seeing the stars on clear summer nights, we are no longer able to do this. We were told the area is suffering from light pollution. Is there a way to prevent light pollution?

A Light pollution is a product of growth and development. But it's not necessarily inevitable.

Light pollution can be reduced by controlling the light that spills outward and upward from poorly designed or inefficient light fixtures.

This prevents light from shining on surrounding properties and into the sky.

Otherwise, you have:

- Urban sky glow. The single greatest threat to viewing the night sky and studying the universe.
- Glare. It blinds us and affects our ability to see into shadowed areas, often defeating the original intent of "security" lighting.
- Light trespass. It's when someone's outdoor lighting affects us in an unwanted way, "trespassing" on our property.
- Clutter. It's confusing, conflicting lighting that particularly affects automobile drivers.
- Energy waste. More than $1 billion is wasted yearly in the United States because of ineffective or inefficient lighting.

You can help prevent light pollution:

- Insist on quality lighting that is well-shielded so the light is used, not wasted. Such lighting uses the right amount of light, includes time controls when possible and, when possible, uses a low-pressure sodium light source.
- Lighting is directed downward where it is needed, not up or sideways, where it is wasted and causes glare.

Minnesota Astronomical Society

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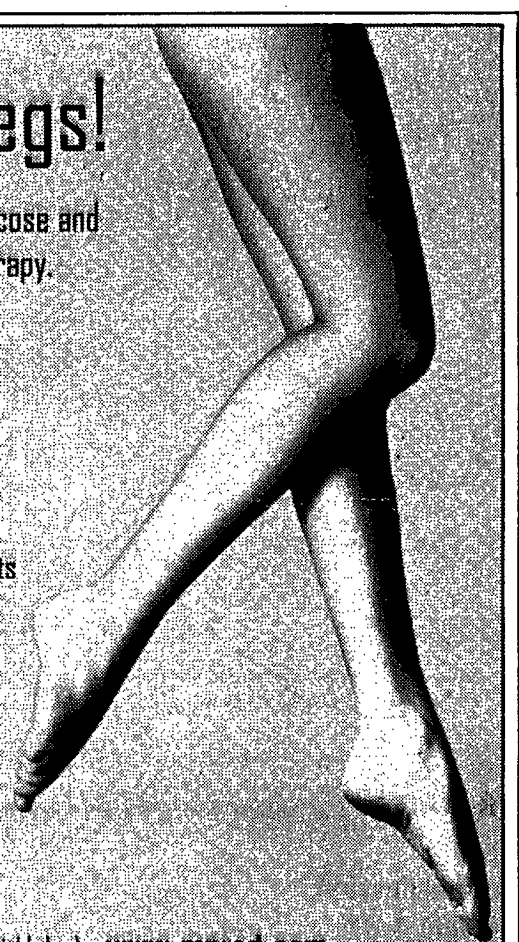
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A Contact an office equipment repair or supplier such as Robillard Office Machines, 612-781-0567. Have the make and model information handy when you call.

Send your questions to Fixit in care of the Star Tribune, 425 Portland Av. S., Minneapolis, MN 55488, or call 612-673-9033, or e-mail fixit @startribune.com. Past columns are available at http://www.startribune .com/fixit. Sorry, Fixit cannot supply individual replies. Fixit appears every day except Friday.

PET



Ging table Park.

PET

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NOW YOU CAN FEED THEIR MI

Milky Way will have a chance to shine with fixed lights



MARC HANSEN

It's almost midnight and Jack Troeger is still driving around town in his 1991 Camry station wagon. He's still showing me, two hours after the tour began, why the city has it wrong about the streetlights.

Switching off 5,300 of them along the major arteries, he says, is no way to save money.

You'd think the founder of the Dark Sky Institute of Ames — a retired ninth-grade science teacher who says stars are his life — would be in favor of killing every artificial light he could find. But no.

It isn't practical, he says. The public outcry would hurt the cause more than help.

"If it were up to the astronomers around the world," Troeger says, "that's what we'd do and I bet crime wouldn't go up a penny's worth. But that's an unrealistic way of solving the problem."

The immediate problem for cash-strapped Des Moines isn't light pollution. It's how to survive a $4.7 million budget shortfall.

Troeger doesn't claim to have all the answers. Just one: Instead of turning out the lights and saving a few hundred thousand dollars, how about making the ones we already have more efficient? The savings would be far greater in the long run.

"Look at the light in that parking lot," he says. "It's shining right in our eyes. You think a police officer could actually see someone lurking in there? It's more of a distraction than a help.

"Those are cobra head fixtures."

He spits out the name and shakes his head. "They're awful."

They're awful because they send light shining out and up toward the heavens instead of down toward the target area. The more Troeger talks about the glare, the more I feel myself squinting.

It isn't just the city lights. We cruise by a small business. Another grimace.

"I could walk in this door right now and break in," Troeger says. "The light is doing absolutely no good

See **HANSEN**, Page 3B

Sat. 7-19-03

Sat 7-19-03

Milky Way will shine with fixed lights

HANSEN, from Page 1B

whatsoever. It's creating a false sense of security. It doesn't provide safety and security to people and property. I don't know who owns this place, but the owner is wasting his money."

A few doors down we come across a business with the right idea. The light isn't scattered every which way.

"If I'm standing in that door, the light's shining right on me. One little bulb pointed the right way protects the whole area. When you shine all of a bulb's light down, you don't have to use such a big light. A smaller, more efficient bulb uses less electricity, less energy and less resources. And it saves money. That's been proven over and over.

"Instead of turning out 5,000 lights, let's fix 500 lights a year. Let's either change the fixture or insert a metal cap to redirect the light. Eventually, every light would be shining down."

The city is in the "pilot phase" now. Some of the lights have been turned off on Fleur and Grand. Truth is, it's hard to tell the difference.

"When I was teaching in the early '70s," Troeger says as we head down Fleur Drive, "all my students could look up and see the Milky Way. When I retired in 1999, the kids couldn't see any Milky Way."

So he did something about it. He started a "savethemilkyway" Web site. He sweet-talked Ames' businesses and residents into thinking differently about the way they illuminate their streets.

"In four years, almost half the streetlights in Ames have been fixed and some of the others have had metal caps put on. Every bit was voluntary. And guess what? The Milky Way is visible again."

Troeger is wearing his star-covered Milky Way shirt and smiling as we pass the bridge at Gray's Lake. It's an electronic rainbow.

"Magnificent," he says. "Absolutely beautiful. How many stars does it obliterate? None. It's a work of light art. The whole city could be like that."

A few moments later, we're heading east on Locust. Those new East Village lights are pretty, Troeger admits, but check out all the wasteful light they're throwing off.

"I wish I could take the mayor and the City Council on a drive like this," he says.

Some other time maybe. It's after midnight now and we're back at the Statehouse. From the parking lot we peer down upon the city. It isn't exactly Las Vegas, but Troeger's right. A "dome of light" hangs heavy over downtown.

Troeger says he can see it all the way from Ames. As he drops me off at my car, the arc lights at Sec Taylor Stadium continue to burn. 801 Grand glows.

Somewhere the Milky Way blinks. So they say.

Columnist Marc Hansen can be reached at (515) 284-8534 or mahansen@dmreg.com

Subscribe. Call 284-8311 or 1-800-365-4692.

Full of Life
The Des Moines Register
DesMoinesRegister.com

7-23-03

Methuselah planet

Other Views

Scientists have found a planet almost as old as the universe. The surprising discovery is one more triumph for NASA's Hubble Space Telescope.

Astronomers used data the Hubble collected to determine that a planet 12.7 billion years old exists in what's called a globular cluster (a big batch of stars, basically) 5,600 light-years from Earth. The discovery is challenging widely accepted theories about planet formation.

Scientists had thought the first generation of planets in the cosmos could not have formed until much later in the life of the universe because it would take that long to form some of the heavier elements necessary. The new discovery, however, shows planets could — and at least one did — form much earlier.

In recent years, astronomers have found 108 planets outside our solar system, though this is the first one anywhere close to this old. Some scientists believe it shows that life could have existed on distant planets billions of years ago.

Since the National Aeronautics and Space Administration launched the Hubble 13 years ago, it has scored monumental achievements — especially after a flawed optic system was repaired in 1993.

Last year, astronauts on a space-shuttle mission renovated the Hubble and installed new equipment to extend its life. Finding what's being called the Methuselah planet is evidence of how well the Hubble continues to work.

Milky Way will shine with fixed lights

Sat 7-19-03

HANSEN, from Page 1B

whatsoever. It's creating a false sense of security. It doesn't provide safety and security to people and property. I don't know who owns this place, but the owner is wasting his money."

A few doors down we come across a business with the right idea. The light isn't scattered every which way.

"If I'm standing in that door, the light's shining right on me. One little bulb pointed the right way protects the whole area. When you shine all of a bulb's light down, you don't have to use such a big light. A smaller, more efficient bulb uses less electricity, less energy and less resources. And it saves money. That's been proven over and over.

"Instead of turning out 5,000 lights, let's fix 500 lights a year. Let's either change the fixture or insert a metal cap to redirect the light. Eventually, every light would be shining down."

The city is in the "pilot phase" now. Some of the lights have been turned off on Fleur and Grand. Truth is, it's hard to tell the difference.

"When I was teaching in the early '70s," Troeger says as we head down Fleur Drive, "all my students could look up and see the Milky Way. When I retired in 1999, the kids couldn't see any Milky Way."

So he did something about it. He started a "savethemilkyway" Web site. He sweet-talked Ames' businesses and residents into thinking differently about the way they illuminate their streets.

"In four years, almost half the streetlights in Ames have been fixed and some of the others have had metal caps put on. Every bit was voluntary. And guess what? The Milky Way is visible again."

Troeger is wearing his star-covered Milky Way shirt and smiling as we pass the bridge at Gray's Lake. It's an electronic rainbow.

"Magnificent," he says. "Absolutely beautiful. How many stars does it obliterate? None. It's a work of light art. The whole city could be like that."

A few moments later, we're heading east on Locust. Those new East Village lights are pretty, Troeger admits, but check out all the wasteful light they're throwing off.

"I wish I could take the mayor and the City Council on a drive like this," he says.

Some other time maybe. It's after midnight now and we're back at the Statehouse. From the parking lot we peer down upon the city. It isn't exactly Las Vegas, but Troeger's right. A "dome of light" hangs heavy over downtown.

Troeger says he can see it all the way from Ames. As he drops me off at my car, the arc lights at Sec Taylor Stadium continue to burn. 801 Grand glows.

Somewhere the Milky Way blinks. So they say.

Columnist Marc Hansen can be reached at (515) 284-8534 or mahansen@dmreg.com

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Full of **Life**

The Des Moines Register

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7-23-03

Other Views

Methuselah planet

Scientists have found a planet almost as old as the universe. The surprising discovery is one more triumph for NASA's Hubble Space Telescope.

Astronomers used data the Hubble collected to determine that a planet 12.7 billion years old exists in what's called a globular cluster (a big batch of stars, basically) 5,600 light-years from Earth. The discovery is challenging widely accepted theories about planet formation.

Scientists had thought the first generation of planets in the cosmos could not have formed until much later in the life of the universe because it would take that long to form some of the heavier elements necessary. The new discovery, however, shows planets could — and at least one did — form much earlier.

In recent years, astronomers have found 108 planets outside our solar system, though this is the first one anywhere close to this old. Some scientists believe it shows that life could have existed on distant planets billions of years ago.

Since the National Aeronautics and Space Administration launched the Hubble 13 years ago, it has scored monumental achievements — especially after a flawed optic system was repaired in 1993.

Last year, astronauts on a space-shuttle mission renovated the Hubble and installed new equipment to extend its life. Finding what's being called the Methuselah planet is evidence of how well the Hubble continues to work.

— *From the Kansas City Star*

2723 Gateway Ave # 7

Dear P.S.C.

Taken on 12 units in our Condo and we all are against the M.D.U. Increase, It would be nice if we got 5% increase in our Social security cost of living instead of 1 to 1½ Percent We do not want a increase in M.D.U.

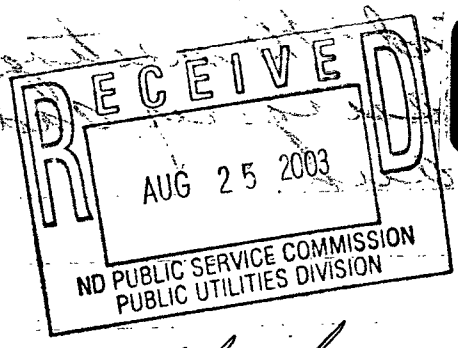
Thank You

Veronica Zander

Veronica Zander
2723 Gateway Ave. Apt. 7
Bismarck, ND 58503

RECEIVED
AUG 25 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

c. Comm
Regd
Pub
Atty - Public Inquiries



[redacted]

8-21-03

Tony Clark
Public Service Commission
State Capital Bldg.
Bismarck, ND 58501

Dear Mr. Clark:

Please, please, do not let them increase electric rates or Gas rates us old people just can't afford it and you have to be distatude to get Fuell assistance I've tried it and they always turn me down because I don't have enough medical they say. I don't understand my Income is always below but this year am going to Light I guess will have to. Please help us. Thank you. Mr. Jones Letter

P.S. Could've attended the meeting had known surgery and it didn't seem such.

RECEIVED
AUG 25
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

C. Comm
Legal
Pld
Org - Public Input Free

Monica Peldo
Mayor

James D. Eberle
Auditor

City of Ellendale

www.ellendaleonline.com

Box 267
Ellendale, ND 58436

Phone 701-349-3252
Fax 701-349-4646

ellendal@drtel.net

RECEIVED
AUG 25 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

August 20, 2003

President Tony Clark
Commissioner Susan E. Wefald
Commissioner Kevin Cramer

RE: M. D. U. Rate Increase

As the mayor of Ellendale, ND, I feel it is my duty as a representative for the residents of the city of Ellendale to reply to the rate increase that Montana-Dakota Utilities is requesting. I feel that the 17% increase that is being proposed for the residential customer is too high. To propose such a large increase on this class of customer will create a tremendous burden on their ability to maintain a level of financial stability. Ellendale currently has 51% of the population who are in the low to moderate-income bracket. A 17% increase in residential rates will further worsen the ability of the working poor to make ends meet.

We therefore respectfully request that you do not allow such a large increase to be passed on to the residential customers.

Sincerely,

Monica Peldo
Mayor

C. Comm
Legal
Pubd
Orig - Public Input File

Scott, Sandi L.

From: Magstadt, Charlene A.
Sent: Monday, August 25, 2003 10:39 AM
To: Comm; Legal; PUD
Subject: Call on MDU electric increase

Cindy Highley
471-1820

Wanted to voice some concerns regarding MDU's application.

She lives in a high-crime area in Bismarck (between 9th Street and 16th Street on Rosser Ave.) She is a single person with grandchildren that visit regularly. She has a motion light outside that is basically on most of the night because of the activity on Rosser Avenue. Her neighborhood is pretty much elderly people who are on a fixed income and are also concerned about the price of electricity. They all need to keep their outside lights on. They do have a street light, which they get billed for monthly, but it was out for 6 weeks this summer before it got repaired. But they still got charged for it. Doesn't want to see people start turning their lights off at night as this will just create more crime in their area. She's also concerned about these elderly people trying to conserve and start lighting candles, which could be result in fires and deaths.

Charlene A. Magstadt
North Dakota Public Service Commission
(701) 328-4091
cam@psc.state.nd.us

Helbling, Sharon D.

From: Clark, Tony T.
Sent: Friday, August 22, 2003 9:48 AM
To: 'Mark & Neva Walsh'
Cc: Helbling, Sharon D.
Subject: RE: MDU Rates

Neva-
Thanks for your note regarding the increase MDU has requested in electric rates, I'll be sure to ask our staff to place it in our public input file, so the other Commissioners and staff can read your concerns. We'll be sure to keep your thoughts in mind as we delve into the MDU proposal.

If you have questions about your current bill, please feel free to contact a member of our staff (701-328-2400). I am guessing that the increase you are seeing is in regard to the cost of gas component of your consolidated electric/gas bill. The cost of gas itself is, by federal law, unregulated and set by prevailing market prices. We have seen some higher than normal summertime prices the last few months. I should note that while balanced billing is a useful tool in smoothing out the peaks and valleys, over the course of the year, it doesn't end up costing or saving customers any more or less than they would otherwise pay. While you are paying more than you might otherwise right now in the summer, you will pay a lot less than you would otherwise come January. Balanced billing really just spreads the payments out over a longer period of time, making budgeting a bit easier from month to month. As I noted, if you do have any questions about how it works, please don't hesitate to give our public utilities staff a call.
Sincerely,
Tony Clark
ND PSC

-----Original Message-----
From: Mark & Neva Walsh [mailto:walshstw@nccray.com]
Sent: Thursday, August 21, 2003 5:30 PM
To: tclark@state.nd.us
Subject: MDU Rates

The PSC cannot allow any further rates increases for MDU. We have personally seen an increase of $45 a month and may I say that we are on the average monthly billing plan with MDU. That seems to be quite an increase compared to what it was about $100 a month averaged out before the increase last time. Rates just keep on going up and up and its

Public Input

getting to be that us middle income people cannot afford to pay these rates anymore. When is it going to stop??? When the upper income people cannot afford the high rates too? My husband is a Deputy Sheriff and is not given cost of living increases and I am a handicapped daycare worker in our home to help supplement our income so we can get by. We are just scraping the bottom so more increases cannot be allowed. If law enforcement can be given large increases yearly than maybe we can afford to live but that just won't happen. Its pretty bad when school teachers work 9 months in a year and make more than law enforcement officers here in this state that are on call 24/7 and their lives are at risk each and every time they go out on a call. STOP THE RATE INCREASES OR MORE PEOPLE WILL BE FILING BANKRUPTCY AND GOING ON SOCIAL
SERVICE. Thanks for your time. -Neva Walsh, Williston, ND-

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Monday, August 25, 2003 10:07 AM
To: 'bucksden@ctctel.com'
Cc: Comm; Legal; PUD
Subject: RE: MDU electric rate increase

Thank you Mark for your comments concerning MDU's recent electric rate increase application.

Your comments have been forwarded to the Commissioners. We appreciate your interest and have placed your comments in the Public Input file associated with this proceeding.

Sharon Helbling
Public Utilities Division

-----Original Message-----
From: Bauske, Shelly A.
Sent: Monday, August 25, 2003 8:51 AM
To: PUD; Comm; Legal; Mielke, Jon H.
Subject: FW: MDU electric rate increase

-----Original Message-----
From: bucksden [mailto:bucksden@ctctel.com]
Sent: Sunday, August 24, 2003 4:40 PM
To: ndpsc@psc.state.nd.us
Subject: MDU electric rate increase

As an MDU customer, I would like to voice my disapproval of the proposed 17% residential rate increase. I realize it has been over 15 years since the last increase, but this much of an increase seems excessive. The other customer classes will experience a much lower percentage increase. With the cost of natural gas already going up, this double increase will put the biggest rate increases on those who can least afford them. Thank you,

Mark Vrchota
Dickinson, ND

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Monday, August 25, 2003 10:09 AM
To: 'pheidt@mohs.org'
Cc: Comm; Legal; PUD
Subject: RE: MDU Increase

Thank you Patrick for your comments concerning MDU's recent electric rate increase application.

Your comments have been forwarded to the Commissioners. We appreciate your interest and have placed your comments in the Public Input file associated with this proceeding.

Sharon Helbling
Public Utilities Division

-----Original Message-----
From: Bauske, Shelly A.
Sent: Monday, August 25, 2003 8:50 AM
To: Comm; PUD; Legal; Mielke, Jon H.
Subject: FW: MDU Increase

-----Original Message-----
From: Patricia Heidt [mailto:pheidt@mohs.org]
Sent: Monday, August 25, 2003 8:03 AM
To: ndpsc@state.nd.us
Subject: MDU Increase

Public Service Commissioners:

A 17% increase for MDU in one fell swoop is a bit much. I have not had a cost of living increase in 7 years. I am 3 ½ years from wanting to retire; however, my social security will not allow me to continue to live in my home. The property taxes continue to increase, gasoline prices are up almost 15¢. The list goes on and on. I can understand a small percentage increase, but not 17%. What about the people on a fixed income who already are struggling? If you are not in the best of health the cost of medication can put you into bankruptcy. This being a state where the majority of the people are older, I would hope you would take this into consideration when making your decision.

Thank you,

Patricia K. Heidt

Scott, Sandi L.

From: Helbling, Sharon D.
Sent: Monday, August 25, 2003 10:03 AM
To: 'newc1@prodigy.net'
Cc: Comm; Legal; PUD
Subject: RE: mdu price increase

Thank you for your comments concerning MDU's recent electric rate increase application.

Your comments have been forwarded to the Commissioners. We appreciate you interest and will place you comments in the Public Input file associated with this proceeding.

-----Original Message-----
From: Bauske, Shelly A.
Sent: Monday, August 25, 2003 8:52 AM
To: PUD; Comm; Legal; Mielke, Jon H.
Subject: FW: mdu price increase

-----Original Message-----
From: Scott Newcomb [mailto:newc1@prodigy.net]
Sent: Friday, August 22, 2003 6:28 PM
To: ndpsc@psc.state.nd.us
Subject: mdu price increase

i want to complain about the mdu increases because,
1) THIS IS A INCREASE ON THE POOR, why not increase the rates on the amount of electricity a person uses instead of the base rate? their base rate will double, yes double the cost of electricity i use. i spend about $17 a month for electricity, MDU wants to change the base rate from $3.50 to $17. how is this fair?
2)Through the rumor mill i have heard mdu is buying out companies like Atlas Inc. and others? are we, North Dakotans paying for this? I would like this answered and looked into.
3)For us that conserve and use less natural gas and leave the lights off, why should we be "punished" with base rate increases? I believe the move a person consumes, the more they should pay.

I understand MDU hasnt raised electricity rates in 15 years, but there "so called 17% increase" is a 100% increase for me. why not raise the base rate to $100?, leave the base rate alone in my opinion.

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PUBLIC UTILITIES DIVISION

Aug. 19, 2003

Public Service Comm

I hope that you are not considering giving M.D.U. the electric price increase and if you are I hope it is not the whole 17% which I think is plumb out of hand. With these blackouts they try to scare people into doing things they regret later.

Just like with the natural gas they get a raise and you then determined later it was to much and made them give some back, but in the mean time they get all this money from the people to use interest free even thow they have to give it back. That is not very fair and I'm sure you know that. A lot of people don't have this kind of money, mainly in the winter when money is tight. In these small towns we are trying to keep are residents in these homes but with the increase expenses they go to the homes in the bigger cities and we are out of tax payers. I hope you consider this ridiculous raise of 17% very carefully and consider the people also not just trying to pad the pockets of the big Co.'s execs.

C. Comm
Regal
Dir
Dep Public Prod
Dir

Larry A Kadrmas
Box 507
Belfield, N. Dak. 58622

8-20-05

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PUBLIC UTILITIES DIVISION

Public Service Commission

I am very against the raise here on electric rate $17.00 if I heard right a no is quite a increase. Many are don't get $1,100.00 a year. people have to live on a salary $8:00 an hr which is a shame to the people of Mo look you wonder why the young people are leaving Mo. look at all what's going in the increase b. Water rates are going up, Natural gas is going up Taxes are on the in Crease just where you think the people are going to get it from look some elderly people pay up to $500.00 Mo for Medication plus there insurance where do they get the Money for food and apt. I think we are electing the wrong people into office well Please vote for any of them again. (over)

We took out a Nursing home
policy out ten years ago from $28.00
got a Notice to going up to $497.00
We get $1200.00 a Mo. Social Sec.
both as to gether. We only work at a
place for the last year he got a pension
plan which we visit Very Much.
Next election comes around
People are going to be very careful
who they are Voting for.
it all go's to the higher official.
Thank
Myrtle Beaudoin.

Very up set. Just every thing is run.
The Alaska gas goes to Japan
where we could keep on our Country
instead of paying $2.00 a gal for gas

C. Comm
Legal
Pub
Org - Public Input File

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

(a) Name and principal position	Year	Annual compensation (b) Salary ($)	(c) Bonus(1) ($)	(d) Other annual compensation(2) ($)	Long-term compensation: Awards (e) Restricted stock awards ($)	(f) Securities underlying Options/ SARs (#)	Payouts (g) LTIP payouts ($)	(i) All other compensation(7) ($)
Martin A. White	2002	517,038	509,340		—(3)	—	—	6,000
—Chairman of the Board,	2001	450,000	374,500		594,800(4)	180,000(5)	—	5,100
President & C.E.O.	2000	394,269	333,239		198,125(4)	—	393,118(6)	5,100
Douglas C. Kane	2002	273,942	—		—(3)	—	—	1,069,333
—Executive Vice President,	2001	249,127	145,446		148,700(4)	62,400(5)	—	5,100
Chief Administrative & Corporate Development Officer(8)	2000	226,654	140,035		99,063(4)	—	178,690(6)	5,100
Ronald D. Tipton	2002	306,815	111,958		—(3)	—	—	6,000
—C.E.O. of Montana-Dakota	2001	279,038	35,437		148,700(4)	72,000(5)	—	5,100
Utilities Co. and Great Plains Natural Gas Co.	2000	254,277	135,024		99,063(4)	—	181,517(6)	5,100
Warren L. Robinson	2002	278,265	182,840		—(3)	—	—	6,000
—Executive Vice President,	2001	237,077	146,290		148,700(4)	62,400(5)	—	5,100
Treasurer & Chief Financial Officer	2000	188,462	110,912		79,250(4)	—	121,529(5)	5,100
Lester H. Loble, II	2002	236,688	153,455	1,860	—(3)	—	—	6,000
—Executive Vice President,	2001	190,846	105,219	13,291	118,960(4)	54,600(5)	—	5,100
General Counsel & Secretary	2000	161,654	81,486	4,551	59,438(4)	—	89,345(6)	4,850
Vernon A. Raile	2002	169,037	88,808	1,095	—(3)	—	—	5,071
—Senior Vice President,	2001	146,394	58,122	10,194	44,610(4)	20,800(5)	—	3,250
Controller and Chief Accounting Officer	2000	124,644	52,815	2,591	49,531(4)	—	50,052(6)	3,739

(1) Granted pursuant to the Executive Incentive Compensation Plan.

(2) Above-market interest on deferred compensation.

(3) At December 31, 2002, the Named Officers held the following amounts of restricted stock: Mr. White—35,000 shares ($903,350); Mr. Kane—0 shares; Mr. Tipton—12,500 shares ($322,625); Mr. Robinson—11,000 shares ($283,910); Mr. Loble—8,500 shares ($219,385) and Mr. Raile—5,250 shares ($135,503).

(4) Valued at fair market value on the date of grant. Nonpreferential dividends are paid on the restricted stock.

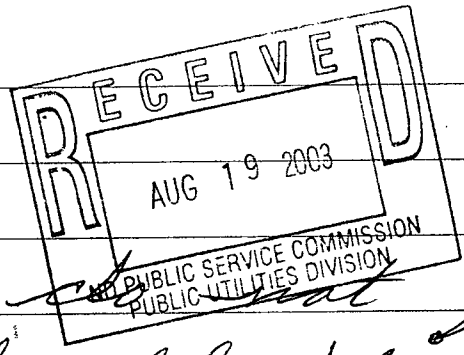
(5) Options granted pursuant to the 1992 KESOP or the 1997 Executive Long-Term Incentive Plan for the 2001-2003 performance cycle.

(6) Dividend equivalents paid with respect to options granted pursuant to the 1992 KESOP for the 1998-2000 performance cycle.

(7) Totals shown are the Company contributions to the Company 401(k) Retirement Plan except for Mr. Kane. Mr. Kane's total is comprised of $6,000 Company contribution to the Company 401(k) Retirement Plan and $1,063,333 paid in connection with his resignation as an officer on October 31, 2002.

(8) Mr. Kane resigned as an officer of the Company on October 31, 2002.

(1)



8-20-03

I ~~don't~~ feel N.D.P. should raise yet. Electric rates and Gas rates are way out of reach. You must remember that the current wages paid in N.D. are way below average to keep up with the "High" cost of living in N. Dak. When your on a fixed income such as I am its very hard to to keep up with every day expenses. I gave up taking my prescripton drugs in 1999. Which I could not afford at 350.00 per month. I barley survive from month to month and have been on a average cost per month since 1995.

yet all summer my bill
have been $104.00 per month
and I only have a window
air conditioner no central
air. I think N.D.P.U. rates
at present is sufficient. When
I get a raise its 1% So
please Consider this before
once again raising our
electric rates. Time
has come to say (NO)
to these big Corporations
and give the N.D. Citizens
something to be proud of.
our taxes, electric, gas,
grocerys, Rx's, cable telephone
rates are outta reach for
N.D. residents. When one is
trying to survive on Social
Security alone. and not able
due to medical reasons plus age
and

(3)

to try and go to work full time. I worked for 40 years at minimum wage and when I retired I was earning $6.00 per hour. So don't tell me the residents of N.D. once again. Tell N.D.R. to cut the wages of all the big-wigs with the company. Then they won't need yet another big raise with winter coming on.

Julie Penner
665 Palm Beach Rd
Dickinson
N.D. 58601

P.S.
C. Comm
Legal
Pub

Atty - Public Agent file

RECEIVED
AUG 18 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

8/16/03.

Please don't let M.D.U. ~~have another~~ raise their C.E.O. get millions I know I receive their Books & its terrible. I am a Widow & Barely get By. Please work for the people instead of M.D.U. they have Stocks all over Check them out. Les Reinbold Was the Worse he received gifts from them & it showed. At a time people are depressed with Wages & Economy don't take food & make it worse for the Working Families, over

its so easy for them to raise raise & raise. now they do it Because of New York etc & other Cities but there's a difference in populations & other things. M.D.U. S hould have to let other Companies Come in. I'll bet the Rates would go down fast. Please think of the Working people & Seniors on pension trying to keep up with their Bills.

Thx Lenz
Dickenson is.

C. Comm
Legal
Pdd
Orig - Public Input File

There was no return address and several Lenz in the phone book. -- No response was sent.

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

August 13, 2003

Mark Nichols
P O Box 614
Crosby ND 58730

Dear Mr. Nichols:

Enclosed are the Commission's Rules of Practice and Procedure relating to Formal Complaints.

If you have any questions on these rules, please call me at 701-328-4076 or e-mail me at sdh@psc.state.nd.us

I recorded your call and also placed it in the Public Input file in this proceeding. I have also informed the Commission of your call.

We appreciate your comments.

Sincerely,

Sharon Helbling
Public Utilities Division

sdh

Enclosure

Regarding: Electric | ect: MDU Electric Rate Increase | Added: 08/13/2003 01:40 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000011165

Caller Info: Name - First: Mark | Last: Nichols

Represents:

Address: P O Box 614

City: Crosby | St: ND | Zip:

Phone: 701-965-2000 | E-mail:

Public Utilities

Detailed - On Agenda

Helbling

Resolved:

Jurisdictional: Ye● No○ CM Year: **03** Seq: **296**

Explanation of Issue:

Refered To:

He called to file an informal complaint and wants to file a formal complaint against MDU's electric rate increase application. He feels it should be denied.

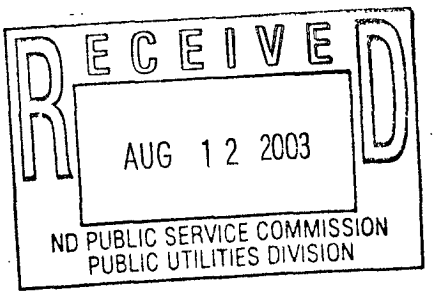
Resolution:

I told him I would record his call, a copy would be place in the Public Input file in this proceeding and I would also inform the Commission of his call. I also sent him our Rules of Practice and Procedure to file a formal complaint.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

August 11, 2003



TO: North Dakota Public Service Commission
State Capitol
Bixmarck, ND 57505

FROM: Perley O. Draffehn
Box 473
Stanley, ND 58784

In a recent MDU Notice of Public Input Session it stated in the list of primary resons for the rate filing was the following "and the additon of a new generation station that is required to meet the increased needs of our customers."

Now MDU is a private owned public utility. It makes a profit on its investment. The money I pay for natural gas service and electric service includes a profit to the company. This profit is paid out in dividends or is utilized by the company to increase the means of providing the service.

I am not an investor in MDU. I buy natural gas and electricity from them. They make a profit on what they sell to me. WHY should I pay more for the service so that they can have an addition of a new generating station which would in turn increase their profit. It appears to me that as a customer I am increasing their worth and value by paying the increased rate. I pay so that they can make a profit and also pay so that MDU has increased capacity to serve me. I have no trouble

accepting a rate increase for operating expenses. But for me to pay more so that they can build additional generating capacity and then charge me for the electricity it produces doesn't seem quite right.

If they use their profit or additional investment in the company to increase generating capacity this is good business but to increase the charge customers pay so they can increase their asset value is a strange idea.

The profit from the new generating station would rightly belong to MDU but the generating station would have been paid for by the customer--so he paid for the investment and then pays for the product produced by this investment.

I am sure you will be able to justify the way and the idea behind this kind of operation. It will be interesting to me how you do it.

C. Comm
Legal
Pld
Orig - Public Input File

Bailey O Duffy

Wefald, Susan E.
From: Wefald, Susan E.
Sent: Friday, August 08, 2003 1:57 PM
To: 'JDeichert@steffes.com'
Cc: PUD; Legal; Comm
Subject: RE: Follow up from our phone conference

Jim,
Thank you for your comments on MDU rate 11 and rate 22 which MDU proposes to eliminate as part of their current electric rate case (PU 399-03-296). I will be forwarding this message to the other commissioners and to staff so that they can review and become familiar with this issue prior to the hearing. This message will also be placed in our public input file for this case.

The notice for this case (PU 399-03-296) can be found at our website under "jurisdiction", and then under "electricity notices." If you wish to intervene in this case, please contact Bill Binek , commission counsel, at 701-328-2400.

I appreciate your interest in NARUC, and I will be in touch with you regarding contacts with commissioners.

Sincerely, Commissioner Susan Wefald
North Dakota Public Service Commission

-----Original Message-----

From: JDeichert@steffes.com [mailto:JDeichert@steffes.com]
Sent: Tuesday, August 05, 2003 12:43 PM
To: swefald@state.nd.us
Cc: PSteffes@steffes.com; JRothschiller@steffes.com
Subject: Follow up from our phone conference

Hi Susan!

Thanks for visiting with Paul Steffes and myself on the telephone a few weeks ago! The information you provided in regard to utility commissions, regional and national events, etc. will be helpful as we attempt to educate commissioners across the country on the benefits of Time Of Day and Off-Peak electric rates and how Electric Thermal Storage (ETS) technology can benefit consumers when interfaced with these rates.

Since our phone conversation, we did receive updates on the MDU new rate proposals. As you know, their proposal eliminates rate 11 and rate 22 which are the rates our equipment interfaced with. Obviously we are disappointed they are eliminating this rate in favor of a tiered general purpose rate. It seems there should continue to be value for MDU to have off-peak controllable load, even though they are summer peaking at this time. If the rate structure as proposed is approved, we hope you (the commission) will take into consideration the residential and commercial customers impacted. The folks currently on these rates have made a substantial investment in additional electrical infrastructure, metering and equipment in order to be on the rate. If these rates are eliminated as proposed, we strongly feel MDU must bear any costs associated with the consumer having to switch to the alternate or new rate. In most cases, this cost is what is associated with going from 2-meters on a home to a single metering system. MDU may claim that the consumer will recognize additional savings through only having one meter (which seems like a valid argument) but the consumer will also pay slightly more for energy on their space and water heating until they get into the second, lower tier of the rate.

Lastly, you mentioned you would help us get a mailing list for the U.S. State Utility Commissioners. We did go to NARUC's web site and the information in retrievable in a round-about and cumbersome way. Do you have a means to get us a nice listing of commissioners along with their mailing addresses? This would be very helpful and would save us a lot of time.

Thanks for your help Susan!

Jim Deichert
Steffes Corporation



Dick Elefson
703 E. Boulevard Avenue
Bismarck, N. D. 58501

August 7, 2003

N. D. Public Service Commission
State Capitol
600 E. Boulevard Avenue
Bismarck, N. D. 58501

Dear Commissioners:

As I will be unable to attend the public input session at BSC on August 20, 2003 I am writing to protest the MDU request for a 9.1 percent increase in electricity rates.

The MOntana Dakota Utilities Company has already reported record profits for the past year. On top of the recent increased natural gas rates this is a bankrupting request.

Since January of this year I have had a monthly increase in my MDU billing from $ 115.00 to July of $ 164.00. My last bill wwhich I paid yesterday was in the amount of 152.95

I don't believe anyone was clamoring at MDU's door requesting an additional power plant, or volunteering to help pay for a new plant. By comparison, their request for a 9.1 percent increase is five times greater than the increase I received in social security benefits this year. My income has decreased significantly since retirement eleven years ago.

An increase of three or four percent, while unwelcome, would be far more reasonable considering the current interest rates.

I urge you not to grant such an enormous increase.

Sincerely,

Dick Elefson

C. Comm
Legal
Pud
Ag - Public Input File

Wefald, Susan E.

From: Wefald, Susan E.
Sent: Thursday, June 19, 2003 10:17 AM
To: 'Jay Brausch'
Subject: RE: Light Comparison

Thank you for your message Jay. I shall put it in the public input file on this case where all of the Commissioners and Staff will have a chance to read it. Your picture of the night sky is gorgeous. Thank you for sharing it.

-----Original Message-----
From: Jay Brausch [mailto:jbrausch@westriv.com]
Sent: Thursday, June 19, 2003 1:18 AM
To: msmail.sew@psc.state.nd.us
Subject: Light Comparison

Dear: Commissioner Susan Wefald,

How's this for another example of the better lights? This was taken just after 1:00am, my time, May 7, '03. And there has just been another 3 nights in a row of aurora out here, the envy of all observers in the U.K. I am told. You can see again, how the meager light shield on the pole at the bottom has preserved my livelihood (to some extent) at this. This would be a ruined picture or unobtainable without it.

I've recently learned of MDU's wanting an electric rate increase, and should it be granted, I would hope that they become ever more keenly aware of how and where they direct outdoor lighting, as the night sky here in ND is the second best resource we have aside from the land (and often a *close* second). After all, it is light pollution from the current unshielded lights that is locally adulterating my unique work. When a resource is lost, so go any potential to make money & economics with it. Full cut-off lighting is best for the edges of towns & cities; it makes for better visibility & safety at night. On May 30-June 2, I was at a ND state star party at Cross Ranch, and there were 60-70 people there from 11 states, who underscored the need for ND to preserve and make use of its night sky. And they brought money with them -- for Washburn. So, here is my voice of concern for a justification for any needed increase in electrical rates.

Sincerely,
Jay Brausch

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Leo M. Reinbold
Susan E. Wefald

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: sab@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

June 18, 2003

Anne Carns
502 6th St W
Williston ND 58801

Dear Mrs. Carns:

Thank you for writing us concerning MDU's recent electric rate increase application.

Copies of your letter have been given to each of the Commissioners. We appreciate your interest and will place your letter in the Public Input file associated with this proceeding.

The Technical and Public Input hearings have not yet been scheduled. If you are interested in attending the hearings you can watch the newspapers because the notices will be published, or call us in a few weeks and request a copy of the notice.

Sincerely,

Sharon Helbling
Public Utilities Division

Sdh

RECEIVED
JUN 18 2003
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

June 16 - 2003 -

Im writing to you in regards to M.D.U. wanting to raise the electric rates. It seem they got an O.K. on the gas so now lets try for the electric rates. The gas increase was too much.

Perhaps you need to inform them of all the senior citizens in N.D. if they are not on there home they are in an apartment & many of not most of the apts. you pay your own electricity. & if they don't the rent will increase to the renter.

Many of the senior citizens retirie looking forward to being comfortable in 76 & retirie when I was 62. The increase of many items, insurance & utilities have increased so much. & we thought we prepared for good retirement. but these increase need to stop some place.

Thankyou
Anne Carr (Senior citizen)

C: Comm
Legal
Pyll
Org - Public Input File

Then again if they need assistance more people will apply for fuel assistance, & who pays for that

Regarding: Elect | Sub: MDU Electric Rate Increase | Added: 06/05/2003 02:22 pm

Company: MDU

Location: Bismarck, ND | BusinessType: IOU | 200000010865

Caller Info: Name - First: Tim | Last: Linertz

Represents:

Address:

City: Bismarck | St: ND | Zip:

Phone: 258-7287 | E-mail:

Public Utilities

Detailed - On Agenda

Fortney

Resolved: 06/05/2003 02:22 pm | Jurisdictional: Yes ● No ○ | CM Year: 03 | Seq: 296

Explanation of Issue: | Refered To:

MDU increas in rates are unnecessary. He mentioned they had been buying up business so must be in a good financial position.

Resolution:

Explained the case was just filed. There will be a thorough investigation before any decision is made. Comissioners must pay the same increase and can understand the impacts.

Additional Notes:

MDU contact: aberlet@mdu.mdures.com; collinsk@mdu.mdures.com;;

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

(case title and number)
MPU
Electric Rate Increase
PU-399-03-296

PROTECTIVE AGREEMENT

I understand that the Commission has granted Trade Secret protection to certain information filed by MDU in the captioned matter. I agree to keep the designated information confidential and to be bound by the terms of this agreement, North Dakota Administrative Code chapter 69-02-09, and any Commission order regarding trade secret protection issued in this case.

I intend to review the following trade secret information:
Confidential Response to Data Request
No. 1.9

Dated: September 2, 2003

(signature of person reviewing information)

WARNING: A violation of this agreement may subject the violator to civil and criminal liability.

cgc\protagmt

141 **PU-399-03-296** Pages: 1

Protective Agreement for Trade Secret

by Public Service Commission
09/02/2003 CC: Comm Legal PUD (4) Mike

Public Service Commission
State of North Dakota

COMMISSIONERS
Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

March 4, 2004

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Mr. Charles King
Snavely King Majoros O'Connor & Lee, Inc.
Economic and Management Consultants
1220 L Street NW Suite 410
Washington DC 20005

RECEIVED
MAR 15 2004
ND PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION

Re: Contract No. PU-468-03
Case No. PU-399-03-296
MDU Electric Rate Increase Request

Dear Mr. King:

Our records indicate that all services required under the terms of the contract for professional services in the above case have been performed. Accordingly, we are preparing to close out the contract.

If you have any outstanding claims for service against this contract, please inform us immediately.

If you don't have any outstanding claims, please return this letter in the enclosed envelope with a note at the bottom stating so and a signature. Thanks.

Sincerely,

Mike Diller

Mike Diller
Director, Accounting Division

140 PU-399-03-296 Pages: 1

Notice that all outstanding claims for service have been paid.
by Snavely King Majoros O'Connor & Lee, Inc.

03/16/2004 CC: Comm Legal Illona, Pat, Jerry Mike

Mike,

All paid up. Hope we can work together again sometime

Ch

Public Service Commission
Receipt of Payment

Receipt# 5736

Received: 2/23/2004 Check# 1006155 for $13,579.75

Subject: Utility Valuation

Docket # PU-399-03-296

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc
400 N 4th Street
Bismarck ND 58501

139 **PU-399-03-296** Pages: 1

Receipt# 5,736 $13,579.75

by Montana-Dakota Utilities Co., a Division of MDU R

02/23/2004

APPROVED
DATE: 2-12-04
KMF

MOTION

February 12, 2004

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission bill Montana-Dakota Utilities Co. for costs incurred to date in Case No. PU-399-03-296, Montana-Dakota Utilities Co., Electric Rate Increase, Application.

138 PU-399-03-296 Pages: 3

Utility Valuation Motion/Letter/Billing Statement
by Public Service Commission

02/12/2004 CC: Comm Legal Illona, Pat, Jerry Mike

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

February 12, 2004

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

RE: Case No. PU-399-03-296
Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Enclosed is a copy of the statement approved at the February 12, 2004 Public Service Commission meeting for the expenses incurred to date in Case No. PU-399-03-296.

Under N.D.C.C. 49-02-02, these expenses are billed through the Valuation Fund and must be paid for by the company involved.

Please make your check payable to the Public Service Commission.

Sincerely,

Gloria Geiger
Administrative Staff Officer
701-328-2401

Enc.

Billing Statement

February 12, 2004

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

Expenses Incurred to Date:

Consulting Services	$12,701.36
Office of Administrative Hearings	791.17
Advertising Costs	87.22

Amount Due:

Montana-Dakota Utilities Co.	$13,579.75

Send Payment and a Copy of this Statement To:

Public Service Commission
600 E Boulevard Ave Dept 408
Bismarck ND 58505-0480

Federal Tax ID 45-0309764

Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

January 15, 2004

Don Ball
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dear Mr. Ball:

On January 14, 2004, the Commission approved the electric rates Montana-Dakota Utilities Co. filed in compliance with the Commission's Order Approving Settlement Agreement dated December 18, 2003, in Montana-Dakota Utilities Co.'s Electric Rate Increase Application, Case No. PU-399-03-296.

Sincerely,

Sharon Helbling
Public Utilities Division

Sdh

Enclosure

137 PU-399-03-296 Pages: 1

Letter to MDU re approval of compliance filing
by Public Service Commission

01/15/2004 CC: Comm Legal Illona, Pat, Jerry Mike

APPROVED
DATE: 1-14-04
KMF

MOTION

January 14, 2004

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

I move the Commission approve Montana-Dakota Utilities Co.'s Compliance Rates, to be effective with services rendered on or after January 23, 2004, in the Electric Rate Increase application in Case No. PU-399-03-296.

Sdh

136 PU-399-03-296 Pages: 1
Motion approving Compliance Rates
by Public Service Commission
01/14/2004 CC: Comm Legal Illona, Pat, Jerry Mike

Public Service Commission
State of North Dakota

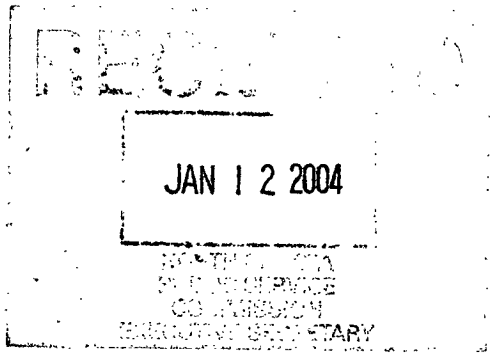
COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

January 12, 2004



Mr. Jon H. Mielke
Public Service Commission
600 E Boulevard Ave. Dept. 408
Bismarck, ND 58505-0480

RE: **Montana-Dakota Utilities Co.**
Electric Rate Increase Application
Case No. PU-399-03-296

Dear Jon:

Enclosed for filing in the above referenced case are the original and seven copies of the **Staff Response to Montana-Dakota Utilities Co.'s Compliance Filing.**

Thank you.

Sincerely,

William W. Binek
Chief Counsel

WWBsls
Enclosure

C: Parties of Record

135 PU-399-03-296 Pages: 1

Letter re Staff Response to Compliance Filing
by Public Service Commission

01/12/2004 CC: Comm Legal Ilona, Pat, Jerry Mike

RECD
JAN 12 2004
PUBLIC SERVICE

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Gas Rate Increase
Application

Case No. PU-399-03-296

STAFF RESPONSE TO COMPLIANCE FILING

January 12, 2004

On January 7, 2003, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., (MDU) filed tariff changes to comply with the Order of the Commission dated December 18, 2003. The Commission's Order adopted a Settlement Agreement permitting MDU to implement a rate change sufficient to provide a total annual revenue increase of $1,000,000 effective for service rendered on or after January 1, 2004. MDU's compliance tariffs provide a total annual revenue increase of $999,041. MDU requests an effective date of January 23, 2004.

The Settlement Agreement indicated that MDU's revenue increase is to be allocated in equal percentage increases to all customer classes except the lighting class where the revenue requirement is to be decreased by 1.25%. After assigning the lighting class decrease, MDU's resulting overall increase for each of the remaining classes is approximately 1.21%. For a typical residential customer without electric space heating that consumes approximately 750 kWh per month, this increase would amount to approximately $1.76 per month.

As specified in the settlement agreement, the residential base rate has been increased from $3.50 to $5.50 per month and the small general service base rate has been increased from $12 to $20.00 per month. Other base rates are as originally proposed.

The demand charge for the Interruptible Large Power Service Rate 39 complies with the settlement agreement limit of $2.25 per kW per month.

Also as agreed to in the settlement, the demand charge for the Firm Service Economic Development Rate 34 is now negotiable with the negotiated discount phased out over five years. The previously negotiable energy charge has been fixed at the Large General Service Rate 30 level and each contract entered into under the tariff requires specific Commission approval.

The margin sharing arrangement agreed to in the settlement is implemented under a new Margin Sharing Adjustment Rate 57, which is the same tariff sheet that was attached to the settlement agreement.

The cover letter from MDU's compliance filing describes numerous other rate design changes that were not challenged by Staff. Appendix B to the compliance filing contains a bill stuffer describing changes and announcing the new rates.

Staff believes that MDU's compliance filing satisfies the Commission's Order.

William W. Binek
Chief Counsel

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Electric Rate Increase
Application

Case No. PU-399-03-296

AFFIDAVIT OF SERVICE BY FIRST CLASS MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sandi Scott deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **12th day of January, 2004**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes with first class postage, fully prepaid, securely sealed and each containing a photocopy of:

Staff Response to Compliance Filing

The envelopes were addressed as follows:

Don Ball
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501

Douglas W Schulz
Montana-Dakota Utilities Co
400 N 4th St
Bismarck ND 58501

Dan Kuntz
P O Box 1695
Bismarck ND 58502-1695

Jim Roache
P O Box 564
Crosby ND 58730

Thomas D Kelsch
P O Box 1266
Mandan ND 58554-1266

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sandra L Scott

Subscribed and sworn to before me
this **12th day of January, 2004.**

Susan K. Richter
Notary Public

SEAL

SUSAN K. RICHTER
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 15, 2004

OFFICE OF ADMINISTRATIVE HEARINGS

STATE OF NORTH DAKOTA
1707 North 9th Street
Bismarck, North Dakota 58501-1882

Allen C. Hoberg
DIRECTOR

701-328-3260
Fax 701-328-3254
oah@state.nd.us
www.state.nd.us/oah

January 7, 2004

RECEIVED
JAN - 8 2004

Mr. William W. Binek
Hearing Administrator
Public Service Commission
600 E. Boulevard Avenue
Bismarck, ND 58505

Dear Mr. Binek:

On March 14, 2003, you requested the designation of an administrative law judge from the Office of Administrative Hearings to conduct a hearing in the matter of Montana-Dakota Utilities Co. (PU-399-02-183). I was designated as a procedural administrative law judge to conduct the hearing, but not to make recommended findings of fact and conclusions of law, or issue a recommended order. The hearing on this matter was originally scheduled for April 22, 2003. You have informed me that this matter has now been disposed of and that we may close our file. I understand that the Commission has issued the appropriate order in this matter.

I am closing our file on this matter and returning that portion of the record I have in my possession to you for filing with the official agency record of this matter.

Thank you for your attention to this matter.

Sincerely,

Allen C. Hoberg
Administrative Law Judge

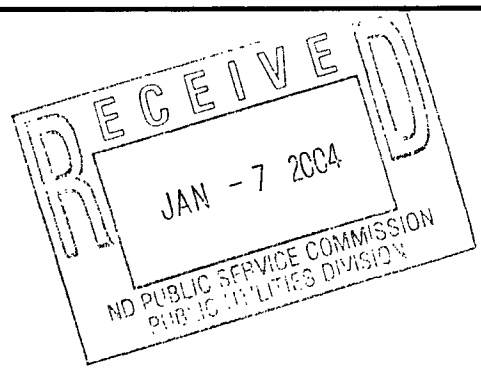
ACH/ljc
Encl.

132 PU-399-03-296 Pages: 1
Administrative Law Judge file closed
by Office of Administrative Hearings by Allen Hoberg
01/08/2004 CC: Comm Legal illona, Pat, Jerry Mike

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

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

January 7, 2004



Executive Secretary
North Dakota Public Service Commission
State Capitol
Bismarck, ND 58505-0480

Re: Case No. PU-399-03-296
Compliance Tariffs

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and seven copies of revised electric service tariff sheets and supporting work papers in compliance with the Settlement Agreement approved by the North Dakota Public Service Commission (Commission) on December 18, 2003.

The rates set forth on the revised tariff sheets will result in an increase in annual revenues of $1,000,000. The revised tariffs reflect the following provisions as set forth in the Settlement and the Commission's Order:

- The increase of $1,000,000 has been allocated across the board to all classes with the exception of the lighting class that was allocated a decrease of 1.25%. This allocation results in an increase of 1.21% allocated to all other customer classes.

- The residential base rate has been set at $5.50 per month and the small general service base rate has been set at $20.00 per month. All other base rates represent charges as originally filed.

- Seasonal rates reflecting a summer period of June through September have been added to all rate schedules. The winter period rates will be applicable during the period October through May.

- The following rates have been consolidated with the otherwise applicable residential or general service rate:
  - Rate 11 Dual Fuel – consolidated with Rate 10.
  - Rate 13 Thermal Storage – consolidated with Rate 10.
  - Rate 50 General Water Heating – this tariff currently applies to both residential and general service customers. The residential customers will

be moved to Rate 10 and the general service customers will be moved to Rate 20 or 30 as appropriate.
  - Rate 56 General Space Heating - this tariff currently applies to both residential and general service customers. The residential customers will be moved to Rate 10 and the general service customers will be moved to Rate 20 or 30 as appropriate.
  - Rate 22 Dual Fuel – consolidated with Rate 20 or Rate 30/32 as appropriate.
  - Rate 27 Feed Grinding - consolidated with the General Service Rate 20 or Rate 30 as applicable.

- The Small General Service Rate 20 schedule is currently applicable to all general service customers with billing demands less than 50 kw. Under the revised rate structure customers warranting a demand meter, as prescribed in the tariff, will be moved to Large General Service Rate 30. The non-demand metered customers will remain on Small General Service Rate 20.

- The on-peak hours applicable under the time of day schedules (Rates 16, 26 and 31) have been changed to 12:00 p.m. to 8:00 p.m.

- The flexible provision in the economic development rate will be applied to the demand component and not the energy component but each contract will be filed with the Commission for approval.

- The demand charge for the Interruptible Rate 39 rate schedule has been set at $2.25 per Kw.

- The differential in energy charges between customers that own their lighting facilities and those that rent those facilities from the Company has been eliminated from Municipal Lighting Service Rate 41.

- Private Lighting Rate 52 has been renamed Outdoor Lighting Service and the availability has been expanded to include all outdoor lighting uses other than street lighting.

- Primary service rates have been added to replace the current 5% discount applicable to customers that own their transformer equipment under Rates 30, 31, 34, 41, 48 and 52.

- The reconnection fee has been increased from $12.00 to $20.00 to reflect the current cost of reconnecting customers.

- The power factor penalty applicable under Rates 25, 30, 31, 34, 39, 40 and 48 has been increased from $1.75 to $3.35 per Kvar as a result of the increase in demand charges.

- The revisions originally proposed to Electric Service Rules and Regulations Rate 110 will be resubmitted as a separate docket. The attached Rate 110 reflects the conversion of the existing Rate 110 to the new tariff format but does not reflect any changes in the content of the tariff.

Montana-Dakota requests that the tariffs attached hereto be approved effective with service rendered on and after January 23, 2004. Also enclosed for Commission approval (Attachment B) is a proposed bill insert to be included with customers' bills explaining the rate changes that will be effective on that date.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto.

Sincerely,

Donald R. Ball

Donald R. Ball
Assistant Vice President –
Regulatory Affairs

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 1

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Date Filed: January 7, 2004

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

Effective Date:

Case No. 130 **PU-399-03-296**

Pages: 208

Compliance tariff filing

by Montana-Dakota Utilities Co., a Division of MDU Res

01/07/2004 CC: Comm Legal PUD (4) Mike .

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

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COMMUNITIES SERVED

ELECTRIC SERVICE
**Designates Region Office*

Dakota Heartland Region

Almont	Gascoyne	Merricourt
Ashley	Glen Ullin	Mobridge
Beulah	Golden Valley	Monango
Bismarck*	Hague	Napoleon
Braddock	Haynes	New Leipzig
Bucyrus	Hazelton	New Salem
Buffalo Springs	Hazen	Reeder
Burnstad	Heil	Scranton
Carson	Hettinger	Selfridge
Center	Judson	Steele
Dawson	Kintrye	Sterling
Driscoll	Kulm	Strasburg
Elgin	Lehr	Tappen
Ellendale	Leith	Ventura
Forbes	Linton	Wishek
Fredonia	Mandan	Zap
Fullerton	McKenzie	Zeeland

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COMMUNITIES SERVED

ELECTRIC SERVICE

Badlands Region

Alamo	East Fairview	Portal
Alexander	Epping	Powers Lake
Ambrose	Flaxton	Rawson
Appam	Gladstone	Ray
Arnegarde	Glendive	Regent
Aurelia	Grenora	Rhame
Battleview	Halliday	Richardton
Beach	Hamlet	Ross
Belfield	Hanks	Sentinel Butte
Bentley	Hebron	Sherwood
Bowbells	Kenaston	South Heart
Bowman	Kenmare	Springbrook
Burt	Killdeer	Stanley
Carpio	Larson	Taylor
Carwright	Lignite	Temple
Columbus	Loraine	Tioga
Corinth	Marmath	Tolley
Corteau	McGregor	Watford City
Coulee	Mohall	Werner
Crosby	Mott	Wheelock
Dickinson*	New England	White Earth
Dodge	Noonan	Wildrose
Donnybrook	Norma	Williston
Dunn Center	Northgate	Zahl

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RESIDENTIAL ELECTRIC SERVICE Rate 10

Availability:

In all communities served for single-phase residential electric service for domestic purposes only.

Rate:

Base Rate: $5.50 per month

Energy Charge October – May:

First 750 Kwh per month	6.830¢ per Kwh
Over 750 Kwh per month	3.431¢ per Kwh

Energy Charge June – September: 6.830¢ per Kwh

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Availability:

In all communities served for single-phase residential electric service. The customer's wiring must be so arranged that all service can be measured through one meter.

Rate:

Base Rate: $10.50 per month

On-Peak Energy: For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday:

October-May	8.320¢ per Kwh
June-September	12.320¢ per Kwh

Off-Peak Energy: 3.431¢ per Kwh for all energy not covered by the On-Peak rating period.

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day Residential Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Residential Electric Service rate or of returning to the regular Residential Electric Service rate.

General Terms and Conditions:

The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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SMALL GENERAL ELECTRIC SERVICE Rate 20

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be so arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

Base Rate: $20.00 per month

Energy Charge October – May:

First 750 Kwh per month	6.789¢ per Kwh
Over 750 Kwh per month	3.431¢ per Kwh

Energy Charge June – September: 6.789¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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SMALL GENERAL ELECTRIC SERVICE Rate 20

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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IRRIGATION POWER SERVICE Rate 25

Availability:

For irrigation power service.

Rate:

Base Rate: $10.00 per month

Demand Charge:

October – May	$1.00 per Kw
June – September	$1.50 per Kw

Energy Charge: 3.431¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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IRRIGATION POWER SERVICE Rate 25

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

Base Rate: $22.00 per month

On-Peak Energy: For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday:

October – May	8.512¢ per Kwh
June – September	12.512¢ per Kwh

Off-Peak Energy: 3.431¢ per Kwh for all energy not covered by the On-Peak rating period.

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day Small General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Small General Electric Service rate or of returning to the regular Small General Electric Service rate.

General Terms and Conditions:

1. Customers and their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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GENERAL ELECTRIC SERVICE Rate 30

Availability:

In all communities served for all types of demand metered general electric service except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

For Primary Service:

Base Rate: $90.00 per month

Demand Charge:

October – May	$5.254 per Kw
June – September	$8.254 per Kw

Energy Charge: 3.255¢ per Kwh

For Secondary Service:

Base Rate: $35.00 per month

Demand Charge:

October – May	$ 8.224 per Kw
June – September	$11.224 per Kw

Energy Charge: 3.336¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

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GENERAL ELECTRIC SERVICE Rate 30

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31

Availability:

In all communities served for all types of demand metered general electric service except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

For Primary Service:

Base Rate: $92.00 per month

On-Peak Demand:

October - May	$4.500 per Kw
June - September	$7.500 per Kw

On-Peak Energy: For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday:

October – May	3.496¢ per Kwh
June – September	5.496¢ per Kwh

Off-Peak Energy: 3.496¢ per Kwh for all energy not covered by the On-Peak rating period.

For Secondary Service:

Base Rate: $37.00 per month

On-Peak Demand:

October – May	$4.500 per Kw
June – September	$7.500 per Kw

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OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31

On-Peak Energy:	For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday:
	October – May 3.840¢ per Kwh
	June – September 5.840¢ per Kwh
Off-Peak Energy:	3.840¢ per Kwh for all energy not covered by the On-Peak rating period.

Minimum Bill:
Base Rate.

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:
Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Determination of On-Peak Billing Demand:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day General Electric Service rate or of returning to the regular General Electric Service rate.

General Terms and Conditions:

1. Customers and their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

Availability:

In all communities served for general service customers for space heating service, where the customer also takes service under General Electric Service Rate 30 or General Electric Time-Of-Day Service Rate 31. Only space heating load is allowed on this rate schedule.

Rate:

Base Rate: $10.00 per month

For Primary Service:
Demand Charge:
June-September $8.254 per Kw

Energy Charge: 3.255¢ per Kwh

For Secondary Service:
Demand Charge:
June-September $11.224 per Kw

Energy Charge: 3.336¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Availability:

In all communities served for all types of general electric service which meets one of the following qualifications:

a. New Customers - An applicant with total expected demand of 200 Kw per month and usage of 750,000 Kwh per year is eligible for service under this rate if it can meet any one of the following requirements: (i) its activities are largely or entirely different than that of the previous customer; (ii) that non-seasonal business has not been conducted at the premise for at least three billing periods prior to the application; (iii) that seasonal business has not been conducted at the premise for at least thirteen billing periods prior to the application; or (iv) the facility is newly constructed.

b. Existing Customers and Existing In-state Customers of Competing Suppliers - An existing customer, or an existing in-state customer of a competing supplier with increased demand of 200 Kw per month and increased usage of 750,000 Kwh per year is eligible for service under this rate. Only the expanded portion of the facility will be eligible for the negotiated rate. In addition, the new load must be supplied from a separately metered circuit with separate metering equipment to be installed at the customer's expense. Average usage at the original facility must be at least as great as that which occurred in the previous 12 month period.

Rate:

Base Rate:	$92.00 per month
Demand Charge:	To Be Negotiated
Energy Charge:	Otherwise applicable energy charge for General Service Rate 30.

Contracts shall be filed with and approved by the North Dakota Public Service Commission.

Minimum Bill:

Base Rate plus Demand Charge.

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FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Right to Discontinue Service:

The Company reserves the right to refuse applicants who have not previously signed a contract for service under this rate if it determines either system capacity or system energy supply is projected to be insufficient, or if service reliability is expected to be at jeopardy.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

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FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

General Terms and Conditions:

1. The customer and the Company shall execute a contract for service to be effective under this rate for a period of five years from the date of service commencement.

2. The negotiated demand charge shall be increased according to the differential between the negotiated rate and the ceiling as portrayed by the following schedule.

Years	Differential Percent Decrease
1-3	0%
4	25%
5	50%

   At the end of the fifth year, the negotiated agreement hereunder expires.

3. Upon expiration of the contract, the customer shall be served under the otherwise applicable rate schedule.

4. Customers and their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

5. The foregoing schedule is subject to Rates 101- 133 and any amendments or alternations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Availability:

In all communities served for power to customers having a demand of 500 Kw or more for its interruptible load. Electric energy for the interruptible load shall be supplied through a separately metered circuit at the same voltage and phase utilized to serve the balance of the customer's electrical load so arranged to allow remote operation by the Company.

Type of Service:

Service under this rate shall be taken by the customer at whatever primary voltage is available at the point of delivery but not less than 2,400 volts. In the event that it is necessary to build a substation on the Company's transmission line to serve the customer, the cost of building the substation shall be a matter of negotiation between the Company and the customer.

Rate:

Base Rate:	Specified in the electric service agreement with the Company.
Demand Charge:	$2.250 per Kw of billing demand
Energy Charge:	2.722¢ per Kwh

Minimum Bill:

Base Rate plus the Demand Charge (500 Kw minimum).

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 500 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

1. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and monthly Base Rate payments to the Company. The monthly Base Rate payments are determined on a customer by customer basis and shall include, but are not limited to, any additional costs incurred by Company for facilities, such as substations, electric lines, meters, switching devices, and circuit breakers that are necessary to provide service under this rate.

2. All equipment associated with the interruptible load must be of such voltage and electrical characteristics that it can be separately metered and served from the circuit provided for the interruptible portion of the customer's load. If the equipment to be served is such that this is impossible, the customer must either make special arrangements with the Company or furnish the necessary equipment suitable for connection and metering to the circuit for the interruptible portion of the load.

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INTERRUPTIBLE LARGE POWER SERVICE Rate 39

3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of the customer's switch or circuit breaker by the Company. Customer must wire the trip and close circuits into a connection point designated by the Company to allow installation of control equipment by the Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system.

4. The duration and frequency of interruptions shall be at the sole discretion of the Company.

5. The Company shall not be liable for any loss or damage caused by or resulting from any interruption of service.

6. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

Availability:

For all lighting and power requirements with billing demands of 50 kilowatts or less for public buildings or locations supported by public tax levies, and for which the city is liable for payment, in all municipalities served where the Company is operating under a municipal franchise or permit, and the municipality has a standard contract for operation of a street lighting system and/or a municipal pumping system with the Company.

This rate is restricted to small municipal electric service customers who were served under this rate prior to January 27, 1987. Any new small municipal general electric service customer may take service under another applicable rate.

Rate:

Non-Demand
Base Rate: $15.50 per month

Energy Charge October – May:

First 750 Kwh per month	4.497¢ per Kwh
Over 750 Kwh per month	3.431¢ per Kwh

Energy Charge June – September: 4.497¢ per Kwh

Demand
Base Rate: $25.50 per month

Demand Charge October – May:

10 Kw or less	No Charge
Over 10 Kw	$4.224 per Kw

Demand Charge June – September:

All Kw	$7.224 per Kw

Energy Charge: 3.431¢ per Kwh

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SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

Minimum Bill:
Base Rate.

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Margin Sharing Adjustment:
Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before Proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under the non-demand rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3. Customers not qualifying for the non-demand rate shall be served under the demand rate.

4. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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MUNICIPAL LIGHTING SERVICE Rate 41

Availability:

For municipal lighting purposes including streets, alleys and other public grounds. Service will be provided all night, every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

Rate:

For Primary Service:	5.828¢ per Kwh computed according to the total rated capacity of lamps in use.
For Secondary Service:	6.328¢ per Kwh computed according to the total rated capacity of the lamps in use.

Special discount:
For contracts of ten years or more 10%

Minimum Bill:

As provided in contract.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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MUNICIPAL LIGHTING SERVICE Rate 41

General Terms and Conditions:

1. The Company will maintain the facilities and change the light bulbs when notified by the municipality that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of employees of the municipality. In case of vandalism, malicious mischief, or willful negligence the Company will charge the municipality for the cost of repair and replacement.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. In municipally-owned street lighting systems, an additional charge will be made to cover lamp replacements, materials and labor whenever such services are supplied by the Company.

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

5. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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MUNICIPAL PUMPING SERVICE Rate 48

Availability:

For municipal pumping purposes provided the municipality uses electricity exclusively for all its pumping requirements and purchases all such electricity from the Company. The municipality must sign a contract for a minimum period of one year.

Rate:

For Primary Service:

Base Rate: $12.00 per month

Demand Charge:

Connected loads of 10 Kw or less will be billed based on connected load. Connected loads in excess of 10 Kw will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter in the current month or 10 Kw.

October – May: $1.150 per Kw
June – September: $4.150 per Kw

Energy Charge: 3.636¢ per Kwh

For Secondary Service:

Base Rate: $10.00 per month

Demand Charge:

Connected loads of 10 Kw or less will be billed based on connected load. Connected loads in excess of 10 Kw will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter in the current month or 10 Kw.

October – May: $3.060 per Kw
June – September: $6.060 per Kw

Energy Charge: 3.659¢ per Kwh

Special discount:

For contracts of ten years or more 10%

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MUNICIPAL PUMPING SERVICE Rate 48

Minimum Bill:
Base Rate plus Demand Charge.

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $3.35 per Kvar of such excess demand.

Margin Sharing Adjustment:
Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:
1. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

2. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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OUTDOOR LIGHTING SERVICE Rate 52

Availability:

For all outdoor lighting including flood lights, billboard lighting and metallic vapor yard lights in all communities served. Lighting equipment may be Company-owned or customer-owned.

Rate:

For Primary Service:	7.003¢ per Kwh computed according to the total rated capacity of the units in use.
For Secondary Service:	7.409¢ per Kwh computed according to the total rated capacity of the units in use.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

General Terms and Conditions:

1. Applicable to Company-owned Facilities:

    a. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dusk to dawn.

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OUTDOOR LIGHTING SERVICE Rate 52

b. The light may be mounted on existing poles owned or controlled by the Company. The Company will furnish a 35 foot pole(s) for flood lights and a 30 foot pole(s) for yard light(s) at the customer's request at a separate rental rate if a special setting is required. If the customer chooses, the light may be installed on a pole owned by the customer or other mounting point suitable for installation of the light. The conductors will be extended 100 feet per unit free of charge, but the customer shall pay for the extra cost of extensions of more than 100 feet per unit.

c. To the rate stated herein, bulb replacement and ownership costs for the units shall be added. The customer should consult with the Company for such costs.

d. The Company will maintain the facilities and change the light bulbs when notified by the customer that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of customer. In case of vandalism, malicious mischief, or willful negligence, the Company will charge the customer for the cost of repair and replacement.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

   Metallic vapor ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

4. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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MARGIN SHARING ADJUSTMENT Rate 57

1. **Applicability:**
This rate schedule constitutes an electric wholesale margin sharing adjustment (MSA) provision and specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's electric wholesale sales margins as allocated to its North Dakota electric jurisdiction, and (b) amortization of the Margin Sharing Account.

2. **Effective Date of Adjustment:**
The effective date of the MSA shall be bills rendered on and after the first day of April of each year, unless the Commission shall otherwise order. The initial adjustment under this tariff shall become effective April 1, 2005.

3. **Margin Sharing Adjustment:**
The MSA shall reflect changes in Montana-Dakota's electric wholesale margins as compared to the wholesale margins reflected in base rates. The MSA is made up of:

(a) Current margin adjustment

(b) Carrying charges on 3(a)

(c) Surcharge adjustment

The adjustment per kwh shall be determined by dividing the amount determined above by the estimated kwh sales for the twelve months following the effective date of the adjustment.

4. **Current Margin Adjustment:**
The current margin adjustment shall be:
(a) $6,500,000 less

(b) 85 percent of the actual wholesale sales margins for the preceding calendar year, unless

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MARGIN SHARING ADJUSTMENT Rate 57

(c) Wholesale sales margins in the preceding calendar year are less than $3,300,000, then the current margin adjustment shall be 15 percent of actual wholesales sales margins for the preceding calendar year plus $3,200,000.

5. Carrying Charges:

(a) Carrying charges will be applied to the accumulated balance of the difference each month between $542,000 and 85 percent of actual wholesale sales margins.

(b) Carrying charges on the amounts shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

(c) If annual wholesale margins are less than $3,300,000 then interest calculated in (a) and (b) will be recalculated to reflect the minimum annual level.

6. Surcharge Adjustment:

The Surcharge Adjustment shall reflect amortization of the estimated balance in the Margin Sharing Account as of April 1 each year.

7. Margin Sharing Account:

The Margin Sharing Account shall consist of:

(a) The balance of the current margin adjustment and the carrying charges as of December 31 each year, less

(b) The amount determined by multiplying the currently effective Surcharge Adjustment included in rates by the kwhs sold during each month. The account shall be increased in the event the Surcharge Adjustment is a negative amount.

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MARGIN SHARING ADJUSTMENT Rate 57

(c) Carrying charges on the net balance shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

8. Time and Manner of Filing:

(a) Montana-Dakota shall file the MSA at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of revised MSA sheets identifying the amounts of the adjustment, the derivation of the adjustment and the resulting MSA rate.

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FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .001¢ (one thousandth of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be 1.303¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent four month period plus unrecovered (or less over-recovered) prior cumulative energy costs:

1. The cost of fossil and other fuels, including but not limited to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fuel consumed in jointly owned generating stations as recorded in Account 151.

2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:

   a. Energy that is purchased on an economic dispatch basis;

   b. Energy purchased from a renewable energy source, including but not limited to hydropower, wood, windpower, and biomass;

3. The actual identifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above, less;

4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent four month period as herein defined.

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FUEL CLAUSE Rate 58

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent four month period for which actual cost data is available. The Company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent four month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production 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 (QF) as defined under 18 CFR, Part 292.

Rate:

Metering charge for single phase service:	$ 1.30 per month
With instrument transformers:	$ 4.10 per month
Metering charge for three phase service:	$ 5.15 per month
With instrument transformers:	$ 9.40 per month

Energy delivered to and accepted by Company by a QF shall be paid for by Company in accordance with one of the following two options, elected by the QF:

1. Simultaneous Purchase and Sale:

   Energy sales to QF - 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 electric service, etc.) that is currently on file with the Commission.

   Capacity and energy purchases by Company:

Energy Payment	= 1.356¢ per Kwh
Capacity Payment	= $0 per Kw

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

2. Net Billing:

   Energy generated will be compensated on a net billing basis. The Company will install a meter to measure the energy generated by the QF. The Company will also install a meter to measure the energy consumed by the QF. Metered generation will be subtracted from the metered consumption for the billing period.

   If metered generation is less than metered consumption, the QF will be billed the applicable retail rate. If metered generation is greater than the metered consumption, the QF will be paid for each Kwh an amount equal to:

   1.356¢ per Kwh

General Terms and Conditions:

1. Change of Rates: This schedule 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 at least one year but less than five years.

5. In order to qualify for the net billing option, the generating equipment and the load of the facility must be located at the same "physical site". "Physical site" shall mean on the same tract of land and the generator output must be physically connected to the load service entrance.

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

6. For general terms and conditions covering QF's, see Rate 140.

7. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production facilities for the purpose of generating 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 1000 Kw or less, that operate as a peaking facility (defined below), and are Qualifying Facilities (QF) as defined under 18 CFR, Part 292.

I. FACILITIES CAPABLE OF PROVIDING DISPATCHABLE CAPACITY AT THE TIME OF COMPANY'S SUMMER PEAK

Rate:

Metering charge for single phase service:	$ 4.85 per month
With instrument transformers:	$ 8.05 per month
Metering charge for three phase service:	$10.55 per month
With instrument transformers:	$15.35 per month

1. Capacity delivered to the Company:

QF has the option of one of two methods of payment for capacity:

a. Actual avoided costs at the time of delivery, or

b. Levelized payment for term of contract based on Table 1 below.

TABLE 1
Contract Length (YR.)

	5	10	15	20	25	30	35
$/Kw-mo	2.812	4.427	5.426	6.041	6.454	6.699	6.853

Total capacity payment per month = The applicable contract length capacity payment from Table 1 times the maximum 1 hour capacity, as demonstrated by an annual capability test.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.515¢ per Kwh	1.268¢ per Kwh

Peak Periods: The On-Peak Period is defined as those hours between 9 a.m. and 9 p.m. Central time, Monday through Friday in Central time zones, and between 8 a.m. and 8 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 the Company's system operating characteristics.

II. FACILITIES WHICH ARE NOT DISPATCHABLE AND PROVIDE ENERGY AND CAPACITY ON AN "AS AVAILABLE" BASIS

Rate:

Metering charge for single phase service: $ 4.85 per month
With instrument transformers: $ 8.05 per month

Metering charge for three phase service: $10.55 per month
With instrument transformers: $15.35 per month

1. Total capacity payment per billing period = P X Maximum 15 minute capacity for billing period, where P is defined below.

P = QCF/PCF(VTable 1)

where:
- P = capacity payment in $/Kw - month
- QCF = Qualifying Facilities Capacity Factor
- PCF = 65%
- VTable 1 = Applicable value from Table 1
- CF = Capacity Factor which equals average 15 minute on-peak metered capacity divided by the greatest 15 minute on-peak metered capacity during the billing period.

QCF/PCF cannot be greater than 1.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.515¢ per Kwh	1.268¢ per Kwh

Energy Sales to Qualifying Facilities:

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 electric service, etc.) that is currently on file with the Commission.

General Terms and Conditions:

1. Change of Rates: This schedule shall be reviewed annually, updated if necessary, and revised upon the Commission's approval.

2. Service under this schedule shall be on a simultaneous purchase and sale basis only.

3. 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.

4. 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.

5. 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 five years or more.

6. Line loss considerations will be determined on a site specific basis.

7. For dispatchable units, generator outages must be pre-scheduled with Company to provide coordination with Company units.

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PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

8. A Peaking Unit is a unit not designed for continuous operation and is capable of supplying capacity and energy during periods of peak electric consumption. Generally, peaking units have a capacity factor of 20% or less.

9. For general terms and conditions covering QF's, see Rate 140.

10. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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RULE GOVERNING DISCONTINUANCE OF SERVICE FOR NONPAYMENT OF BILL Rate 101

All bills for service are due when rendered and will be considered delinquent if not paid by the due date shown on the bill. If any customer shall become delinquent in the payment of service bills, such service may be discontinued by the Company under the applicable rules of the Public Service Commission. The Company may collect a fee of $20.00 before restoring electric service which has been discontinued for nonpayment of service bills, or where a Service Extender has been installed in lieu of full disconnection.

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RESIDENTIAL ELECTRIC SERVICE FOR PERMANENT EMPLOYEES Rate 102

Available for:

Residential use only in a single family unit served by Montana-Dakota Utilities Co. to a full time permanent employee who has been continuously employed by the Company at least six months and is the principal support of the household in which he resides, or is the spouse of the principal support.

Rate:

The employee's bill shall be computed at the applicable rate, and the amount reduced by 33 1/3%.

Date Filed: January 7, 2004 **Effective Date:**

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

Case No.: PU-399-03-296

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CONSUMER DEPOSITS Rate 106

The Company will determine whether or not a deposit shall be required of an applicant for electric service in accordance with Commission rules.

a. The amount of such deposit shall not exceed an estimated 60 day service bill.

b. The Company may accept in lieu of a cash deposit a contract signed by a guarantor, satisfactory to the Company, whereby the payment of a specified sum not to exceed the required cash deposit is guaranteed. The term of such contract shall be indeterminate, but it shall automatically terminate when the customer gives notice of service discontinuance to the Company or a change in location covered by the guarantee agreement or 30 days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance which the customer owes the Company. Upon termination of a guarantee contract, a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six-month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits shall be refunded to customers at termination provided all billings for service have been paid. Deposits will be refunded to all active customers, after the deposit has been held for 12 months, provided a prompt payment record has been established.

Montana-Dakota Utilities Co.
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Bismarck, ND 58501

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NOTICE TO DISCONTINUE ELECTRIC SERVICE Rate 107

Customers desiring to have their electric service discontinued shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal call or telephone call to the Company's local business office, in communities in which an office is maintained. In other communities such notice shall be given to the Company's representative who services the community or to the nearest business office. Saturdays, Sundays and legal holidays are not considered business days.

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RECONNECTION FEE FOR SEASONAL CUSTOMERS Rate 108

A fee of $20.00 will be collected for reconnecting electric service to any customer who has disconnected electric service at the same location during the preceding twelve-month period.

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LATE PAYMENT CHARGE/RETURNED CHECK CHARGE Rate 109

Late Payment Charge:

Bills will be considered past due if not paid by the due date shown on the bill. An amount equal to 1% per month will be applied to any unpaid balance existing at the immediate subsequent billing date.

Returned Check Charge:

A charge of $10.00 will be collected by the Company for each check charged back to the Company by a bank.

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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

MONTANA-DAKOTA UTILITIES CO.

ELECTRIC SERVICE RULES and REGULATIONS

Date Filed: January 7, 2004 **Effective Date:**

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

Case No.: PU-399-03-296

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
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101. Company and Customer
These rules are issued on behalf of Montana-Dakota Utilities Co., hereinafter referred to as the "Company." The term "Customer" includes both a present consumer and an applicant for the Company's service.

102. Purpose
102.1 The purpose of these rules is to acquaint architects, engineers, contractors, electrical dealers, wiremen and others with the Company's requirements pertaining to the installation of services, meters, wiring, motors and other appliances to be supplied with electric service from the electric distribution system of the Company.

102.2 The practices outlined herein are dictated by many years of operating experience and, with reasonable interpretation and special inquiry in unusual cases, they are considered a trustworthy guide. These rules will be subject to revision and addition from time to time in keeping with new developments and accepted good practice.

103. Electrical Codes and Ordinances
The Electric Service Rules and Regulations contained herein are supplementary to and do not intentionally conflict with nor supersede the National Electrical Code, nor such state and municipal laws and ordinances that may be in effect in the areas in which the Company furnishes electric service, except that where the requirements of these Electric Service Rules and Regulations exceed those of such codes, laws, and ordinances, these Electric Service Rules and Regulations shall apply.

104. Wiring Adequacy
The Company recommends the services of a reliable and experienced electrical contractor be obtained for any new wiring or alteration of existing wiring. The familiarity of the contractor with national and local wiring codes, and his knowledge of the Customer's present and future needs, should result in a safe and satisfactory installation.

NOTE: Wiring codes provide minimum requirements for safety. Installation of wiring capacity greater than minimum code requirements is recommended to bring to the Customer all the benefits of electric service and to protect building investment by minimizing obsolescence resulting from an inadequate wiring system.

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105. Application for Service
Application for original or additional service may be made at the Company's offices by mail, by telephone or by personal call. The following is required:

Customer's name
Exact address of premises
Type of service required
Date service is required
Character of the load
(Note any special requirements)
Customer's deposit (when required)

The above shall be supplied to the Company as far as possible in advance of the Customer's requirements for service.

106. Inspection of Wiring
Where permits and inspections covering Customer's wiring and installation are required by local ordinance, it is mandatory that such requirements be fulfilled before the Company will make connections to the Customer's installation. In locations where such inspections are not required by law or ordinance, an affidavit by the wiring contractor stating that the wiring has been done in compliance with the National Electrical Code will be acceptable.

107. Permits, Certificates, Affidavits
It is the responsibility of the Customer to obtain all necessary permits, certificates of inspection or affidavits as required in Paragraph 106 and to notify the Company promptly of any proposed alterations or additions to Customer's load. Failure to comply with these requirements may result in delayed connection, interruption of service or damage to apparatus.

108. Connections
Service connections will be made and a meter or meters will be installed by the Company following Customer's compliance with Paragraphs 105, 106, and 107 above, and payment of the prescribed Customer's deposit. (Refer to Paragraph 402.)

109. Consultation with the Company

109.1 The location, size and character of the Customer's load and the current, voltage, frequency, phases, etc. which the Company has available at the Customer's location will determine the type of service supplied to the Customer.

109.2 Architects, engineers, contractors, electric dealers, wiremen and others must confer with local representatives of the Company to determine the type of service that will be available before designing or preparing specifications for new electrical installations or alterations to existing installations.

109.3 Consultation with the Company before purchase and installation of apparatus may save the Customer unnecessary expense by avoiding purchase of equipment that is incompatible with the service available from the Company's facilities.

109.4 In all cases involving large installations and other cases where any doubt exists, full information as to the type of service available should be obtained from the Company.

110. Unauthorized Use of Service

110.1 Unauthorized use of service is defined as any deliberate interference, such as tampering with a Company meter, registration, connections, equipment, seals, procedures or records, that result in a loss of revenue to the company. Unauthorized use of service is also defined as reconnection of service that has been terminated, without the Company's consent. Violators are subject to prosecution.

110.2 Types of unauthorized use of service include, but are not limited to, the following:

(a) Bypass around meter.
(b) Meter reversed.
(c) Equipment connected ahead of meter.
(d) Tampering with meter that affects the accurate registration of electric usage.
(e) Electricity being used after service has been discontinued by the Company.

110.3 In the event that there has been unauthorized use of service, Customer shall be charged for:

(a) Time, material, and transportation costs used in investigation or surveillance.
(b) Estimated charge for non-metered electricity.
(c) On-premise time to correct situation.
(d) Any damage to Company property.

110.4 A Customer's service disconnected for any of the reasons outlined in Paragraph 110.2 shall be reconnected after the Customer has furnished satisfactory evidence of compliance with Company's rules and conditions of service, and paid any charges which are due, including:

(a) All delinquent bills, if any;
(b) The amount of any Company revenue loss attributable to said tampering;
(c) Expenses incurred by the Company in replacing or repairing the meter or other equipment, costs incurred in the preparation of the bill, plus costs as outlined in Paragraph 110.3;
(d) Reconnection fee applicable; and
(e) A cash deposit, the amount of which will not exceed the maximum amount determined in accordance with rules of the applicable State Public Service or Utilities Commission.

111. Unauthorized Attachments to Poles

111.1 The unauthorized attachment of any flags, banners, signs, clotheslines, antennas, etc. to Company poles is prohibited. The use of poles for placards or other advertising matter is forbidden. The Company will remove such unauthorized attachments without notice and may prosecute any such trespassers.

111.2 Customers are cautioned to locate antennas so that they are beyond falling distance from the Company's lines, either transmission or distribution. In many of the communities in which the Company operates, this provision is covered by local ordinance.

111.3 Antennas and lead-ins shall be located a safe distance from and shall never cross over or under the Company's lines or contact the Company's poles.

111.4 The Company disclaims all responsibility where such equipment contacts the Company's lines, poles or equipment.

112. Access to Customer's Premises

The Company's authorized agents and employees shall have access, at all reasonable hours, to the premises of the Customer for the purpose of reading, inspecting, testing, adjusting and otherwise caring for, replacing or removing meters or other Company property which may be on the Customer's premises.

113. Protection of Customer's Equipment

It is the primary goal of the Company to furnish satisfactory electric service consistent with fair and reasonable rates. However, as the Company's electric system is unusually widespread and has many interconnections with sources of power other than its own generating stations, it is subject to exposure by storms and other factors not under its control. Although the Company employs the latest developments in equipment and methods of operation for the purpose of maintaining adequate service, it cannot guarantee service to be free from interruptions, variation in voltage and frequency, single phase energization of three phase lines, reversal of phase rotation or other abnormal conditions, and it cannot assume liability for damage to Customer's equipment resulting therefrom. Therefore it is the obligation of the Customer to provide such protective devices as may be necessary to safeguard his equipment and installation. (Refer to Paragraph 711.)

114. Regulatory Commission Authority

The Regulatory Commissions of Montana, North Dakota, South Dakota and Wyoming, with which these Rules and Regulations have been filed, prescribe standards for electric service to which the Company is subject. The Rules and Regulations set forth herein are supplementary to and do not intentionally conflict with the Commissions' standards for electric service, the National Electrical Code, state codes or local laws or ordinances.

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Section 200 - USE OF ELECTRIC SERVICE

201. Rate Schedules

201.1 Electric service will be billed under the rate schedule that applies to the class of service used.

201.2 Rate schedules applicable to various classes of service may be obtained from the Company upon request. Only single phase service will be supplied under a residential rate schedule. Temporary use, seasonal use and standby service may be subject to special rate provisions and charges. Information is available at the offices of the Company.

202. Resale of Energy

The Company will not supply energy for resale except as expressly covered by special contract or where such provision is a part of the rate schedule.

203. Temporary Service

Temporary service is any service for construction work, carnivals, gravel pits, occasional lighting, etc., which is not expected to continue in use for a period long enough to justify the construction cost necessary for extending service. When temporary service is desired the Customer shall, in addition to paying the scheduled rates, make deposit in advance in the amount of the Company's estimated cost of installing and furnishing such temporary service facilities together with the cost of disconnecting and removing same and the estimated billing to the Customer for electric service. Final billing will reflect credit for the salvage value of materials used in providing the temporary service. Any deficiency in such advance payment shall be paid by the Customer upon presentation of bill. Any amount deposited in excess of final billing by the Company will be refunded to the Customer.

204. Standby Service

Where electric service is supplied as standby to a Customer's generating facilities or vice versa, the Customer shall provide and install at his expense a suitable double-throw switch or other device which will completely isolate the Customer's power facilities from the Company's system. The service entrance shall be installed so that the phase conductors will be totally isolated from the Customer's wiring before the standby unit is put into operation.

205. Parallel Service
Parallel operation of the Customer's generating equipment with the Company's system shall be permitted to the extent provided in other approved rates.

206. Transformer Installations on Customer's Premises
206.1 The Company may supply transformers to be installed in the Customer's building or on the Customer's premises when requested by the Customer and in accordance with the following paragraphs.

206.2 The Customer shall agree to indemnify and save the Company harmless from any loss, damage, expense or liability, incurred or arising from, or out of the installation, operation, maintenance, repair or removal of its transformers, cables, conductors, apparatus and all other Company property, material or equipment placed on the Customer's premises or in the Customer's building.

206.3 Power or distribution transformers with primary voltage of 2400 volts or higher will not be installed in Customer's building unless a vault suitable for the purpose is provided by the Customer. Transformer vault construction must comply with the requirements of the latest edition of the National Electrical Code and current supplements thereto.

206.4 The Company will furnish, own and maintain conventional oil filled transformers at no cost to the Customer. However, where dry type transformers, transformers containing a nonflammable insulating coolant or oil filled transformers of special voltage or design are required they shall be owned, installed and maintained by the Customer at his expense.

206.5 Padmounted transformers may be installed on Customer's premises. The Customer shall furnish a suitable concrete pad, conduit, ground rod and service conductors as noted in Figure 8. Where the Customer has more than four parallel conductors, a cable junction enclosure and conduit to the transformer location may be required. The Customer shall consult with the Company to determine when a cable junction enclosure is required.

206.6 Where the transformer is installed adjacent to an asphalt or concrete driveway, parking lot, or walkway, the Customer shall provide conduit from the transformer location to a point beyond the driveway, parking lot, or walkway to accommodate the Company's primary voltage cable. The Customer shall consult with the Company to determine the proper size conduit.

206.7 Refer to Figure 8 for additional information on transformer location.

Section 300 - ELECTRIC SERVICE AVAILABLE

301. Frequency
All service supplied by the Company is alternating current at a nominal frequency of 60 Hertz.

302. Secondary Voltages (See also Section 400.)
302.1 In general, the following classes of service are normally supplied:

Phase	Wires	Nominal Voltage	Nominal Service
1	3	120/240	Single Phase Lighting & Power
3	4 Delta	120/240	Combined Light & Power
3	4	208 Grd Y/120	Combined Light & Power
3	4	480 Grd Y/277	Combined Light & Power
3	4 Delta	240/480	Combined Light & Power
3	3 Delta	480	Combined Light & Power

302.2 Service at other voltages may be made available for approved loads upon special application to the Company. Supplying such service may require special construction and equipment by the Customer and the Company. The details of such construction and equipment are subject to negotiation between the Company and the Customer before service is supplied.

302.3 As the voltage and number of phases which will be supplied depend upon the character of the load, its size, and location, it is necessary that the Customer consult with the Company regarding the type of service which will be furnished before proceeding with the purchase of equipment or the installation of wiring. (Refer to Paragraph 109.)

302.4 The Customer's wiring for single phase installations shall be such that the difference in loads on each side of the supply neutral shall not exceed 10% of the total load.

302.5 For three phase grounded wye installations, the load shall be balanced so that the difference in loads on the separate phases shall not exceed 10% of the total load.

303. Primary Voltages (See also Section 500.)
Service may be made available at primary voltage of 2400 volts or higher. Since the available primary voltage is not the same in all communities, or localities within the communities, the Customer must consult the Company when such service may be required.

Section 400 - SECONDARY VOLTAGE SERVICE
(Under 600 Volts)

401. Secondary Voltage Service Connections
The location of the service connection is subject to approval by the Company. It is essential, in order to avoid errors, that the architect, contractor, wireman or others consult with the Company to determine the preferred location. The Company will cooperate with the Customer to the fullest extent practicable in determining such location. Once established, any change by the Customer may result in billing to the Customer for any additional work or materials required by the Company.

402. Service Connections and Disconnections
All connections or disconnections of overhead or underground services, regardless of the voltage, will be made by the Company at the point where the Company's facilities join those of the Customer. No Customer or agent of the Customer will be authorized to make such connections or disconnections. (Refer to Paragraphs 105, 106, 107 and 108.)

403. Number of Service Drops
In general, one service drop will be installed for each customer location. Exceptions will be made in special cases where it is mutually advantageous to the Customer and the Company.

404. Services in Raceways
Where services are installed in raceways, the installations must comply with the requirements of the latest edition of the National Electrical Code.

405. Service Entrance Requirements
405.1 The Company recommends that the service entrance for single family residences be not less than three conductor No. 2 AWG Copper (100 ampere switch) or its equivalent. The service entrance should be as much larger as is required to permit a load addition of 100%. All service entrance conductors shall be of the stranded type. Bare neutral shall not be installed in conduit due to the possibility of radio interference. The Company should always be consulted regarding services to multiple dwellings, commercial or industrial buildings. A special note should be made that no more than six service switches may operate on one service entrance without a switch ahead of the meters.

405.2 Ample length of service entrance conductor shall be left protruding from the service head and at padmount equipment facilities to allow for proper connection to the service drop for overhead installations and to padmount equipment terminals.

405.3 When entrances are parallel in two or more conduits, all phases shall be run in each conduit and all wires shall be of the same length.

405.4 The service entrance conductors between the Company's service attachment and the meter device shall be in accordance with provisions of the National Electrical Code, state code and local ordinances. The conductors shall be run continuously without a splice from the wire attachment to the meter device and from the meter device to the service switch.

406. Identification of Conductors
406.1 For purposes of identification, the neutral wire of each single phase entrance shall be clearly marked at the service outlet as well as at the meter location.

406.2 Where 4-wire, three phase service entrances are installed, the neutral conductor and the "wild" phase conductor (nominal 208 volts to ground) shall each be clearly marked at the service outlet, at the meter and at service equipment.

407. Conductor Switching and Fusing
All ungrounded conductors shall be properly insulated, and protected by circuit breakers or switches and fuses.

408. Neutral Grounding
The neutral conductor of the Customer's wiring shall be grounded in accordance with provisions of the National Electrical Code, state code and local ordinances.

409. Overhead Service Drops
409.1 The service entrance shall be located so the overhead service drop from the Company's line will allow conductors to maintain a clearance of not less than three feet from windows, doors, porches, fire escapes or similar locations. Conductors running above the top level of a window are considered out of reach from that window.

409.2 In cases where the contours of the building are such that proper clearances cannot be maintained by attaching the service drop directly to the building, the Customer shall install and maintain a supporting structure of sufficient mechanical strength to support the wires and of sufficient height to provide the necessary clearances.

409.3 On buildings constructed of wood, the service entrance shall be run to a point where the service attachment can be made to a studding. If this is not possible, a firm means for mounting the service attachment shall be provided.

409.4 On buildings constructed of materials other than wood, the Customer shall install the necessary facilities for mounting the service drop attachment. The Company will supply the attachment for the Customer to install at the time the building is being constructed.

409.5 The service entrance head must be located above the point of attachment of the service drop to the building. The point of attachment shall be established so that the drip loop is not less than 10 feet above finished grade and shall be at a height to permit the minimum clearance requirements listed in Paragraph 409.7 (Refer to Figure 2.)

409.6 The service entrance head shall be installed to permit the service drop wires to be attached to the building at a location to maintain clearance over railroads, highways, streets, driveways, roofs, communication or signal wires, and away from windows, awnings and other obstructions on the building.

409.7 Service drop conductors shall not be readily accessible and when not in excess of 600 volts, shall conform to the following general requirements. Refer to the National Electrical Safety Code for possible exceptions.

Clearance over roof - Conductors shall have a clearance of not less than 8 feet from the highest point of roofs over which they pass with the following exceptions:

a. Where the voltage between conductors does not exceed 300 volts and the roof is not readily accessible the clearance may be not less than 3 feet. A roof is considered readily accessible if the means of access is through a doorway, ramp, stairway, or permanently mounted ladder.

b. Service drop conductors of 300 volts or less which do not pass over other than a maximum of 4 feet of the overhang portion of the roof for the purpose of terminating at a (through-the-roof) service raceway or approved support may be maintained at a minimum of 18 inches from any portion of the roof over which they pass.

Clearance from ground - Service drop conductors shall have the following minimum clearance from ground:

15 feet - above spaces or ways accessible to pedestrians only. This clearance may be reduced to the following values:
(a) 12 feet for service conductors less than 300 volts to ground
(b) 10 feet for drip loops of triplex (or quadruplex) service conductors less than 150 volts to ground and the portion of the associated service drop span located within 15 feet of the service entrance to buildings.

15 feet - over residential driveways and commercial areas not subject to truck traffic. This clearance may be reduced to 12 feet for:
(a) triplex (or quadruplex) conductors less than 750 volts to ground
(b) open supply line conductors less than 300 volts to ground.

18 feet - over commercial areas, parking lots, agricultural or other areas subject to truck traffic.

18 feet - over public streets, alleys, roads and driveways on other than residential property.

18 feet - over swimming pools, or within 10 feet, measured horizontally, of the pool edge. In addition, there must be 14 feet clearance measured in any direction from every point on a diving platform or tower. Both requirements apply to triplex (or quadruplex) less than 750 volts to ground.

NOTE: These clearances comply with the 1984 Edition of the National Electrical Safety Code. Refer to the latest edition of this publication for current clearance requirements.

409.8 A farm yard service pole shall be installed on farm installations by the Company for the Customer's convenience in installing service to each of several buildings on the farm. The Customer shall be responsible for installation of all materials. Transformer poles shall not be used for service poles.

410. Secondary Voltage Underground Service

410.1 Where the Customer desires an underground service, he must furnish and install conduit from the line side of the meter socket to a point a minimum of 12 inches below grade. (Refer to Figure 1.) Customer shall also provide necessary conduit for services under any asphalt or concrete driveway, walkway, or parking lot. Where a Customer plans to convert from an overhead to an underground service, he must provide all necessary changes to his service entrance, including relocation, and be responsible for permits and extraordinary charges such as concrete or asphalt work, landscaping damage, unforeseen underground obstructions, frozen ground, etc. To avoid extraordinary charges the Customer may provide the trench.

410.2 If an owner requests underground service from an existing overhead line and desires to own the underground service, he may do so and not be charged the Company's underground service charge. (Refer to Figures 1 and 3.)

411. Mobile Home Service
The Company will connect from and after April 7, 1983 its service conductors to a Company approved but Customer owned metering pedestal or meter socket and meter mounting device. The Customer, as the term is used in this section, is considered to be the mobile home court owner for installations in approved mobile home courts and the mobile home owner for installations on a private lot.

Section 500 - PRIMARY VOLTAGE SERVICE
(2400 Volts or More)

501. General
The Company offers electric service at primary voltages of 2400 volts or higher. A Customer desiring to take service at primary voltage shall furnish and own the conductors from the point of delivery and shall consult the Company to assist in determining the size, type and arrangement of service entrance equipment and conductor specifications required for the Customer's particular needs. It is recommended that the Customer consult the Company concerning advantages of certain filed rates which allow a discount when the Customer owns the conductor, transformers and other equipment on the Customer's side of the primary metering point.

502. Service Entrance Equipment
The service entrance equipment shall perform the following functions:

a. Isolate the load from the supply circuit by visible means.
b. Automatically break the circuit in the event of overload.
c. Permit manual opening of the circuit at full load.

503. Overcurrent Protection
Overcurrent protective devices may be as follows:

a. Fuses
b. Automatic trip circuit breakers

The automatic overcurrent protective device must have an interrupting rating, at circuit voltage, equal or exceeding the maximum short circuit current available at the location where service is taken. The Company should be consulted as to the proper specifications for such equipment since maximum short circuit currents are subject to change through upgrading of the Company's distribution system.

504. Isolating Switches
The isolating switch shall provide visible evidence that the circuit to which it is applied is open or disconnected. It shall be so located in the circuit that it disconnects all service equipment from the source of supply. Where automatic circuit breakers are used as circuit protective equipment they shall be accompanied by isolating switches located in the supply side of the circuit.

505. Load Break Switches
Isolating switches (Paragraph 504) are not considered to possess load-break capability. They shall be accompanied by a switch capable of interrupting the full load on the circuit.

506. Disconnecting Means
506.1 If a Customer's service consists of only one circuit only one set of devices is required as itemized in Paragraph 502, above.

506.2 If the Customer's service consists of more than one but less than seven circuits, one set of devices is required for each circuit as itemized in Paragraph 502, above. A master isolating switch shall be installed at the source side and ahead of all circuits and their devices. In no case will more than six circuits be supplied from a single installation.

507. Load Balance
Loads on the three phases shall be balanced as closely as possible. The maximum unbalance permitted between individual phase loads is 10% of the total three phase load.

Section 600 – METERING

601. General
The Company will install the necessary meters to measure the electrical energy delivered under each account for a particular class of service.

602. Meter Installations
602.1 The Company will furnish all meters required for billing purposes. It shall be the Customer's responsibility to furnish, install and maintain the meter mounting device. Company approved specifications for electric meter sockets and metering transformer enclosures are listed below:

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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

Self-Contained Meter Sockets - Single Phase, Three Phase and Multiple Position Type

1. U.L. approved
2. 100 ampere minimum for overhead service installations
3. 150 ampere minimum for underground service installations
4. Connections to be stud type
5. Recommend fittings to be compression type
6. Recommend ringless
7. Equipped with a fifth terminal where network metering is required
8. Recommend a manual lever bypass feature where power cannot be interrupted because of computers, alarm systems, etc.
9. Automatic bypass feature is not acceptable

Current Transformer Rated Meter Socket, Single Phase

1. U.L. approved
2. Minimum size must provide space for test switch installation
3. Recommend ringless
4. Recommend one piece cover
5. Socket must have six terminals
6. Automatic by-pass feature is not acceptable
7. Consult with Company prior to purchasing any instrument rated socket

Current Transformer Rated Meter Socket, Three Phase

1. U.L. approved
2. Minimum size must provide space for test switch installation
3. Recommend ringless
4. Recommend one piece cover
5. For three phase, three wire, the socket must be equipped with 8 terminals, all others must be equipped with 13 terminals
6. Automatic by-pass feature is not acceptable
7. Consult with Company prior to purchasing any instrument rated socket

Current and Voltage Transformer Enclosure (Secondary Service)

1. Recommend a durable, weather-resistant finish and weatherproof seal
2. Must be provided with hinge-type cover and provisions to attach locking or sealing device
3. Minimum size 10" x 24" x 30" with suitable mounting brackets for current and voltage transformers.
4. Consult with Company prior to purchasing any metering transformer enclosure.

602.2 Socket type meters with capacities up to 200 amperes and under 300 volts for single or two-family residences, farms and small commercial establishments shall, where possible, be placed out-of-doors.

602.3 On large capacity installations over 200 amperes and under 600 volts, the Company will furnish and install the current transformers when required. Where practical, such installations shall be arranged for outdoor metering. (Refer to Figure 4.)

602.4 Where it is determined that a secondary metering transformer enclosure is required, the Customer shall furnish and install a sealable steel enclosure. Such enclosures shall contain only the service entrance conductors and metering transformers. Customer's distribution circuits shall not be taken through the metering transformer enclosure. The metering transformers shall be installed on the line side of the Customer's disconnecting device. Suitable lugs, connectors, etc. for connecting metering transformers to service mains shall be provided by the Customer. The Company will furnish and own the current transformers and voltage transformers where required. (Refer to Figure 5.)

The Company shall always be consulted as to whether a metering transformer enclosure will be used, and for minimum steel enclosure sizing.

602.5 For larger installations having switchboards, the metering transformers may be mounted in the switchboard bus, provided they are accessible for changing and testing.

602.6 Meters and test switches may be mounted on a suitable panel adjacent to the metering transformer enclosure.

603. Meter-Switch-Fuse Wiring Sequence
For all secondary voltage metering installations the meter, entrance switch and main line fuse or breaker shall be installed in the order named with respect to power flow. When more than six meters are served by one entrance a Customer owned main service switch shall be installed on the source side of the meters. (Refer to Figure 6.) Also, a Customer owned main service switch shall be installed on the source side of all 480 volt, self-contained meters.

604. Meter Locations
604.1 Each meter shall be located in compliance with the National Electrical Code and local ordinances in a place of convenient access and where it will not create a hazard. The location shall be agreed upon by the Customer's representative and the Company. (Refer to Figure 1.)

604.2 Meters shall be located so that there is not less than 3 feet of unobstructed space in front of the meter and so that the center line of the meter is not less than 4 feet nor more than 5 feet above the floor, ground, or permanent platform from which the reading will be taken.

605. Outdoor Metering
Outdoor meters shall be permanently mounted on secure structures such as houses, buildings, poles, etc. in easily accessible locations and where they do not create a hazard. All required conduit will be provided by customer. (Refer to Figures 1 and 4.)

606. Indoor Metering
606.1 Indoor meters for multiple dwellings, large office buildings, etc. shall be grouped and located as near the service entrance location as practicable. (Refer to Figure 6.)

606.2 Meter panels shall be furnished and installed by the Customer in a clean, dry location free from vibration.

607. Wiring Diagrams
Typical wiring diagrams for various types of self-contained meters are shown on Figure 7. These are subject to change from time to time with advancement in the art of metering. Refer to Figure 7 for proper location of "wild" phase for three phase, four wire delta installations.

608. Labeling
Where two or more meter mounting devices are installed at one location, each shall be labeled so that it may be identified as to the Customer served. Electrical contractors are requested and cautioned to check and identify wiring circuits carefully to avoid metering errors due to incorrect circuitry.

609. Seals
609.1 All meters and all points of access to Customer wiring on the source side of the meter will be sealed by the Company. All cabinets and switch boxes, either inside or outside of the building, which contain unmetered wires shall have provision made for sealing before service will be supplied. (Refer to Paragraph 602.4.)

609.2 The breaking of Company seals and/or tampering with meters and unmetered wiring by unauthorized persons is prohibited by law. (Refer to Paragraph 110.)

Section 700 - UTILIZATION EQUIPMENT

701. Interfering Loads
Whenever a Customer's utilization equipment has characteristics which cause undue interference with the Company's service to other Customers, the Customer shall provide, at his expense, the necessary equipment to prevent or eliminate such interference. The Company may install and maintain at the Customer's expense the necessary equipment to eliminate such interference if it deems it advisable. When a Customer's equipment or method of operation causes such interference and the Customer does not correct the condition after being so requested by the Company, the Company reserves the right to discontinue the electric service, following written notification of its intent to do so; and service will not be re-established until the conditions complained of have been corrected.

702. Power Factor
Whenever the Customer's utilization equipment is of such characteristics as to produce a low power factor, the Company reserves the right to require the Customer to raise such power factor, at the Customer's expense, or to pay additional charges as provided in certain of the Company's rates on file with the State Public Service or Utilities Commission of the state wherein the Customer is located.

703. Water Heaters
Water heaters shall be equipped with thermostatically controlled non-inductive heating elements designed for 240 volt single phase service.

704. Motion Picture Apparatus
Motion picture apparatus, photo lamps and rectifiers requiring more than 15 amperes shall be suitable only for 208 or 240 volts supply.

705. X-Ray Equipment
X-ray equipment requiring more than 15 amperes shall be connected for 208 or 240 volts supply. At the option of the Company, such equipment may be separately metered and/or supplied from separate transformers.

706. Electric Welders
Electric welding apparatus shall require special arrangements with the Company to determine its ability to serve before installation is made. (Refer to Paragraph 702.)

707. Electric Motors
707.1 Motors have standard voltage ratings of 115/230 volts for single phase and 220/440 volts for three phase. Motors are designed to operate at their rated voltage, plus or minus 10%; thus a 220 volt three phase motor will operate satisfactorily at 208 volts or 240 volts.

707.2 All three phase motors connected to the Company's lines should be equipped with low-voltage and single phase protection to insure that such motors will be disconnected from the line or the starting equipment returned to the "off" position in case of failure of normal voltage supply.

707.3 Reverse phase relays are recommended for equipment such as elevator motors, cranes, etc. to protect the installation in case of phase reversal. The Company makes every effort to prevent change in phase rotation of its three phase system, but it cannot guarantee against such occurrence.

707.4 Single phase, infrequently started motors may be operated at 120 volts provided the locked rotor current of such motors does not exceed 45 amperes. Frequently started motors may be operated at 120 volts provided the locked rotor current of such motors does not exceed 25 amperes.

Motors up to and including 7 1/2 h.p. may be operated at 208 or 240 volts except that when the nameplate rating is higher than 5 h.p., compensating starting equipment may be required to limit the starting current. Such cases shall be referred to the Company for approval. (In locations where three phase service is not available, single phase motors larger than 7 1/2 h.p. may be operated with approval of the Company.)

707.5 In general, three phase motors up to and including 10 h.p. nameplate rating, operating at 208, 240, or 480 volts, may be equipped for across line starting. Motors larger than 10 h.p. may use across line starting in some instances, depending on frequency of starting, motor location, etc. Such cases shall be referred to the Company for approval. Reduced voltage starting equipment, when required, shall be furnished by the Customer.

For motors above 50 h.p., the Company shall be consulted for determination of permissible locked rotor current.

When a single piece of motor driven apparatus has more than one motor starting simultaneously, the sum of the maximum starting currents of those motors starting simultaneously and also the sum of their horsepower rating shall be furnished to the Company to determine when reduced voltage starting may be required.

707.6 Locked rotor currents are obtainable from motor manufacturers. Where frequent starting of motors may interfere with service to other customers supplied from the same secondary or primary lines, the Company reserves the right to limit locked rotor currents.

708. Flashing Display Signs
The Company reserves the right to refuse service for "flashing" display signs or display lighting where such service would interfere with voltage regulation of the secondary system.

709. Fluorescent and Gaseous Tube Lighting
High power factor ballasts or transformers must be used for fluorescent, mercury vapor, neon or other gaseous tube lighting equipment. It is required that such equipment operate at a power factor of not less than 90% lagging.

710. Electric Heat Equipment
A Customer planning to install resistance type heating, heat pump, electric furnace, electrode boiler, etc. shall consult with the Company, preferably before purchasing the equipment, so that operational modes of this equipment are determined to be acceptable for connection to the Company's distribution system. It is important that consultation is obtained prior to installation of this equipment so the Company can provide adequate equipment and conductor capacity to efficiently serve the Customer's requirements. Consultation shall be required only for permanently installed electric heat equipment and where it is the Customer's primary heat source.

711. Computers and Electronic Equipment
Computers and other sensitive electronic equipment which require high grade, uninterrupted power may, on occasion, experience problems when connected directly to the Company's distribution system. The customer should check with an electric dealer, wireman, contractor, engineer, or architect to ascertain the need for lightning arresters, surge suppressors, isolation transformers, standby or uninterruptible power supplies. (Refer to Paragraph 113.)

712. Carrier Equipment
The Customer shall not impose, or cause to be imposed, any electric signal of any frequency or magnitude upon the Company's distribution system.

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713. Lighting Service to Athletic Fields

All new installations shall be served at primary voltage. Loads greater than 50 Kw shall be served three phase. The customer shall furnish, install, and maintain the entire installation, including distribution transformers and a load break switch suitable for operation from the ground. Metering will be accomplished by an elapsed time meter, furnished by the Company, connected at an appropriate location on the customer's 120/240 volt distribution system. The Company's General Service Rate applies with the exception that there will be no demand charge or discount for primary service.

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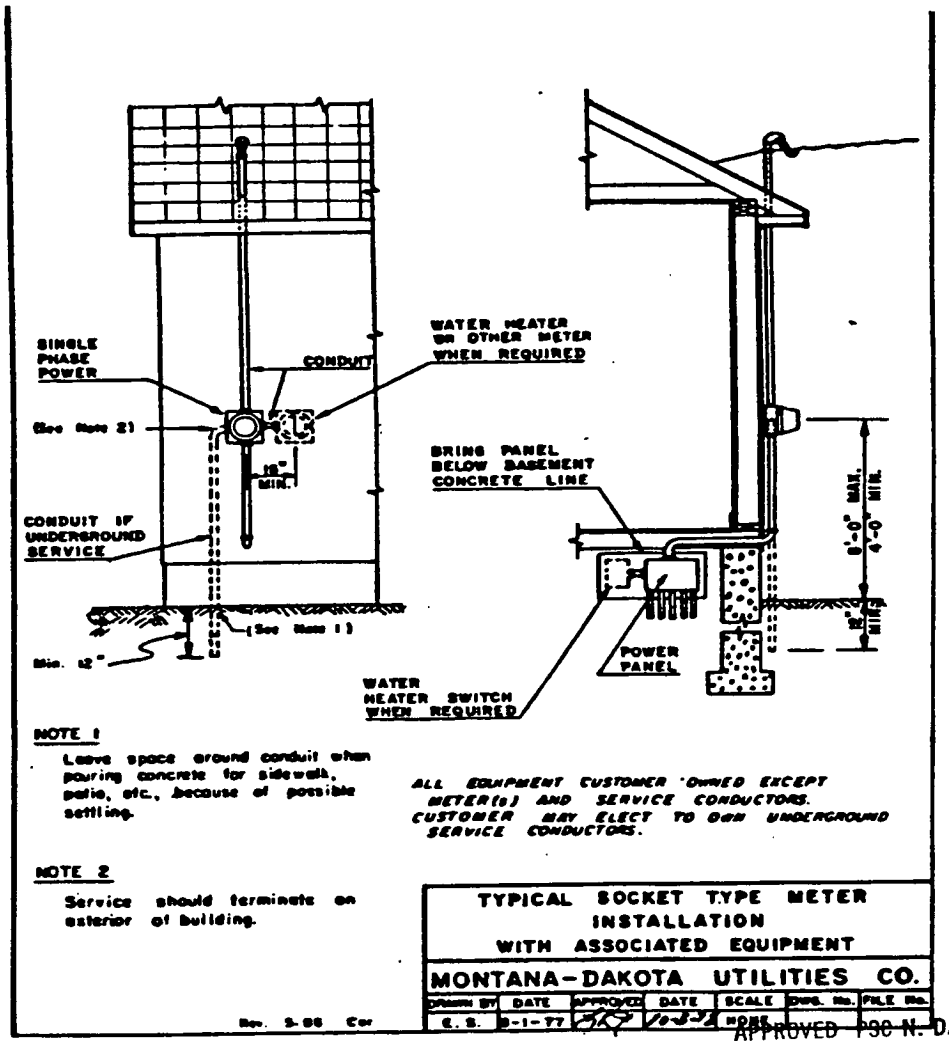
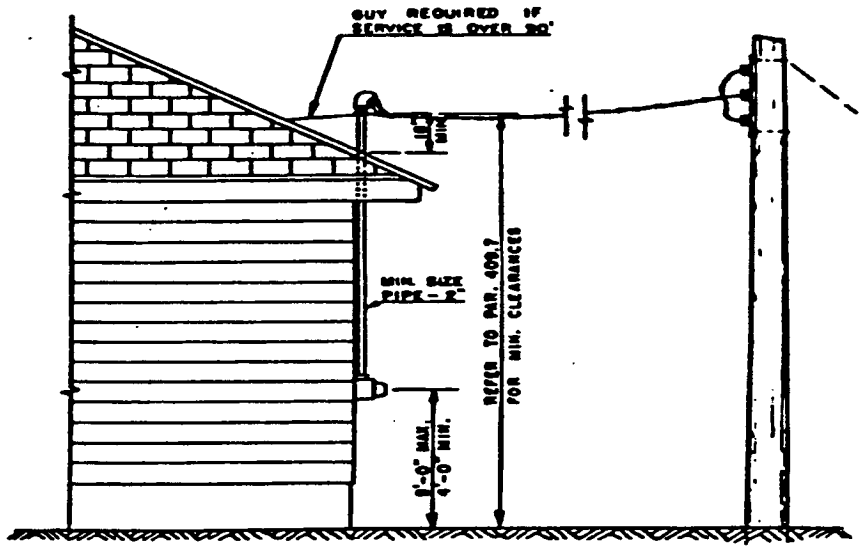


FIGURE 1

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APPROVED PSC N. DAK.
JUL 22 1986
Case No. I-7191
Formal Case No.

TYPICAL SERVICE ATTACHMENT						
MONTANA-DAKOTA UTILITIES CO.						
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E. S.	8-2-77		10-3-78	NONE		

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FIGURE 2

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Montana-Dakota Utilities Co.
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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

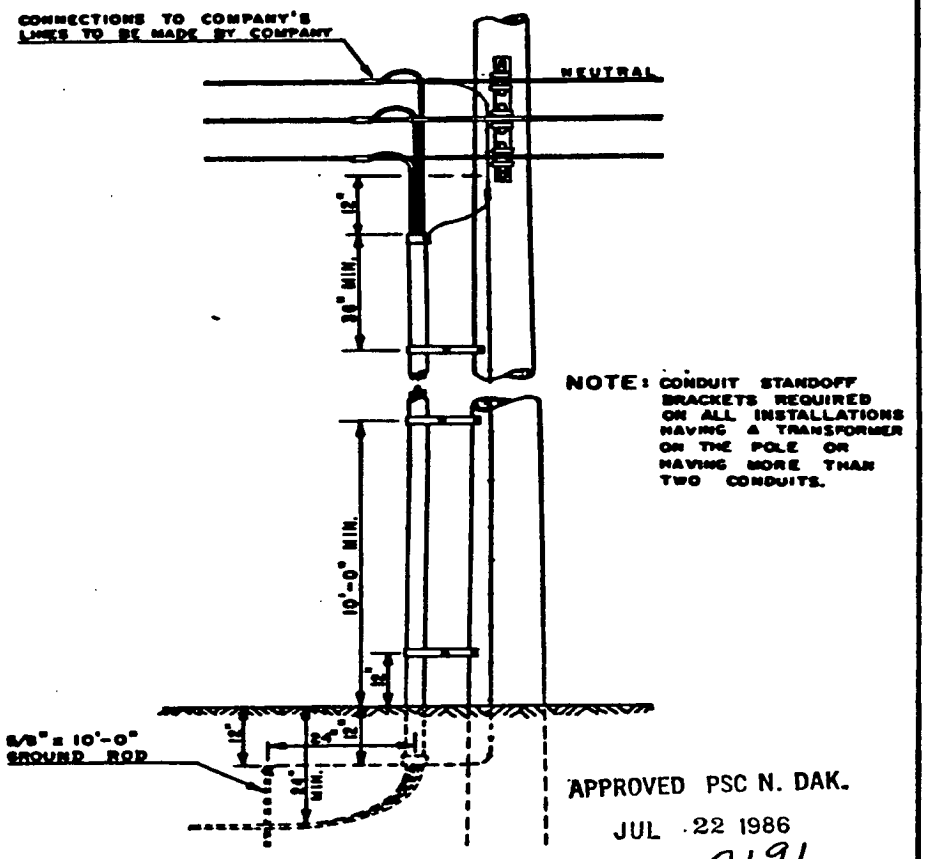


FIGURE 3

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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110

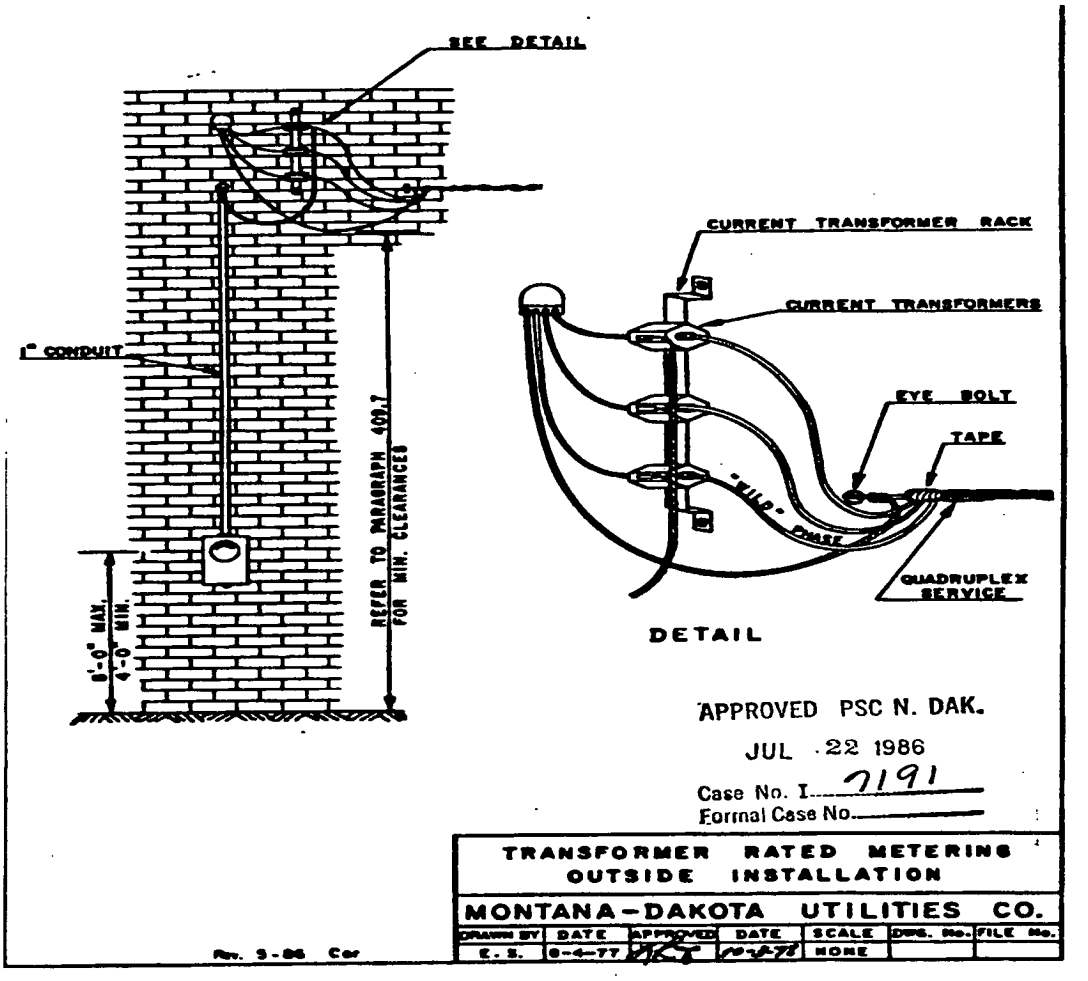


FIGURE 4

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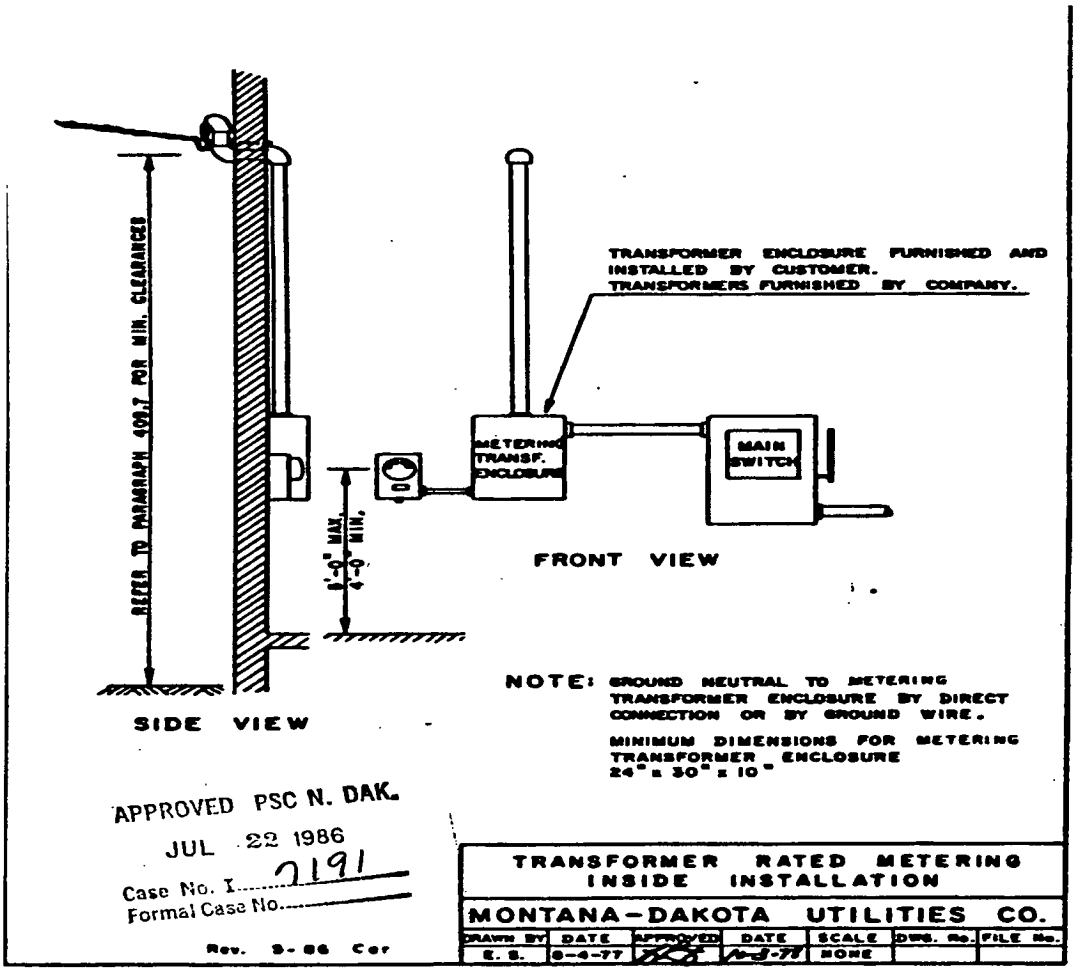
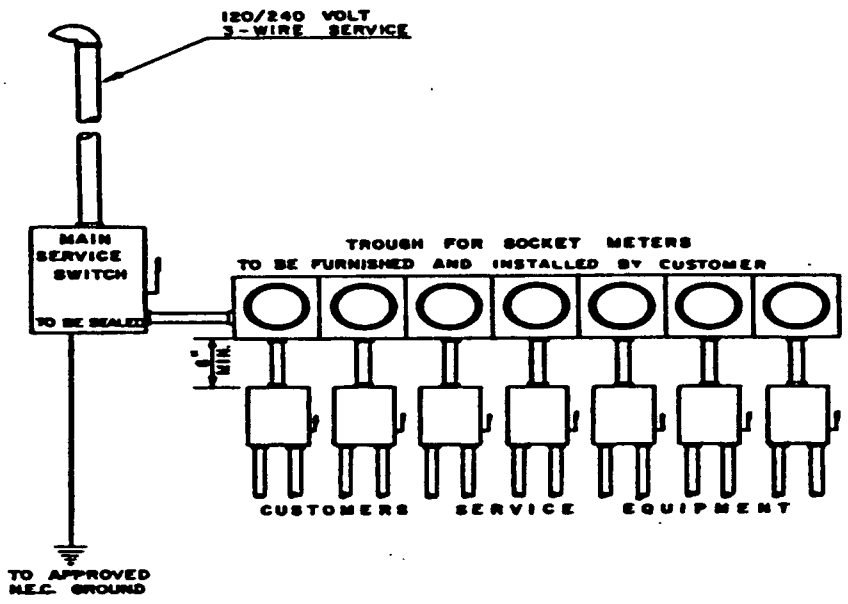


FIGURE 5

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NOTE: INSTALLATION SHALL COMPLY WITH N.E.C. AND LOCAL ORDINANCES. MAIN SWITCH NOT REQUIRED FOR SIX METERS OR LESS.

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JUL 22 1986
Case No. I-7191
Formal Case No.
Rev. 5-86 Cor

SERVICE INSTALLATION FOR MULTIPLE DWELLINGS						
MONTANA-DAKOTA UTILITIES CO.						
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E. S.	8-8-77			NONE		

FIGURE 6

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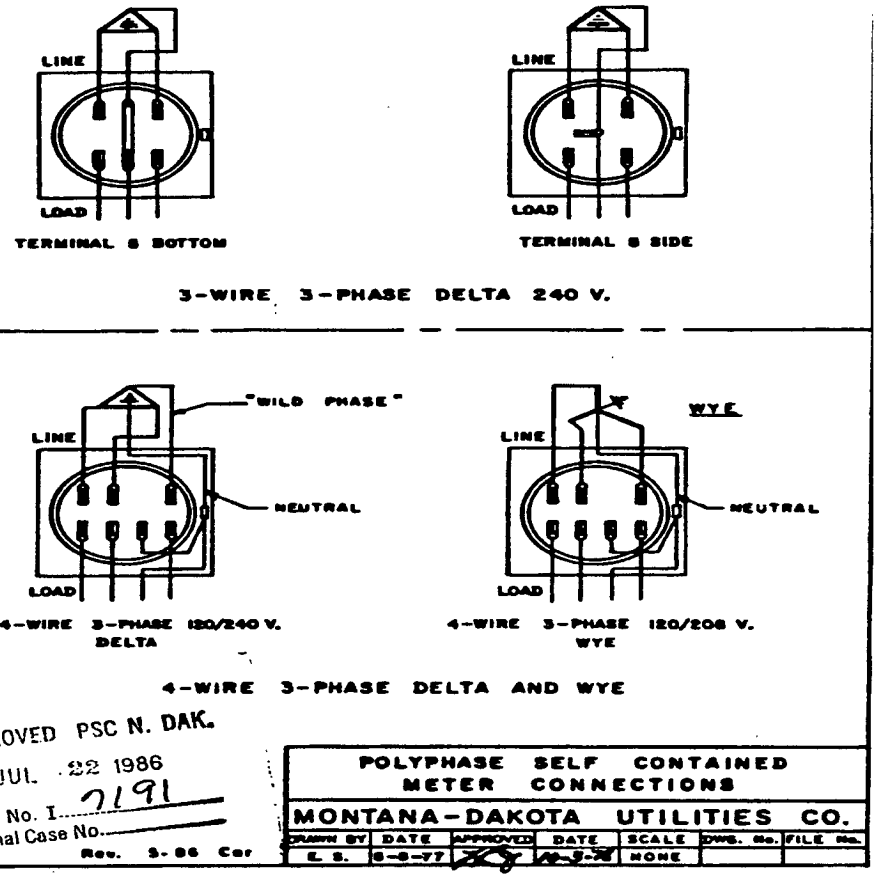


FIGURE 7

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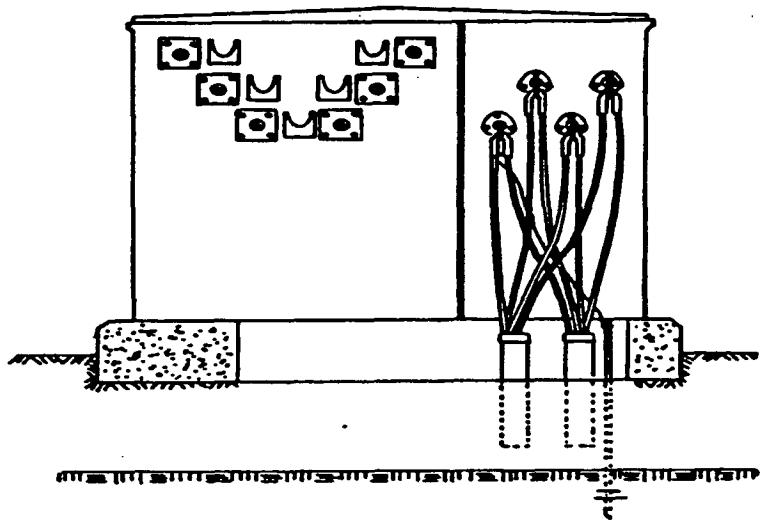
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ELECTRIC SERVICE RULES AND REGULATIONS Rate 110



NOTES

CONSULT WITH COMPANY FOR ACTUAL EQUIPMENT PAD DIMENSIONS.

TRANSFORMER PAD, SERVICE CABLE, CONDUIT AND GROUND ROD FOR SERVICE CABLE GROUNDING ARE FURNISHED BY CUSTOMER.

ALLOW SUFFICIENT SLACK IN SERVICE ENTRANCE CONDUCTOR TO ALLOW FOR PROPER CONNECTION TO EQUIPMENT TERMINALS.

SERVICE CONNECTORS TO BE FURNISHED BY COMPANY.

CONNECTION TO COMPANY'S EQUIPMENT TERMINALS TO BE MADE BY COMPANY.

WHEN MORE THAN FOUR CONDUCTORS ARE INSTALLED FOR EACH PHASE, CONSULT COMPANY FOR TRANSITION CABINET REQUIREMENTS.

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TRANSFORMER LOCATION

1. MINIMUM SEPARATION OF FIVE FEET MUST BE MAINTAINED BETWEEN OIL-FILLED PADMOUNT TRANSFORMERS AND NONCOMBUSTIBLE OR COMBUSTIBLE STRUCTURES.
2. ALL OIL-FILLED PADMOUNT TRANSFORMERS MUST BE INSTALLED SO ANY FLOW OF OIL RESULTING FROM A FAILURE OF THE TRANSFORMER WILL FLOW AWAY FROM ANY STRUCTURE.
3. A TRANSFORMER SHOULD BE LOCATED AWAY FROM TRAFFIC AREAS OR PROTECTED WITH A SUITABLE BARRIER SUCH AS CONCRETE FILLED PIPE PROVIDED BY THE CUSTOMER.
4. WHEN LOCATING PAD, CONSIDER OVERHEAD CLEARANCE FOR POSSIBLE TRANSFORMER REPLACEMENT.

TYPICAL PADMOUNT EQUIPMENT INSTALLATION

MONTANA-DAKOTA UTILITIES CO.

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Cer	5-86			NONE		

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FIGURE 8

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ELECTRIC EXTENSION POLICY Rate 112

The policy of Montana-Dakota Utilities Co. for electric extensions to provide service to customers located within its service territory is as follows:

1. A permanent extension may be constructed without a contribution if the estimated project construction cost is equal to or less than two times the estimated annual revenue (2 to 1 ratio).

2. If the estimated project construction cost is greater than two times the estimated annual revenue, the extension will be made only with a contribution, which may be refundable.

   a. Contribution -

      1) When a contribution is required of any customer, with the exception of those customers defined in 2) below, the formula for determining the amount of the initial contribution shall be the estimated construction cost less two times the estimated annual revenues.

      2) The initial contribution for developers of subdivisions shall be the estimated construction cost.

      3) Payment of the initial contribution amount shall be made prior to construction.

      4) Upon completion of construction, the contribution amount shall be adjusted to reflect actual construction costs and an additional charge or refund levied accordingly.

      5) Company may waive all contributions if it determines that the initial contribution will be soon refunded because of additional customer connections.

b. Refund -
   1) If within a five-year period from the date initial service is established, one or more additional customers are added to the above referred to extension, Company shall recompute the contribution required by combining the estimated proposed construction cost for the new customer(s) with the construction cost to those customers already taking service. If, by so combining the construction costs, the contribution of those customers already taking service would be less, Company shall make a proportionate refund, without interest, to those customers taking service prior to commencement of service to said additional customer(s).

   2) Refunds for developers of subdivisions shall be made for each lot connected based on the following calculation: Total refundable contribution divided by the number of lots that can be served from the extension equals refund per lot. In addition, the total revenue of the subdivision will be reviewed annually to determine if adequate revenues are being generated so that the contribution formula would indicate a zero contribution. When this revenue level is reached, a refund will be made to the developer equal to the remaining contribution amount still held by the Company.

   3) No refund shall be made by Company to customer(s) or developer after a five-year period from which initial service is established, nor shall refunds be made in excess of the amount contributed.

   4) No interest will be paid by Company to customer(s) on any amount customer(s) has paid to Company as a contribution in aid of construction.

3. Project construction cost shall include all cost of the electric extension and overhead cost less the cost of customers' transformer(s), service line, and meter. The service line is considered to be the low voltage conductors between the Company owned transformer or secondary system and the customer owned service entrance equipment.

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4. Electric extension refers to any facilities which must be constructed to connect a new customer to the utility system or the addition of capacity to existing facilities.

5. Company will deliver electricity to customer at the rate approved by the North Dakota Public Service Commission.

6. Where a contribution in aid of construction is required to provide service, such extension is subject to prior execution by customer and Company of Company's standard agreement for extensions.

7. Where abnormal conditions exist, causing extraordinary costs on any part of the extension (e.g., railroad or river crossing, land clearing, special permits, etc.), a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.

8. This rule shall not be construed as prohibiting the Company from making a contract with a customer in a different manner, if the contract provides a more favorable method of extension to the customer. Such determination to be made on the basis of specific extension characteristics.

9. Temporary loads, such as gravel pit operations, carnivals, etc., shall follow the Company rules for temporary services.

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METHOD OF COMPUTING INITIAL OR FINAL BILLS FOR ELECTRIC SERVICE FOR LESS THAN A FULL MONTHLY BILLING PERIOD Rate 113

Customers meters are read as nearly as practicable at thirty-day intervals. When service is begun or terminated at any location between regular meter reading dates, bills will be prorated on a daily basis, whenever the billing period is less than 27 calendar days or more than 35 calendar days. The minimum monthly bill, base rate, kilowatt hour blocks and demand charge provisions in all rate schedules will be prorated.

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RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

1. Residential Electric Service is available to any residential customer for domestic purposes only. All normal sized equipment used for domestic lighting, heating, cooking and power, and used strictly for household purposes, may be supplied through one meter.

   a. Residential service is defined as service for domestic general household purposes in space occupied as living quarters, designed for occupancy by one family. Typical service would include the following: separately metered units, such as single private residences, single apartments, mobile homes and sorority and fraternity houses (this is not an all-inclusive list). In addition, auxiliary buildings on the same premise as the living quarters, used for residential purposes, may be served on the residential rate.

   b. Motors and other equipment which interfere with service to neighboring customers, all motors larger than 5 horsepower and temporary or seasonal loads totaling more than 25 kilo-watts (Kw) will not be permitted on the Residential Electric Service Rate without prior Company approval.

   c. Only single phase service is available under the Residential Electric Service Rate.

2. Three phase service shall be served under the appropriate General Electric Service Rate.

3. General Electric Service is defined as service provided to nonresidential services, such as a business enterprise in space occupied and operated for nonresidential purposes. Typical service would include stores, offices, shops, restaurants, boarding houses, hotels, service garages, wholesale houses, filling stations, barber shops, beauty parlors, apartment houses with master metering exemptions, common areas of shopping malls or apartments (such as halls or basements), churches, elevators, schools and facilities located away from the home site (this is not an all-inclusive list).

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RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

4. If separate metering is not practical for a single unit (one premise) that is using electricity for both domestic purposes and for conducting business (or for nonresidential purposes), the customer will be billed under the predominate use policy. Under this policy, the customer's combined service is billed under the rate (Residential or General Electric Service) applicable to the type of service which constitutes 50% or more of his total connected load.

5. Other classes of service furnished by the Company shall be defined in applicable rate schedules or in rules and regulations pertaining thereto. Service to customers for which no specific rate schedule is applicable shall be billed on the appropriate General Electric Service Rate.

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TAX CLAUSE Rate 130

In addition to the charges provided for in the electric tariffs of the Company there shall be charged pro rata amounts which on an annual basis shall be sufficient to yield to the Company the full amount of any excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality or other political subdivision for the privilege of conducting its utility operations therein.

The charges to be added to the customers' service bills under this clause shall be limited to the customers within the corporate limits of the municipality or other political subdivision imposing the tax.

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

A. NEW METERS

A sampling of 5% will be tested at full load and at light load. If any meter is found to be off more than ±1%, the entire lot will be tested or rejected.

B. RESIDENTIAL WATTHOUR METERS IN SERVICE

1. A random selection of meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979, 1980 to 1989, etc., will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 96% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 96% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of four years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

C. COMMERCIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 98% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 98% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

D. INDUSTRIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 99% of the meters shall be not more than ±2% in error at both light load and full load, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

4. Whenever it is found that less than 99% of the tested meters fail to meet these requirements, the entire vintage class will be tested and adjusted or, if more economic, replaced within two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

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RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

1. These rules apply to electric service to:

   a. Any new commercial or residential building for which the physical labor involved in the erection of such building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

   b. Any substantially remodeled commercial or residential building for which the physical labor involved with the remodeling of the said building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

2. This rule does not apply to hotels, motels, dormitories, nursing homes, homes for the elderly, facilities of a similar nature, or to low-income rental housing for which the cost of electricity is included in the rent, and for which the amount of the rental payment is based upon the tenant's ability to pay. Such buildings and facilities may be served by a master-meter.

3. Electric service to each unit or facility in a new or substantially remodeled building which is subject to this rule shall be provided in accordance with the applicable rate schedule for such service in the area in which the building is located.

4. Electric service to buildings which are subject to this rule shall be on an individually-metered basis, unless the owner or builder of such building presents the Company with written evidence that the North Dakota Public Service Commission has approved master-metering of electric service to the building on the basis that the owners or contractors costs of purchasing and installing facilities for separate metering together with the Company costs of purchasing and installing separate meters exceed the long-term benefits resulting therefrom.

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RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

5. All other rules and regulations of the Company which govern electrical service in North Dakota and which do not conflict with the provisions of this rule shall apply to electric service provided to new and existing buildings which are subject to this rule. The customer is responsible for ascertaining and complying with all applicable rules and regulations of any governmental authority having jurisdiction over the subject matter of this rule.

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SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

General Rules for Generation:

1. The interconnection between the utility and the qualifying facility will be limited to the service voltage and phases available at the qualifying facility. If different voltages or phases are required, the necessary changes will be provided by the qualifying facility.

2. The power factor and frequency of the qualifying facility shall be such as to not adversely affect the utility system. If corrective devices are required, they will be provided by the qualifying facility.

3. Fault protection equipment shall be provided by the qualifying facility. The utility and qualifying facility shall coordinate protective devices in order to limit damage to each system.

4. The qualifying facility's interconnection shall meet the requirements of local, state and federal codes.

5. The owner of the qualifying facility shall submit equipment specifications as requested by the utility prior to owner's installation of such equipment to assure compatibility and coordination with the utility system.

6. The owner of a qualifying facility will be requested to curtail, interrupt or reduce deliveries of electric energy, in order that the utility may construct, install, maintain, repair, replace, remove or inspect any of its equipment or any part of its system, or if it determines that curtailment, interruption or reduction of delivery is necessary because of safety, emergencies, forced outages or operating conditions on its system. Except in case of emergency, in order to minimize operating problems, the utility and qualifying facility shall give the other reasonable prior notice of any curtailment, interruption or reduction of delivery and its probable duration.

7. The Company reserves the right for periodic inspection of safety devices which are part of the interconnection. This does not affect the responsibility of the qualifying facility to assure the operating safety of the equipment on its side of the interconnection point.

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SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

8. The Company reserves the right to disconnect any facility that has interconnected without utility authorization.

9. The Company has the right to disconnect and lock-out a qualifying facility's generating equipment with due notice whenever it has been determined that harmonics are being produced or other factors are present which would interfere with communications or otherwise cause degradation of service to other customers. If, in the judgment of the utility, an unsafe condition is created on the utility system by the operation of the qualifying facility the utility shall have the right to disconnect the facility until the cause of such condition is eliminated.

10. In the event of a utility system outage or interruption of service, a qualifying facility's generator shall be capable of automatically disconnecting itself to prevent the utility's line from being energized. Also, a qualifying facility's system shall not be capable of energizing the utility's line when that line is de-energized.

11. A manually operated generator disconnect switch, provided by the owner of a qualifying facility, shall be accessible to utility personnel at all times. Such a switch would be used, whether or not the owner is present to remove the qualifying facility's generator from the line in an emergency situation as determined by utility system conditions.

12. All necessary rights-of-way and easements to install, operate, maintain, replace and remove utility facilities, including adequate access rights are to be furnished by the owner of the qualifying facility on owner's property.

13. The metering shall be adequate to measure energy, or energy and capacity, from the qualifying facility to the utility, from the utility to the qualifying facility, and, if necessary, adequate to determine the time at which energy is transferred from one party to another.

14. If the qualifying facility is located at a site outside of Company service territory and energy is delivered to Company through facilities owned by another utility, energy payments will be adjusted reflecting losses occurring between point of metering and point of delivery.

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SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

15. In the event the qualifying facility desires wheeling by the Company of its output, arrangements will be made subject to negotiation.

16. A Metering Charge will be assessed the qualifying facility for installation by the Company of additional metering equipment plus operation and maintenance costs.

17. An Interconnection Charge will be assessed for any additional facilities (exclusive of the items included in Metering Charge) or changes in existing facilities to permit interconnection with the Company. Payment shall be a one-time payment.

18. The owner of a qualifying facility will indemnify and save the utility harmless from all loss on account of injury, death or damage to property caused by the qualifying facility unless the injury, death or damage is the direct result of the negligence of the utility.

19. Qualifying facilities shall be required to execute a contract that specifies a one or five-year minimum term depending upon applicable rate schedule and describes the responsibilities, liabilities, ownership of equipment, and location.

20. The owner of a qualifying facility shall obtain and maintain general liability insurance in an amount established by negotiation between the owner of a qualifying facility and the Company.

21. Qualifying facilities with generating capacity greater than 1000 Kw, or operating as a base loaded unit regardless of size, will require individual negotiation.

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COMMUNITIES SERVED

ELECTRIC SERVICE

**Designates ~~Division~~ Region Office*

~~Bismarck Division~~Dakota Heartland Region
~~*Bismarck, ND~~

Almont	Glen Ullin	Mandan
Beulah	Golden Valley	McKenzie
Bismarck*	Hague	Napoleon
Braddock	Hazelton	New Leipzig
Burnstad	Hazen	New Salem
Carson	Heil	Steele
Center	Judson	Sterling
Dawson	Kintyre	Strasburg
Driscoll	Leith	Tappen
Elgin	Linton	Zap

~~Dickinson Division~~Badlands Region
~~*Dickinson, ND~~

Beach	Gladstone	Rhame
Belfield	Halliday	Regent
Bentley	Hebron	Richardton
Bowman	Killdeer	Sentinel Butte
Burt	Marmath	South Heart
Dickinson*	Mott	Taylor
Dodge	New England	Werner
Dunn Center		

~~Glendive Division~~
~~*~~Glendive~~,MT~~

Cartwright
East Fairview

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COMMUNITIES SERVED

ELECTRIC SERVICE

~~Mobridge Division~~Dakota Heartland Region
~~*Mobridge, SD~~

Ashley	Gascoyne	Monango
Bucyrus	Haynes	Reeder
Buffalo Springs	Hettinger	Scranton
Ellendale	Kulm	Selfridge
Forbes	Lehr	Ventura
Fredonia	Merricourt	Wishek
Fullerton	Zeeland	

~~Williston Division~~Badlands Region
~~*Williston, ND~~

Alamo	Flaxton	Rawson
Alexander	Grenora	Ray
Ambrose	Hamlet	Ross
Appam	Hanks	Sherwood
Arnegard	Kenaston	Springbrook
Aurelia	Kenmare	Stanley
Battleview	Larson	Temple
Bowbells	Lignite	Tioga
Carpio	Loraine	Tolley
Columbus	McGregor	Watford City
Corinth	Mohall	Wheelock
Corteau	Noonon	White Earth
Coulee	Norma	Wildrose
Crosby	Northgate	Williston*
Donnybrook	Portal	Zahl
Epping	Powers Lake	

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RESIDENTIAL ELECTRIC SERVICE Rate 10

Availability:

In all communities served for single-phase residential electric service for domestic purposes only.

Rate:

Base Rate: ~~$3.50~~$5.50 per month

Energy Charge~~:~~ October – May:
First ~~450~~ 750 Kwh per month ~~7.022¢~~6.830¢ per Kwh
~~Next 300 Kwh per month 6.622¢ per Kwh~~
Over 750 Kwh per month ~~6.022¢~~3.431¢ per Kwh

Energy Charge June – September: 6.830¢ per Kwh

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

~~1. Underground Service - Where provided, an additional charge of $1.50 per month for ninety-six monthly periods, totaling $144, will be added to the above rate.~~

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RESIDENTIAL ELECTRIC SERVICE Rate 10

~~2. Water Heating or Space Heating - Shall be provided where the customer has an approved installation for either water heating or space heating or both.~~

~~a. Specifications for an approved water heating installation under this rate:~~

~~1.The water heating installation shall not be used to supplement any other system of providing hot water service.~~

~~2. The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for a nominal voltage of 208, 240 or 277 volt single phase service.~~

~~b. Specifications for an approved space heating installation under this rate:~~

~~1. Electric space heating and air-conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3.~~ The foregoing schedule is subject to Rates 101 ~~-~~ 133~~0~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Canceling 4th Revised Sheet No. 4

~~SPECIAL RESIDENTIAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 11 (Formerly Designated Rate 53)~~

~~Availability:~~

~~In all communities served for single-phase residential electric service customers who operate Company approved interruptible electric space heating equipment so arranged to allow remote operation by the Company. The customer's primary source of space heating shall be the electric portion of a dual fuel heating system. The customer shall be responsible for providing a secondary source of space heating. Customers taking dual fuel space heating service under this rate will also be eligible to receive controlled electric water heating service hereunder. Heat pump space heating equipment can only be served under this rate if a Company approved automatic transfer switch is installed to ensure energy used for non-heating (cooling) purposes is provided and metered under the applicable firm service rate and the heat pump is interrupted under the same criteria as defined for space heating equipment. The customer must also receive electric service from the Company under another rate.~~

~~Type of Service:~~

~~Service shall be provided through a separate meter serving space heating and water heating facilities with no provision for connecting other loads thereto. The customer's dual fuel system controls, circulating fans, pumps, heat pumps and any alternate fuel related equipment shall be served as firm load. Heat pump space heating equipment may be served under this rate only if it can be controlled by the Company and a Company approved automatic transfer switch is used to ensure non-heating (cooling) energy is served under the applicable firm service rate. Unless otherwise specified by the Company, the point of delivery and service voltage for this service shall be the same as for customer's other electric service.~~

~~Rate:~~

~~Base Rate: $6.15 per month~~
~~Energy Charge: 3.265¢ per Kwh~~

~~Minimum Bill:~~

~~Base rate.~~

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~~SPECIAL RESIDENTIAL ELECTRIC DUAL FUEL~~
~~SPACE HEATING SERVICE Rate 11 (Formerly Designated Rate 53)~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Contract Terms:**~~

~~Customer agrees to contract for service under the Special Residential Electric Dual Fuel Space Heating Service Rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special Residential Electric Dual Fuel Space Heating Service Rate or of returning to the regular Residential Electric Service Rate or Optional Time-of-Day Residential Electric Service Rate.~~

~~**Special Terms and Conditions:**~~

~~1. Electric space heating and water heating equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, single phase, shall be separately metered and separately circuited, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of customer's switch or circuit breaker by Company. The customer must wire~~

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~~**SPECIAL RESIDENTIAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 11 (Formerly Designated Rate 53)**~~

~~the trip and close circuits into a connection point designated by Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system. If using a heat pump under this rate, the customer must install a Company approved automatic transfer switch to ensure energy used for non-heating (cooling) purposes is served under the applicable firm service rate.~~

~~4. The Company recommends that the installed capacity of electric water heating equipment be sufficient to provide the required volume of hot water giving consideration to the interruptions to be experienced as hereinafter discussed, to permit maximum utilization of the rate for the benefit of the customer.~~

~~5. Natural gas shall not be used in the secondary heating system.~~

~~6. During the heating season, interruption of space heating equipment will occur when the outside air temperature is below 0°F, between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.~~

~~7. Electric water heating equipment will experience interruptions between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.~~

~~8. The Company shall not be liable for loss or damage caused by interruption of service.~~

~~9. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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Canceling 3rd Revised Sheet No. 5

~~SPECIAL RESIDENTIAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 13 (Formerly Designated Rate 55)~~

~~Availability:~~

~~In all communities served for single-phase residential electric service customers who operate Company approved thermal energy storage facilities for the purpose of utilizing off-peak electric energy for space conditioning. The customer must also receive electric service from the Company under another rate.~~

~~Type of Service:~~

~~Service shall be provided through a separate meter serving only the space conditioning facilities with no provision for connecting other loads thereto. Unless otherwise specified by the Company, the point of delivery and the service voltage for this service shall be the same as for the customer's other electric service.~~

~~Rate:~~

~~Base Rate: $5.50~~

~~Energy Rate: 2.972¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday.~~

~~For all Kwh usage outside of the above designated hours, an energy charge of 11.133¢ per Kwh will apply.~~

~~Minimum Bill:~~

~~Base Rate.~~

~~Payment:~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~Fuel Clause:~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

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Canceling 3rd Revised Sheet No. 25.1

~~SPECIAL RESIDENTIAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 13 (Formerly Designated Rate 55)~~

~~Contract Terms:~~

~~Customer agrees to contract for service under the Special Residential Electric Thermal Energy Storage Service rate for a minimum period of one year. At the end of a one-year period, the customer shall have the option of remaining under the Special Residential Electric Thermal Energy Storage Service rate or of returning to the regular Residential Electric Service rate or Optional Time-of-Day Residential Electric Service rate.~~

~~Special Terms and Conditions:~~

~~1.Specifications for an approved space conditioning installation under this rate:~~

~~a. Electric space conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts single phase, shall be separately metered and separately circuited and shall be permanently installed.~~

~~b. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for space conditioning to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~c. Under this rate, at the customers option, a load control device can be installed to automatically turn off and on the electricity during the on and off-peak periods respectively. For this service, a monthly charge of $0.50 will be imposed to cover the cost of the load control device.~~

~~2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Availability:

In all communities served for single-phase residential electric service. The customer's wiring must be so arranged that all service can be measured through one meter.

Rate:

Base Rate: ~~$5.50~~$10.50 per month

On-Peak Energy: ~~13.034¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9 a.m.~~12 p.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~.~~:

October-May	8.320¢ per Kwh
June-September	12.320¢ per Kwh

Off-Peak Energy: ~~2.755¢~~3.431¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at the Off-Peak rate.~~

Minimum Bill:

Base rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day Residential Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Residential Electric Service rate or of returning to the regular Residential Electric Service rate.

~~Special~~ General Terms and Conditions:

~~1. Underground Service – Where provided, an additional charge of $1.50 per month for ninety-six monthly periods, totaling $144, will be added to the above rate.~~

~~2. Water Heating or Space Heating – Shall be provided where the customer has an approved installation for either water heating or space heating or both.~~

~~a. Specifications for an approved water heating installation under this rate:~~

~~1. The water heating installation shall not be used to supplement any other system of providing hot water service.~~

~~2. The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for a nominal voltage of 208, 240 or 277 volt single phase service.~~

~~b. Specifications for an approved space heating installation under this rate:~~

~~1. Electric space heating and air-conditioning equipment shall be designed to operate at 208, 240 or 277 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

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OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3.~~ The foregoing schedule is subject to Rates 101–133~~0~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Canceling 3rd Revised Sheet No. 5.1

SMALL GENERAL ELECTRIC SERVICE Rate 20

Availability:

In all communities served for all types of general electric service with billing demands ~~of 50 Kilowatts or less~~that do not warrant the installation of a demand meter except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be so arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

Base Rate: ~~$12.00~~$20.00 per month

~~Demand Charge:~~

~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.25 per Kw~~

Energy Charge~~:~~ October – May:

First ~~2,000~~750 Kwh per month ~~7.646¢~~6.789¢ per Kwh
~~Next 8,000 Kwh per month 5.746¢ per Kwh~~
Over ~~10,000~~750 Kwh per month ~~5.246¢~~3.431¢ per Kwh

Energy Charge June – September: 6.789¢ per Kwh

Minimum Bill:

Base Rate. ~~plus Demand Charge.~~

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

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SMALL GENERAL ELECTRIC SERVICE Rate 20

~~**Determination of Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~**Special** General~~ **Terms and Conditions:**

1. Customers or their Aarchitects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or

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SMALL GENERAL ELECTRIC SERVICE Rate 20

connected load will not exceed 20 Kw, and

a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3.~~2.~~ The foregoing schedule is subject to Rates ~~130~~ 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Canceling 4th Revised Sheet No. 11

~~SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22 (Formerly Designated Rate 54)~~

~~Availability:~~

~~In all communities served for small and large general electric service customers as defined in the availability section of Small General Electric Service Rate 20 and Large General Electric Service Rate 30 who operate Company approved interruptible electric space heating equipment so arranged to allow remote operation by the Company. The customer's primary source of space heating shall be the electric portion of a dual fuel heating system. The customer shall be responsible for providing a secondary source of space heating. Customers taking dual fuel space heating service under this rate will also be eligible to receive controlled electric water heating service hereunder. Heat pump space heating equipment can only be served under this rate if a Company approved automatic transfer switch is installed to ensure energy used for non-heating (cooling) purposes is provided and metered under the applicable firm service rate and the heat pump is interrupted under the same criteria as defined for space heating equipment. Domestic electric water heating may be served under the provisions of this Rate Schedule. The customer must also receive electric service from the Company under another rate.~~

~~Type of Service:~~

~~Service shall be provided through a separate meter serving space heating and water heating facilities with no provision for connecting other loads thereto. The customer's dual fuel system controls, circulating fans and pumps and all other alternate fuel related equipment shall be served as firm load. Heat pump space heating equipment may be served under this rate only if it can be controlled by the Company and a Company approved automatic transfer switch is used to ensure non-heating (cooling) energy is served under the applicable firm service rate. Unless otherwise specified by the Company, the point of delivery and service voltage for this service shall be the same as for the customer's other electric service.~~

~~Rate:~~

~~Base Rate:~~

~~Single Phase $ 7.65~~
~~Three Phase $12.70~~

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~~**SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22 (Formerly Designated Rate 54)**~~

~~Energy charge for Service at Primary Voltage: 3.112¢ per Kwh~~
~~Energy charge for Service at Secondary Voltage: 3.279¢ per Kwh~~

~~**Minimum Bill:**~~
~~Base rate.~~

~~**Payment:**~~
~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~
~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Power Factor Clause:**~~
~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilowatt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Primary Service:**~~
~~Primary service shall be defined as those customers providing their own transformers, related equipment, and distribution facilities downstream of the meter satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

~~**Contract Terms:**~~
~~Customer agrees to contract for service under the Special General Electric Dual Fuel Space Heating Service Rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special General Electric Dual Fuel Space Heating Service Rate or of returning to~~

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~~**SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22 (Formerly Designated Rate 54)**~~

~~the applicable regular General Electric Service Rate or applicable Optional Time-of-Day General Electric Service Rate.~~

~~**Special Terms and Conditions:**~~

~~1. Electric space heating equipment shall be designed to operate at a nominal voltage of 208, 240, 277, or 480 volts, shall be separately metered and separately circuited, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.~~

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of customer's switch or circuit breaker by Company. Customer must wire the trip and close circuits into a connection point designated by Company to allow installation of control equipment by Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system. If using a heat pump under this rate, the customer must install a Company approved automatic transfer switch to ensure energy used for non-heating (cooling) purposes is served under the applicable firm service rate.~~

~~4. The Company recommends that the installed capacity of electric water heating equipment be sufficient to provide the required volume of hot water giving consideration to the interruptions to be experienced as hereinafter discussed, to permit maximum utilization of the rate for the benefit of the customer.~~

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~~SPECIAL GENERAL ELECTRIC DUAL FUEL SPACE HEATING SERVICE Rate 22 (Formerly Designated Rate 54)~~

~~5. Natural gas shall not be used in the secondary heating system.~~

~~6. During the heating season, interruption will occur when the outside air temperature is below 0° F, between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.~~

~~7. Electric water heating equipment will experience interruptions between the hours of 5:00 p.m. and 9:00 p.m., Monday through Friday.~~

~~8. The Company shall not be liable for loss or damage caused by interruption of service.~~

~~9. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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Canceling 3rd Revised Sheet No. 12

~~SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23 (Formerly Designated Rate 57)~~

~~Availability:~~

~~In all communities served for general electric service customers who operate Company approved thermal energy storage facilities for the purpose of utilizing off-peak electric energy for space conditioning. The customer must also receive electric service from the Company under another rate.~~

~~Type of Service:~~

~~Service shall be provided through a separate meter serving only the space conditioning facilities with no provision for connecting other loads thereto. Unless otherwise specified by the Company, the point of delivery and the service voltage for this service shall be the same as for the customer's other electric service.~~

~~Rate:~~

~~Base Rate:~~

~~Single Phase $ 7.80~~
~~Three Phase $10.50~~

~~Energy Charge for Service at Primary Voltage:~~

~~3.146¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday.~~

~~For all Kwh usage outside of the above designated hours, an energy rate of 9.646¢ per Kwh will apply.~~

~~Energy Charge for Service at Secondary Voltage:~~

~~3.184¢ per Kwh for all Kwh's used during hours designated as 9 p.m. to 9 a.m. local time, Monday through Friday. This rate will also apply to all usage on Saturday and Sunday.~~

~~For all Kwh usage outside of the above designated hours, an energy rate of 10.122¢ per Kwh will apply.~~

~~Minimum Bill:~~

~~Base Rate.~~

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~~**SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23 (Formerly Designated Rate 57)**~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Primary Service:**~~

~~Primary service shall be defined as those customers providing their own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

~~**Contract Terms:**~~

~~Customer agrees to contract for service under the Special General Electric Thermal Energy Storage Service rate for a minimum period of one year. At the end of a one-year period, the customer will have the option of remaining under the Special General Electric Thermal Energy Storage Service rate or of returning to the applicable regular General Electric Service rate or the applicable Optional Time-of-Day General Electric Service rate.~~

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4th Revised Sheet No. 12.2
Canceling 3rd Revised Sheet No. 12.2

~~SPECIAL GENERAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 23 (Formerly Designated Rate 57)~~

~~**Special Terms and Conditions:**~~

~~1. Specifications for an approved space conditioning installation under this rate:~~

~~a. Electric space conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, shall be separately metered and separately circuited and shall be permanently installed.~~

~~b. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner, and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for space conditioning to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~c. Under this rate, at the customers option, a load control device can be installed to automatically turn off and on the electricity during the on and off-peak periods respectively. For this service, a monthly charge of $0.50 will be imposed to cover the cost of the load control device.~~

~~2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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5th Revised Sheet No. 14.1
Canceling 4th Revised Sheet No. 14.1

IRRIGATION POWER SERVICE Rate 25

Availability:

For irrigation power service.~~where facilities therefore are located adjacent to the Company's three-phase lines for power and incidental lighting service provided the Company has sufficient available capacity.~~

Rate:

Base Rate: $10.00 per month

Demand Charge:

October – May	$1.00 per Kw
June – September	$1.50 per Kw

~~$2.00 per month per horsepower of connected load.~~

Energy Charge:

~~3.011¢~~3.431¢ per Kwh

Minimum ~~Seasonal Charge~~Bill:

~~$19.03 per horsepower of connected load, based on the maximum horsepower connected during the season, but not less than $190.30. If the total seasonal bill through the month of August is less than $19.03 per horsepower of connected load, one-half of the deficiency will be billed in September and the balance in October.~~Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

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IRRIGATION POWER SERVICE Rate 25

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

~~**Determination of Connected Load:**~~

~~The Company shall determine the connected horsepower by nameplate rating of the motors, or at its option by testing under conditions of maximum operating load.~~

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

~~1. Individual motors having a rating in excess of 10 horsepower must be three-phase. All wiring and other facilities beyond the point of metering shall be owned, operated, and maintained by the customer.~~

~~2. Service shall be available during the irrigation season defined as the months of April, May, June, July, and August. The irrigation season, as previously defined, may be extended not more than 60 days, in which case the monthly demand charges shall apply and the Minimum Seasonal Charge shall be increased proportionately.~~

~~3.~~ The foregoing schedule is subject to Rates 101~~, 130~~ 133 and any ~~-~~amendments or alterations thereto or additional rules and regulations ~~-~~promulgated by the Company under the laws of the state.

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Canceling 3rd Revised Sheet No. 15.3

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter~~of 50 Kilowatts or less~~ except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

Base Rate: $22.00 per month
~~Single Phase $13.50~~
~~Three Phase $14.00~~

~~Demand Charge for Service at Primary Voltage:~~
~~On-Peak Demand Charge:~~
~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.00 per Kw~~

~~Off-Peak Demand Charge:~~
~~In excess of the greater of 10 Kw or of the on-peak demand $1.90 per Kw~~

~~Demand Charge for Service at Secondary Voltage:~~
~~On-Peak Demand Charge:~~
~~First 10 Kw or less of billing demand No Charge~~
~~Over 10 Kw per month of billing demand $5.25 per Kw~~

~~Off-Peak Demand Charge:~~
~~In excess of the greater of 10 Kw or of the on-peak demand $2.00 per Kw~~

Date Filed: **Effective Date:**

Issued By:

Case No.:

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

On-Peak Energy ~~Charge~~: ~~for Service at Primary Voltage:On-Peak Energy Charge:9.391¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 pa.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~.~~:

October – May	8.512¢ per Kwh
June – September	12.512¢ per Kwh

Off-Peak Energy ~~Charge~~: ~~2.530¢~~3.431¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

~~Energy Charge for Service at Secondary Voltage:~~

~~On-Peak Energy Charge:~~

~~9.889¢ per Kwh for all Kwh's used during peak hours designated as 9 a.m. to 9 p.m. local time, Monday through Friday.~~

~~Off-Peak Energy Charge:~~

~~2.666¢ per Kwh for all Kwh's not covered by the On-Peak rating period. All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

Minimum Bill:

Base Rate~~,~~ ~~plus Demand Charge.~~

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~**Determination of On-Peak Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Determination of Off-Peak Billing Demand:**~~

~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the off-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Primary Service:**~~

~~Primary service shall be defined as those customer's providing their own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Contract Terms:

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OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Customer agrees to contract for service under the Optional Time-of-Day Small General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day Small General Electric Service rate or of returning to the regular Small General Electric Service rate.

~~Special~~ General Terms and Conditions:

1. Customers and their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under this rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

~~2~~3. The foregoing schedule is subject to Rates 101-133~~-130~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Canceling 3rd Revised Sheet No. 16

~~**FEED GRINDING SERVICE Rate 27 (Closed)**~~

~~**Availability:**~~

~~For customers doing a custom feed grinding business for the operation of feed grinding equipment. No operation will be allowed between the hours of one-half hour before sunset and 10:00 o'clock p.m. under this schedule. No other load shall be included under this schedule.~~

~~The rate is restricted to feed grinding customers who were served under this rate prior to January 27, 1987. Any new feed grinding service will be served under the applicable general electric service rate.~~

~~**Rate:**~~

~~First~~	~~2,000 Kwh per month~~	~~7.922¢ per Kwh~~
~~Over~~	~~2,000 Kwh per month~~	~~5.922¢ per Kwh~~

~~**Minimum Bill:**~~

~~$1.70 per horsepower for first 5 horsepower of connected load; 35¢ per horsepower of connected load in excess of 5 horsepower; but not less than $17.25.~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Power Factor Clause:**~~

~~The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $1.75 per Kvar of such excess demand.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

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~~**FEED GRINDING SERVICE Rate 27 (Closed)**~~

~~**Special Terms and Conditions:**~~

~~The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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4th Revised Sheet No. 18.1
Canceling 3rd Revised Sheet No. 18.1

~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

Availability:

In all communities served for all types of demand metered general electric service ~~exceeding 50 Kilowatts of billing demand~~ except outside lighting, stand-by, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

For Primary Service:

Base Rate: ~~$15.00~~$90.00 per month

Demand Charge: ~~$5.25 per Kw of billing demand.~~
October – May $5.254 per Kw
June – September $8.254 per Kw

Energy Charge: 3.255¢ per Kwh
~~First 2,000 Kwh per month 6.275¢ per Kwh~~
~~Next 8,000 Kwh per month 4.975¢ per Kwh~~
~~Over 10,000 Kwh per month 4.375¢ per Kwh~~

For Secondary Service:

Base Rate: $35.00 per month

Demand Charge:
October – May $ 8.224 per Kw
June – September $11.224 per Kw

Energy Charge: 3.336¢ per Kwh

Minimum Bill:

Base Rate. ~~plus Demand Charge.~~

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be ~~the greater of~~ the maximum 15 minute measured demand in the current month ~~or 50 Kw~~. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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400 N 4th Street
Bismarck, ND 58501

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Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 18.1
Canceling 3rd Revised Sheet No. 18.1

~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 30

~~Special~~ General Terms and Conditions:

1. Customers or their Aarchitects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

~~2.~~3. The foregoing schedule is subject to Rates 101--133~~0~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
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NDPSC Volume 3
4th Revised Sheet No. 19.2
Canceling 3rd Revised Sheet No. 19.2

OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

Availability:

In all communities served for all types of demand metered general electric service ~~exceeding 50 Kilowatts of billing demand~~ except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

For Primary Service:

Base Rate: ~~$17.00~~$92.00 per month

On-Peak Demand: ~~Charge for Service at Primary Voltage~~
October - May ~~On-Peak Demand Charge:~~ ~~$5.00~~$4.500 per Kw ~~of billing demand~~

~~Off-Peak Demand Charge:~~
~~$1.90 per Kw in excess of the on-peak billing demand~~

~~Demand Charge for Service at Secondary Voltage~~June - September:
~~On-Peak Demand Charge~~: ~~$5.25~~$7.500 per Kw ~~of billing demand~~

~~Off-Peak Demand Charge:~~
~~$2.00 per Kw in excess of the on-peak billing demand~~

On-Peak Energy: ~~Charge for Service at Primary Voltage: On-Peak Energy Charge: 8.355¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 pa.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~.~~:

October – May	3.496¢ per Kwh
June – September	5.496¢ per Kwh

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
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Off-Peak Energy ~~Charge~~: ~~2.836¢~~3.759¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

For Secondary Service:
Base Rate: $37.00 per month

Demand Charge October – May:
On-Peak: $4.500 per Kw

Demand Charge June – September:
On-Peak: $7.500 per Kw

Energy Charge ~~for Service at Secondary Voltage~~:
On-Peak ~~Energy Charge~~:
~~8.798¢ per Kwh f~~For all Kwh's used during peak hours designated as ~~9~~ 12 ~~a~~p.m. to ~~9~~ 8 p.m. local time, Monday through Friday~~.~~:
October – May: 3.840¢ per Kwh
June – September: 5.840¢ per Kwh

Off-Peak ~~Energy Charge~~:
~~2.989¢~~3.840¢ per Kwh for all ~~Kwh's~~ energy not covered by the On-Peak rating period. ~~All usage on Saturday and Sunday will be billed at Off-Peak rate.~~

Minimum Bill:
Base Rate~~.~~ ~~plus Demand Charge.~~

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

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State of North Dakota
Electric Rate Schedule

OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

Margin ~~Credit~~Sharing Adjustment:
Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:
Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Determination of On-Peak Billing Demand:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

~~**Determination of Off-Peak Billing Demand:**~~
~~The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the off-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.~~

Power Factor Clause:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Primary Service:**~~
~~Primary service shall be defined as those customer's providing their own transformers, related equipment, and distribution facilities downstream of the~~

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OPTIONAL TIME-OF-DAY ~~LARGE~~ GENERAL ELECTRIC SERVICE Rate 31

~~meter, satisfactory to the Company, so that they can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Contract Terms:

Customer agrees to contract for service under the Optional Time-of-Day ~~Large~~ General Electric Service rate for a minimum period of one year. At the end of a one-year period, customer shall have the option of remaining under the Optional Time-of-Day ~~Large~~ General Electric Service rate or of returning to the regular ~~Large~~ General Electric Service rate.

~~Special~~ General Terms and Conditions:

1. Customers and their Aarchitects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

~~2~~3. The foregoing schedule is subject to Rates 101–133~~0~~ and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
Original Sheet No. 20

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

Availability:

In all communities served for general service customers for space heating service, where the customer also takes service under General Electric Service Rate 30 or General Electric Time-Of-Day Service Rate 31. Only space heating load is allowed on this rate schedule.

Rate:

Base Rate: $10.00 per month

For Primary Service:

Demand Charge:		
	June-September	$8.254 per Kw
Energy Charge:		3.255¢ per Kwh

For Secondary Service:

Demand Charge:		
	June-September	$11.224 per Kw
Energy Charge:		3.336¢ per Kwh

Minimum Bill:

Base Rate.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. The foregoing schedule is subject to Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
2nd Revised Sheet No. 22.2
Canceling 1st Revised Sheet No. 22.2

FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Availability:

In all communities served for all types of general electric service which meets one of the following qualifications:

a. New Customers - An applicant with total expected demand of 200 Kw per month and usage of 750,000 Kwh per year is eligible for service under this rate if it can meet any one of the following requirements: (i) its activities are largely or entirely different than that of the previous customer; (ii) that non-seasonal business has not been conducted at the premise for at least three billing periods prior to the application; (iii) that seasonal business has not been conducted at the premise for at least thirteen billing periods prior to the application; or (iv) the facility is newly constructed.

b. Existing Customers and Existing In-state Customers of Competing Suppliers - An existing customer, or an existing in-state customer of a competing supplier with increased demand of 200 Kw per month and increased usage of 750,000 Kwh per year is eligible for service under this rate. Only the expanded portion of the facility will be eligible for the negotiated rate. In addition, the new load must be supplied from a separately metered circuit with separate metering equipment to be installed at the customer's expense. Average usage at the original facility must be at least as great as that which occurred in the previous 12 month period.

Rate:

Base Rate: ~~$15.00~~$92.00 per month

Demand Charge: ~~$5.25 per Kw of billing demand~~To Be Negotiated

Energy Charge: ~~Customer shall pay a negotiated rate not more than the ceiling or less than the floor as specified below~~

~~Ceiling~~	~~Floor~~
~~4.519¢ per Kwh~~	~~2.598¢ per Kwh~~

Otherwise applicable energy charge for General Service Rate 30.

Contracts shall be filed with and approved by the North Dakota Public Service Commission.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

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2nd Revised Sheet No. 22.2
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FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Minimum Bill:

Base Rate plus Demand Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

Right to Discontinue Service:

The Company reserves the right to refuse applicants who have not previously signed a contract for service under this rate if it determines either system capacity or system energy supply is projected to be insufficient, or if service reliability is expected to be at jeopardy.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

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Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

~~Special~~ General Terms and Conditions:

1. The customer and the Company shall execute a contract for service to be effective under this rate for a period of five years from the date of service commencement.

2. The negotiated ~~energy~~ demand charge shall be increased according to the differential between the negotiated rate and the ceiling as portrayed by the following schedule.

Years	Differential Percent Decrease
1-3	0%
4	25%
5	50%

At the end of the fifth year, the negotiated agreement hereunder expires.

3. Upon expiration of the contract, the customer shall be served under the otherwise applicable rate schedule.

4. Customers and their ~~A~~architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

5. The foregoing schedule is subject to Rates 101 ~~through~~ 133 and any amendments or alternations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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NDPSC Volume 3
4th Revised Sheet No. 24
Canceling 3rd Revised Sheet No. 24

INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Availability:

In all communities served for power to customers having a demand of ~~200~~ 500 Kw or more for its interruptible load. Electric energy for the interruptible load shall be supplied through a separately metered circuit at the same voltage and phase utilized to serve the balance of the customer's electrical load so arranged to allow remote operation by the Company.

Type of Service:

Service under this rate shall be taken by the customer at whatever primary voltage is available at the point of delivery but not less than 2,400 volts. In the event that it is necessary to build a substation on the Company's transmission line to serve the customer, the cost of building the substation shall be a matter of negotiation between the Company and the customer.

Rate:

Base Rate:	Specified in the electric service agreement with the Company.
Demand Charge:	~~$1.70~~ $2.250 per Kw of billing demand
Energy Charge:	~~3.111¢~~2.722¢ per Kwh

Minimum Bill:

Base Rate plus the Demand Charge (~~200~~ 500 Kw minimum).

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or ~~200~~ 500 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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State of North Dakota
Electric Rate Schedule

INTERRUPTIBLE LARGE POWER SERVICE Rate 39

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and monthly Base Rate payments to the Company. The monthly Base Rate payments are determined on a customer by customer basis and shall include, but are not limited to, any additional costs incurred by Company for facilities, such as substations, electric lines, meters, switching devices, and circuit breakers that are necessary to provide service under this rate.

2. All equipment associated with the interruptible load must be of such voltage and electrical characteristics that it can be separately metered and served from the circuit provided for the interruptible portion of the customer's load. If the equipment to be served is such that this is impossible, the customer must either make special arrangements with the Company or furnish the necessary equipment suitable for connection and metering to the circuit for the interruptible portion of the load.

3. The customer must provide a load-break switch or circuit breaker equipped with electrical trip and close circuits allowing for remote operation of the customer's switch or circuit breaker by the Company. Customer must wire the

trip and close circuits into a connection point designated by the Company to allow installation of control equipment by the Company. Customer must provide a continuous 120 volt AC power source at the connection point for operation of the Company's control system.

4. The duration and frequency of interruptions shall be at the sole discretion of the Company.

5. The Company shall not be liable for any loss or damage caused by or resulting from any interruption of service.

6. The foregoing schedule is subject to Rates 101-1303 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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4th Revised Sheet No. 25.1
Canceling 3rd Revised Sheet No. 25.1

SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

Availability:

For all lighting and power requirements with billing demands of 50 kilowatts or less for public buildings or locations supported by public tax levies, and for which the city is liable for payment, in all municipalities served where the Company is operating under a municipal franchise or permit, and the municipality has a standard contract for operation of a street lighting system and/or a municipal pumping system with the Company.

This rate is restricted to small municipal electric service customers who were served under this rate prior to January 27, 1987. Any new small municipal general electric service customer may take service under another applicable rate.

Rate:

~~Base Rate: $12.00~~

~~Demand Charge:~~

~~First~~	~~10 Kw or less of billing demand~~	~~No charge~~
~~Over~~	~~10 Kw per month of billing demand~~	~~$5.25 per Kw~~

~~Energy Charge:~~

~~First~~	~~2,000 Kwh per month~~	~~5.314¢ per Kwh~~
~~Next~~	~~8,000 Kwh per month~~	~~3.814¢ per Kwh~~
~~Over~~	~~10,000 Kwh per month~~	~~3.314¢ per Kwh~~

Non-Demand
Base Rate: $15.50 per month

Energy Charge October – May:

First 750 Kwh per month	4.497¢ per Kwh
Over 750 Kwh per month	3.431¢ per Kwh

Energy Charge June – September: 4.497¢ per Kwh

Demand
Base Rate: $25.50 per month

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
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State of North Dakota
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SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

Demand Charge October – May:	
10 Kw or less	No Charge
Over 10 Kw	$4.224 per Kw
Demand Charge June – September:	
All Kw	$7.224 per Kw
Energy Charge:	3.431¢ per Kwh

Minimum Bill:
Base Rate~~. plus Demand Charge.~~

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Determination of Billing Demand:
The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:
The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at $~~1.75~~3.35 per Kvar of such excess demand.

Margin Sharing Adjustment:
Bills are subject to a credit for the wholesale sales margin sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Date Filed: **Effective Date:**

Issued By:

Case No.:

Montana-Dakota Utilities Co.
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400 N 4th Street
Bismarck, ND 58501

State of North Dakota
Electric Rate Schedule

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4th Revised Sheet No. 25.1
Canceling 3rd Revised Sheet No. 25.1

SMALL MUNICIPAL ELECTRIC SERVICE
Rate 40 (CLOSED)

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before Proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

2. Customer may take service under the non-demand rate provided customer's monthly Kwh will not exceed 4,000 Kwh per month for four consecutive months or connected load will not exceed 20 Kw, and

   a. Customer is served single phase and has a service entrance capacity of 200 amperes or less, or

   b. Customer is served three phase at 120/208 or 120/240 volts and has a service entrance capacity of 200 amperes or less, or

   c. Customer is served three phase at 277/480 or 240/480 volts and has a service entrance capacity of 100 amperes or less.

3. Customers not qualifying for the non-demand rate shall be served under the demand rate.

4. The foregoing schedule is subject to ~~Rule No. 130~~Rates 101-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: **Effective Date:**

Issued By:

Case No.:

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NDPSC Volume 3
4th Revised Sheet No. 26.1
Canceling 3rd Revised Sheet No. 26.1

~~STREET~~ MUNICIPAL LIGHTING SERVICE Rate 41

Availability:

For ~~street~~ municipal lighting purposes including streets, alleys and other public grounds ~~to either company-owned or municipally-owned street lighting systems~~. Service will be provided all night, every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

Rate:

For Primary Service: ~~6.862¢~~5.828¢ per Kwh computed according to the total rated capacity of lamps in use.

For Secondary Service: ~~6.862¢~~6.328¢ per Kwh computed according to the total rated capacity of the lamps in use.

Special discount:

~~For contracts of less than three years~~	~~None~~
For contracts of ~~three~~ ten years or more	10% ~~times the total number of years of the contract~~
~~Maximum discount~~	~~10%~~

Minimum Bill:

As provided in contract.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities down stream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

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Canceling 3rd Revised Sheet No. 26.1

~~STREET~~ MUNICIPAL LIGHTING SERVICE Rate 41

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. The Company will maintain the facilities and change the light bulbs when notified by the municipality that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of employees of the municipality. In case of vandalism, malicious mischief, or willful negligence the Company will charge the municipality for the cost of repair and replacement.

2. ~~The rate charged to municipally-owned street lighting systems shall be the above tariffed rate less .344¢ per Kwh.~~
2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

3. In municipally-owned street lighting systems, an additional charge will be made to cover lamp replacements, materials and labor whenever such services are supplied by the Company.

4. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

5. The foregoing schedule is subject to Rates 101 ~~130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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State of North Dakota
Electric Rate Schedule

NDPSC Volume 3
4th Revised Sheet No. 32.1
Canceling 3rd Revised Sheet No. 32.1

MUNICIPAL PUMPING SERVICE Rate 48

Availability:

For ~~M~~municipal pumping purposes ~~only and~~ provided the municipality uses electricity exclusively for all its pumping requirements and purchases all such electricity from the Company. The municipality must sign a contract for a minimum period of one year.

Rate:

For Primary Service:

Base Rate: ~~$13.00~~$12.00 per month

Demand Charge:

~~On~~ Cconnected loads of 10 Kw or less will be billed based on~~,~~ ~~a demand charge of $2.25 per Kw of~~ connected load~~;~~. ~~on~~ cConnected loads in excess of 10 Kw~~, demand charge of $2.25 per Kw of demand~~ will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter ~~during~~ in the current month ~~covered by the billing period but in no event less than $22.50~~or 10 Kw.

October – May:	$1.150 per Kw
June – September:	$4.150 per Kw

Energy Charge: ~~4.368¢~~3.636¢ per Kwh

For Secondary Service:

Base Rate: $10.00 per month

Demand Charge:

Connected loads of 10 Kw or less will be billed based on connected load. Connected loads in excess of 10 Kw will be billed based upon the greater of the highest 15 minute interval demand as registered upon a demand meter in the current month or 10 Kw.

October – May:	$3.060 per Kw
June – September:	$6.060 per Kw

Energy Charge: 3.659¢ per Kwh

Date Filed: **Effective Date:**

Issued By:

Case No.:

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MUNICIPAL PUMPING SERVICE Rate 48

Special discount:

~~For contracts of less than three years~~	~~None~~
For contracts of ~~three~~ ten years or more	10% ~~times the total number of years of the contract~~
~~Maximum Discount~~	~~10%~~

Minimum Bill:

Base Rate plus Demand Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at ~~$1.75~~$3.35 per Kvar of such excess demand.

~~**Discount for Primary Service:**~~

~~A five percent discount shall be allowed if the customer provides his own transformers, related equipment, and distribution facilities downstream of the meter, satisfactory to the Company, so that he can receive service and be metered at primary voltages of 2,400 volts or greater.~~

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

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MUNICIPAL PUMPING SERVICE Rate 48

~~Special~~ General Terms and Conditions:

1. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

2. The foregoing schedule is subject to Rates 101 ~~130~~ 133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Canceling 3rd Revised Sheet No. 34

~~**GENERAL ELECTRIC WATER HEATING SERVICE**~~
~~**Rate 50 (CLOSED)**~~

~~**Availability:**~~

~~In all communities served. The customer must also receive electric service from the Company under another rate.~~

~~This rate is restricted to general electric service customers who were served under this rate prior to July 1, 1977 or under Rate 51 prior to January 27, 1987. Any residential customer or new general service customer may take water heating service under another applicable rate.~~

~~**Rate:**~~

~~Base Rate: $2.00~~

~~Energy Charge: 5.118¢ per Kwh~~

~~**Minimum Bill:**~~

~~Base Rate.~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Special Terms and Conditions:**~~

~~1. To qualify for service under this schedule, the installation must consist of a separate circuit of approved conduit or metal armored cable construction so that this service may be separately metered.~~

~~2. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

Availability:

~~Company-owned~~For all outdoor lighting including flood lights, billboard lighting ~~units~~ and metallic vapor yard lights in all communities served. Lighting equipment may be Company-owned or customer-owned.

Rate:

For Primary Service: 7.003¢ per Kwh computed according to the total rated capacity of the units in use.

For Secondary Service: ~~7.752¢~~7.409¢ per Kwh computed according to the total rated capacity of the units in use.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.

Margin ~~Credit~~Sharing Adjustment:

Bills are subject to a credit for the wholesale sales margin ~~credit~~sharing adjustment as provided in Rate 57, or any amendments or alterations thereto.

Fuel Clause:

Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.

~~Special~~ General Terms and Conditions:

1. Applicable to Company-owned Facilities:

~~1.~~ a. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dusk~~t~~ to dawn.

~~2.~~ b. The light may be mounted on existing poles owned or controlled by the Company. The Company will furnish a 35 foot pole(s) for flood lights and

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~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

a 30 foot pole(s) for yard light(s) at the customer's request at a separate rental rate if a special setting is required. If the customer chooses, the light may be installed on a pole owned by the customer or other mounting point suitable for installation of the light. The conductors will be extended 100 feet per unit free of charge, but the customer shall pay for the extra cost of extensions of more than 100 feet per unit.

~~3.~~ c. To the rate stated herein, bulb replacement and ownership costs for the units shall be added. The customer should consult with the Company for such costs.

~~5.~~ d. The Company will maintain the facilities and change the light bulbs when notified by the customer that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of customer. In case of vandalism, malicious mischief, or willful negligence, the Company will charge the customer for the cost of repair and replacement.

2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.

43. When service is not metered, the bill shall be computed on an annual basis, utilizing the minimum service requirement of 4,000 hours annually, and one-twelfth shall be payable each month.

Metallic vapor ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

~~6. Customer will be served only by contract and for a minimum period of two years.~~

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~~PRIVATE~~ OUTDOOR LIGHTING SERVICE Rate 52
~~(Formerly Designated Rates 24 and 28)~~

~~7~~4. The foregoing schedule is subject to Rates 101-~~130~~-133 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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4th Revised Sheet No. 40
Canceling 3rd Revised Sheet No. 40

~~GENERAL ELECTRIC SPACE HEATING SERVICE~~
~~Rate 56 (CLOSED)~~

~~**Availability:**~~

~~In all communities served for any general electric service customer for space heating, where the customer also takes service under another rate. Air-conditioning and water heating may also be taken in conjunction with space heating under this rate, but no other load will be allowed on this rate.~~

~~This rate is restricted to general electric service customers who were served under this rate prior to January 27, 1987. Any residential customer or new general electric service customer may take space heating service under another applicable rate.~~

~~**Rate:**~~

~~Base Rate: $2.00~~

~~Energy Charge: 5.850¢ per Kwh~~

~~**Minimum Bill:**~~

~~Base Rate.~~

~~**Payment:**~~

~~Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 109 or any amendments or alterations thereto.~~

~~**Fuel Clause:**~~

~~Bills are subject to an adjustment for cost of fuel as provided in Rate 58, or any amendments or alterations thereto.~~

~~**Special Terms and Conditions:**~~

~~1. Electric space heating and air-conditioning equipment shall be designed to operate at a nominal voltage of 208, 240, or 277 volts, shall be separately metered and separately circuited, shall be permanently installed, and the electric heating equipment shall be the primary source of space heating.~~

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~~**GENERAL ELECTRIC SPACE HEATING SERVICE**~~
~~**Rate 56 (CLOSED)**~~

~~2. All installations must meet the minimum standards of the National Electrical Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service.~~

~~3. The foregoing schedule is subject to Rate 130 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.~~

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MARGIN SHARING ADJUSTMENT Rate 57

1. **Applicability:**
This rate schedule constitutes an electric wholesale margin sharing adjustment (MSA) provision and specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's electric wholesale sales margins as allocated to its North Dakota electric jurisdiction, and (b) amortization of the Margin Sharing Account.

2. **Effective Date of Adjustment:**
The effective date of the MSA shall be bills rendered on and after the first day of April of each year, unless the Commission shall otherwise order. The initial adjustment under this tariff shall become effective April 1, 2005.

3. **Margin Sharing Adjustment:**
The MSA shall reflect changes in Montana-Dakota's electric wholesale margins as compared to the wholesale margins reflected in base rates. The MSA is made up of:

   (a) Current margin adjustment

   (b) Carrying charges on 3(a)

   (c) Surcharge adjustment

   The adjustment per kwh shall be determined by dividing the amount determined above by the estimated kwh sales for the twelve months following the effective date of the adjustment.

4. **Current Margin Adjustment:**
The current margin adjustment shall be:
   (a) $6,500,000 less

   (b) 85 percent of the actual wholesale sales margins for the preceding calendar year, unless

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MARGIN SHARING ADJUSTMENT Rate 57

(c) Wholesale sales margins in the preceding calendar year are less than $3,300,000, then the current margin adjustment shall be 15 percent of actual wholesales sales margins for the preceding calendar year plus $3,200,000.

5. **Carrying Charges:**
   (a) Carrying charges will be applied to the accumulated balance of the difference each month between $542,000 and 85 percent of actual wholesale sales margins.

   (b) Carrying charges on the amounts shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

   (c) If annual wholesale margins are less than $3,300,000 then interest calculated in (a) and (b) will be recalculated to reflect the minimum annual level.

6. **Surcharge Adjustment:**
   The Surcharge Adjustment shall reflect amortization of the estimated balance in the Margin Sharing Account as of April 1 each year.

7. **Margin Sharing Account:**
   The Margin Sharing Account shall consist of:
   (a) The balance of the current margin adjustment and the carrying charges as of December 31 each year, less

   (b) The amount determined by multiplying the currently effective Surcharge Adjustment included in rates by the kwhs sold during each month. The account shall be increased in the event the Surcharge Adjustment is a negative amount.

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MARGIN SHARING ADJUSTMENT Rate 57

(c) Carrying charges on the net balance shall be applied at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board as of the end of the immediately preceding month, exclusive of carrying charges accrued and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.

8. Time and Manner of Filing:

(a) Montana-Dakota shall file the MSA at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of revised MSA sheets identifying the amounts of the adjustment, the derivation of the adjustment and the resulting MSA rate.

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3rd Revised Sheet No. 42
Canceling 2nd Revised Sheet No. 42

FUEL CLAUSE Rate 58

There shall be added to or deducted from the net monthly bill computed according to the applicable schedule .001¢ (one thousandth of one cent) per kilowatt-hour for each .001¢ increase above or decrease below the base fuel cost per kilowatt-hour. The base fuel cost shall be ~~1.554~~1.303¢ per Kwh.

The fuel cost shall be the sum of the following for the most recent four month period plus unrecovered (or less over-recovered) prior cumulative energy costs:

1. The cost of fossil and other fuels, including but not limited to tire derived fuel (TDF) and refuse derived fuel (RDF) consumed in the Company's own generating stations and the Company's share of fuel consumed in jointly owned generating stations as recorded in Account 151.

2. The net energy cost of energy purchases as recorded in Account 555 exclusive of capacity or demand charges including but not limited to:

   a. Energy that is purchased on an economic dispatch basis;

   b. Energy purchased from a renewable energy source, including but not limited to hydropower, wood, windpower, and biomass;

3. The actual identifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above, less;

4. The cost of fossil and other fuel recovered through intersystem sales, including the fuel costs and/or renewable energy costs related to economy energy sales and other energy sold on an economic dispatch basis.

The kilowatt-hour sales shall be all kilowatt hours sold excluding intersystem sales for the most recent four month period as herein defined.

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Canceling 2nd Revised Sheet No. 42.1

FUEL CLAUSE Rate 58

This adjustment shall be made monthly and shall be based on the average fuel cost per kilowatt-hour for the most recent four month period for which actual cost data is available. The Company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent four month period, as set forth above. Any adjustment in rates occasioned thereby shall be effective with the bills rendered on and after the first day of each month, unless the Commission shall otherwise order.

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NDPSC Volume 3
18th Revised Sheet No. 44
Canceling 17th Revised Sheet No. 44

OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production 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 (QF) as defined under 18 CFR, Part 292.

Rate:

Metering charge for single phase service:	$ 1.30 per month
With instrument transformers:	$ 4.10 per month
Metering charge for three phase service:	$ 5.15 per month
With instrument transformers:	$ 9.40 per month

Energy delivered to and accepted by Company by a QF shall be paid for by Company in accordance with one of the following two options, elected by the QF:

1. Simultaneous Purchase and Sale:

   Energy sales to QF - 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 electric service, etc.) that is currently on file with the Commission.

   Capacity and energy purchases by Company:

Energy Payment	= 1.356¢ per Kwh
Capacity Payment	= $0 per Kw

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

2. Net Billing:

   Energy generated will be compensated on a net billing basis. The Company will install a meter to measure the energy generated by the QF. The Company will also install a meter to measure the energy consumed by the QF. Metered generation will be subtracted from the metered consumption for the billing period.

   If metered generation is less than metered consumption, the QF will be billed the applicable retail rate. If metered generation is greater than the metered consumption, the QF will be paid for each Kwh an amount equal to:

   1.356¢ per Kwh

~~Special~~ General **Terms and Conditions:**

1. Change of Rates: This schedule 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 at least one year but less than five years.

5. In order to qualify for the net billing option, the generating equipment and the load of the facility must be located at the same "physical site". "Physical site" shall mean on the same tract of land and the generator output must be physically connected to the load service entrance.

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OCCASIONAL POWER PURCHASE Rate 95
NON-TIME DIFFERENTIATED

6. For general terms and conditions covering QF's, see Rate 140.

7. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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17th Revised Sheet No. 45
Canceling 16th Revised Sheet No. 45

PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

Availability:

To any qualifying cogeneration and small power production facilities for the purpose of generating 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 1000 Kw or less, that operate as a peaking facility (defined below), and are Qualifying Facilities (QF) as defined under 18 CFR, Part 292.

I. FACILITIES CAPABLE OF PROVIDING DISPATCHABLE CAPACITY AT THE TIME OF COMPANY'S SUMMER PEAK

Rate:

Metering charge for single phase service:	$ 4.85 per month
With instrument transformers:	$ 8.05 per month
Metering charge for three phase service:	$10.55 per month
With instrument transformers:	$15.35 per month

1. Capacity delivered to the Company:

QF has the option of one of two methods of payment for capacity:

a. Actual avoided costs at the time of delivery, or

b. Levelized payment for term of contract based on Table 1 below.

TABLE 1
Contract Length (YR.)

	5	10	15	20	25	30	35
$/Kw-mo	2.812	4.427	5.426	6.041	6.454	6.699	6.853

Total capacity payment per month = The applicable contract length capacity payment from Table 1 times the maximum 1 hour capacity, as demonstrated by an annual capability test.

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PARALLEL GENERATION PEAKING FACILITY PURCHASE Rate 96 TIME DIFFERENTIATED

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.515¢ per Kwh	1.268¢ per Kwh

Peak Periods: The On-Peak Period is defined as those hours between 9 a.m. and 9 p.m. Central time, Monday through Friday in Central time zones, and between 8 a.m. and 8 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 the Company's system operating characteristics.

II. FACILITIES WHICH ARE NOT DISPATCHABLE AND PROVIDE ENERGY AND CAPACITY ON AN "AS AVAILABLE" BASIS

Rate:

Metering charge for single phase service:	$ 4.85 per month
With instrument transformers:	$ 8.05 per month
Metering charge for three phase service:	$10.55 per month
With instrument transformers:	$15.35 per month

1. Total capacity payment per billing period = P X Maximum 15 minute capacity for billing period, where P is defined below.

P = QCF/PCF(VTable 1)

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PURCHASE Rate 96 TIME DIFFERENTIATED

where:

P	=	capacity payment in $/Kw - month
QCF	=	Qualifying Facilities Capacity Factor
PCF	=	65%
VTable 1	=	Applicable value from Table 1
CF	=	Capacity Factor which equals average 15 minute on-peak metered capacity divided by the greatest 15 minute on-peak metered capacity during the billing period.

QCF/PCF cannot be greater than 1.

2. Energy Payment:

ON-PEAK	OFF-PEAK
1.515¢ per Kwh	1.268¢ per Kwh

Energy Sales to Qualifying Facilities:

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 electric service, etc.) that is currently on file with the Commission.

~~Special~~ General Terms and Conditions:

1. Change of Rates: This schedule shall be reviewed annually, updated if necessary, and revised upon the Commission's approval.

2. Service under this schedule shall be on a simultaneous purchase and sale basis only.

3. 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.

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17th Revised Sheet No. 45.3
Canceling 16th Revised Sheet No. 45.3

PARALLEL GENERATION PEAKING FACILITY
PURCHASE Rate 96 TIME DIFFERENTIATED

4. 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.

5. 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 five years or more.

6. Line loss considerations will be determined on a site specific basis.

7. For dispatchable units, generator outages must be pre-scheduled with Company to provide coordination with Company units.

8. A Peaking Unit is a unit not designed for continuous operation and is capable of supplying capacity and energy during periods of peak electric consumption. Generally, peaking units have a capacity factor of 20% or less.

9. For general terms and conditions covering QF's, see Rate 140.

10. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the North Dakota Public Service Commission. Rates charged hereunder may be modified by Company at any time by making a unilateral rate application with the North Dakota Public Service Commission or its successor. The new rates shall be effective upon approval by the Commission.

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1st Revised Sheet No. 50
Canceling 101-N-2

RULE GOVERNING DISCONTINUANCE OF SERVICE FOR NONPAYMENT OF BILL Rate 101

All bills for service are due when rendered and will be considered delinquent if not paid by the due date shown on the bill. If any customer shall become delinquent in the payment of service bills, such service may be discontinued by the Company under the applicable rules of the Public Service Commission. The Company may collect a fee of ~~$12.00~~$20.00 before restoring electric service which has been discontinued for nonpayment of service bills, or where a Service Extender has been installed in lieu of full disconnection.

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1st Revised Sheet No. 51
Canceling 102-N-1

~~RATE FOR~~ RESIDENTIAL ELECTRIC SERVICE FOR PERMANENT EMPLOYEES ~~OF MONTANA-DAKOTA UTILITIES CO., A DIVISION OF MDU RESOURCES GROUP, INC. AND WHOLLY-OWNED SUBSIDIARIES~~ Rate 102

Available for:

Residential use only in a single family unit served by Montana-Dakota Utilities Co. to a full time permanent employee who has been continuously employed by the Company at least six months and is the principal support of the household in which he resides, or is the spouse of the principal support.

Rate:

The employee's bill shall be computed at the applicable rate, and the amount reduced by 33 1/3%.

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NDPSC Volume 3
1st Revised Sheet No. 53
Canceling 106

CONSUMER DEPOSITS Rate 106

The Company will determine whether or not a deposit shall be required of an applicant for electric service in accordance with Commission rules.

a. The amount of such deposit shall not exceed an estimated 60 day service bill.

b. The Company may accept in lieu of a cash deposit a contract signed by a guarantor, satisfactory to the Company, whereby the payment of a specified sum not to exceed the required cash deposit is guaranteed. The term of such contract shall be indeterminate, but it shall automatically terminate when the customer gives notice of service discontinuance to the Company or a change in location covered by the guarantee agreement or 30 days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance which the customer owes the Company. Upon termination of a guarantee contract, a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six-month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits shall be refunded to customers at termination provided all billings for service have been paid. Deposits will be refunded to all active customers, after the deposit has been held for 12 months, provided a prompt payment record has been established.

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Canceling 107-N

NOTICE TO DISCONTINUE ELECTRIC SERVICE Rate 107

Customers desiring to have their electric service discontinued shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal call or telephone call to the Company's local business office, in communities in which an office is maintained. In other communities such notice shall be given to the Company's representative who services the community or to the nearest business office. Saturdays, Sundays and legal holidays are not considered business days.

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Canceling 108-N

RECONNECTION FEE FOR SEASONAL CUSTOMERS Rate 108

A fee of $20~~12~~.00 will be collected for reconnecting electric service to any customer who has disconnected electric service at the same location during the preceding twelve-month period.

Date Filed:

Effective Date:

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LATE PAYMENT CHARGE/RETURNED CHECK CHARGE Rate 109

Late Payment Charge:

Bills will be considered past due if not paid by the due date shown on the bill. An amount equal to 1% per month will be applied to any unpaid balance existing at the immediate subsequent billing date.

Returned Check Charge:

A charge of $10.00 will be collected by the Company for each check charged back to the Company by a bank.

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MONTANA-DAKOTA UTILITIES CO.

ELECTRIC SERVICE RULES and REGULATIONS

as filed with the
Regulatory Commissions
of
Montana, North Dakota,
South Dakota and Wyoming

(Revised June, 1986)

APPROVED PSC N. DAK.
JUL 22 1986
Case No. I-7191
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A Division of MDU Resources Group, Inc.
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101. Company and Customer
These rules are issued on behalf of Montana-Dakota Utilities Co., hereinafter referred to as the "Company." The term "Customer" includes both a present consumer and an applicant for the Company's service.

102. Purpose
102.1 The purpose of these rules is to acquaint architects, engineers, contractors, electrical dealers, wiremen and others with the Company's requirements pertaining to the installation of services, meters, wiring, motors and other appliances to be supplied with electric service from the electric distribution system of the Company.

102.2 The practices outlined herein are dictated by many years of operating experience and, with reasonable interpretation and special inquiry in unusual cases, they are considered a trustworthy guide. These rules will be subject to revision and addition from time to time in keeping with new developments and accepted good practice.

103. Electrical Codes and Ordinances
The Electric Service Rules and Regulations contained herein are supplementary to and do not intentionally conflict with nor supersede the National Electrical Code, nor such state and municipal laws and ordinances that may be in effect in the areas in which the Company furnishes electric service, except that where the requirements of these Electric Service Rules and Regulations exceed those of such codes, laws, and ordinances, these Electric Service Rules and Regulations shall apply.

104. Wiring Adequacy
The Company recommends the services of a reliable and experienced electrical contractor be obtained for any new wiring or alteration of existing wiring. The familiarity of the contractor with national and local wiring codes, and his knowledge of the Customer's present and future needs, should result in a safe and satisfactory installation.

NOTE: Wiring codes provide minimum requirements for safety. Installation of wiring capacity greater than minimum code requirements is recommended to bring to the Customer all the benefits of electric service and to protect building investment by minimizing obsolescence resulting from an inadequate wiring system.

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105. Application for Service
Application for original or additional service may be made at the Company's offices by mail, by telephone or by personal call. The following is required:

Customer's name
Exact address of premises
Type of service required
Date service is required
Character of the load
(Note any special requirements)
Customer's deposit (when required)

The above shall be supplied to the Company as far as possible in advance of the Customer's requirements for service.

106. Inspection of Wiring
Where permits and inspections covering Customer's wiring and installation are required by local ordinance, it is mandatory that such requirements be fulfilled before the Company will make connections to the Customer's installation. In locations where such inspections are not required by law or ordinance, an affidavit by the wiring contractor stating that the wiring has been done in compliance with the National Electrical Code will be acceptable.

107. Permits, Certificates, Affidavits
It is the responsibility of the Customer to obtain all necessary permits, certificates of inspection or affidavits as required in Paragraph 106 and to notify the Company promptly of any proposed alterations or additions to Customer's load. Failure to comply with these requirements may result in delayed connection, interruption of service or damage to apparatus.

108. Connections
Service connections will be made and a meter or meters will be installed by the Company following Customer's compliance with Paragraphs 105, 106, and 107 above, and payment of the prescribed Customer's deposit. (Refer to Paragraph 402.)

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109. Consultation with the Company

109.1 The location, size and character of the Customer's load and the current, voltage, frequency, phases, etc. which the Company has available at the Customer's location will determine the type of service supplied to the Customer.

109.2 Architects, engineers, contractors, electric dealers, wiremen and others must confer with local representatives of the Company to determine the type of service that will be available before designing or preparing specifications for new electrical installations or alterations to existing installations.

109.3 Consultation with the Company before purchase and installation of apparatus may save the Customer unnecessary expense by avoiding purchase of equipment that is incompatible with the service available from the Company's facilities.

109.4 In all cases involving large installations and other cases where any doubt exists, full information as to the type of service available should be obtained from the Company.

110. Unauthorized Use of Service

110.1 Unauthorized use of service is defined as any deliberate interference, such as tampering with a Company meter, registration, connections, equipment, seals, procedures or records, that result in a loss of revenue to the company. Unauthorized use of service is also defined as reconnection of service that has been terminated, without the Company's consent. Violators are subject to prosecution.

110.2 Types of unauthorized use of service include, but are not limited to, the following:

(a) Bypass around meter.
(b) Meter reversed.
(c) Equipment connected ahead of meter.
(d) Tampering with meter that affects the accurate registration of electric usage.
(e) Electricity being used after service has been discontinued by the Company.

110.3 In the event that there has been unauthorized use of service, Customer shall be charged for:

(a) Time, material, and transportation costs used in investigation or surveillance.
(b) Estimated charge for non-metered electricity.
(c) On-premise time to correct situation.
(d) Any damage to Company property.

110.4 A Customer's service disconnected for any of the reasons outlined in Paragraph 110.2 shall be reconnected after the Customer has furnished satisfactory evidence of compliance with Company's rules and conditions of service, and paid any charges which are due, including:

(a) All delinquent bills, if any;
(b) The amount of any Company revenue loss attributable to said tampering;
(c) Expenses incurred by the Company in replacing or repairing the meter or other equipment, costs incurred in the preparation of the bill, plus costs as outlined in Paragraph 110.3;
(d) Reconnection fee applicable; and
(e) A cash deposit, the amount of which will not exceed the maximum amount determined in accordance with rules of the applicable State Public Service or Utilities Commission.

111. Unauthorized Attachments to Poles

111.1 The unauthorized attachment of any flags, banners, signs, clotheslines, antennas, etc. to Company poles is prohibited. The use of poles for placards or other advertising matter is forbidden. The Company will remove such unauthorized attachments without notice and may prosecute any such trespassers.

111.2 Customers are cautioned to locate antennas so that they are beyond falling distance from the Company's lines, either transmission or distribution. In many of the communities in which the Company operates, this provision is covered by local ordinance.

111.3 Antennas and lead-ins shall be located a safe distance from and shall never cross over or under the Company's lines or contact the Company's poles.

111.4 The Company disclaims all responsibility where such equipment contacts the Company's lines, poles or equipment.

112. Access to Customer's Premises

The Company's authorized agents and employees shall have access, at all reasonable hours, to the premises of the Customer for the purpose of reading, inspecting, testing, adjusting and otherwise caring for, replacing or removing meters or other Company property which may be on the Customer's premises.

113. Protection of Customer's Equipment

It is the primary goal of the Company to furnish satisfactory electric service consistent with fair and reasonable rates. However, as the Company's electric system is unusually widespread and has many interconnections with sources of power other than its own generating stations, it is subject to exposure by storms and other factors not under its control. Although the Company employs the latest developments in equipment and methods of operation for the purpose of maintaining adequate service, it cannot guarantee service to be free from interruptions, variation in voltage and frequency, single phase energization of three phase lines, reversal of phase rotation or other abnormal conditions, and it cannot assume liability for damage to Customer's equipment resulting therefrom. Therefore it is the obligation of the Customer to provide such protective devices as may be necessary to safeguard his equipment and installation. (Refer to Paragraph 711.)

114. Regulatory Commission Authority

The Regulatory Commissions of Montana, North Dakota, South Dakota and Wyoming, with which these Rules and Regulations have been filed, prescribe standards for electric service to which the Company is subject. The Rules and Regulations set forth herein are supplementary to and do not intentionally conflict with the Commissions' standards for electric service, the National Electrical Code, state codes or local laws or ordinances.

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Section 200 - USE OF ELECTRIC SERVICE

201. Rate Schedules

201.1 Electric service will be billed under the rate schedule that applies to the class of service used.

201.2 Rate schedules applicable to various classes of service may be obtained from the Company upon request. Only single phase service will be supplied under a residential rate schedule. Temporary use, seasonal use and standby service may be subject to special rate provisions and charges. Information is available at the offices of the Company.

202. Resale of Energy

The Company will not supply energy for resale except as expressly covered by special contract or where such provision is a part of the rate schedule.

203. Temporary Service

Temporary service is any service for construction work, carnivals, gravel pits, occasional lighting, etc., which is not expected to continue in use for a period long enough to justify the construction cost necessary for extending service. When temporary service is desired the Customer shall, in addition to paying the scheduled rates, make deposit in advance in the amount of the Company's estimated cost of installing and furnishing such temporary service facilities together with the cost of disconnecting and removing same and the estimated billing to the Customer for electric service. Final billing will reflect credit for the salvage value of materials used in providing the temporary service. Any deficiency in such advance payment shall be paid by the Customer upon presentation of bill. Any amount deposited in excess of final billing by the Company will be refunded to the Customer.

204. Standby Service

Where electric service is supplied as standby to a Customer's generating facilities or vice versa, the Customer shall provide and install at his expense a suitable double-throw switch or other device which will completely isolate the Customer's power facilities from the Company's system. The service entrance shall be installed so that the phase

conductors will be totally isolated from the Customer's wiring before the standby unit is put into operation.

205. Parallel Service
Parallel operation of the Customer's generating equipment with the Company's system shall be permitted to the extent provided in other approved rates.

206. Transformer Installations on Customer's Premises
206.1 The Company may supply transformers to be installed in the Customer's building or on the Customer's premises when requested by the Customer and in accordance with the following paragraphs.

206.2 The Customer shall agree to indemnify and save the Company harmless from any loss, damage, expense or liability, incurred or arising from, or out of the installation, operation, maintenance, repair or removal of its transformers, cables, conductors, apparatus and all other Company property, material or equipment placed on the Customer's premises or in the Customer's building.

206.3 Power or distribution transformers with primary voltage of 2400 volts or higher will not be installed in Customer's building unless a vault suitable for the purpose is provided by the Customer. Transformer vault construction must comply with the requirements of the latest edition of the National Electrical Code and current supplements thereto.

206.4 The Company will furnish, own and maintain conventional oil filled transformers at no cost to the Customer. However, where dry type transformers, transformers containing a nonflammable insulating coolant or oil filled transformers of special voltage or design are required they shall be owned, installed and maintained by the Customer at his expense.

206.5 Padmounted transformers may be installed on Customer's premises. The Customer shall furnish a suitable concrete pad, conduit, ground rod and service conductors as noted in Figure 8. Where the Customer has more than four parallel conductors, a cable junction enclosure and conduit to the transformer location may be

required. The Customer shall consult with the Company to determine when a cable junction enclosure is required.

206.6 Where the transformer is installed adjacent to an asphalt or concrete driveway, parking lot, or walkway, the Customer shall provide conduit from the transformer location to a point beyond the driveway, parking lot, or walkway to accommodate the Company's primary voltage cable. The Customer shall consult with the Company to determine the proper size conduit.

206.7 Refer to Figure 8 for additional information on transformer location.

Section 300 - ELECTRIC SERVICE AVAILABLE

301. Frequency
All service supplied by the Company is alternating current at a nominal frequency of 60 Hertz.

302. Secondary Voltages (See also Section 400.)
302.1 In general, the following classes of service are normally supplied:

Phase	Wires	Nominal Voltage	Nominal Service
1	3	120/240	Single Phase Lighting & Power
3	4 Delta	120/240	Combined Light & Power
3	4	208 Grd Y/120	Combined Light & Power
3	4	480 Grd Y/277	Combined Light & Power
3	4 Delta	240/480	Combined Light & Power
3	3 Delta	480	Combined Light & Power

302.2 Service at other voltages may be made available for approved loads upon special application to the Company. Supplying such service may require special construction and equipment by the Customer and the Company. The details of such construction and equipment are subject to negotiation between the Company and the Customer before service is supplied.

302.3 As the voltage and number of phases which will be supplied depend upon the character of the load, its size, and location, it is necessary that the Customer consult with the Company regarding the type of service which will be furnished before proceeding with the purchase of equipment or the installation of wiring. (Refer to Paragraph 109.)

302.4 The Customer's wiring for single phase installations shall be such that the difference in loads on each side of the supply neutral shall not exceed 10% of the total load.

302.5 For three phase grounded wye installations, the load shall be balanced so that the difference in loads on the separate phases shall not exceed 10% of the total load.

303. Primary Voltages (See also Section 500.)
Service may be made available at primary voltage of 2400 volts or higher. Since the available primary voltage is not the same in all communities, or localities within the communities, the Customer must consult the Company when such service may be required.

Section 400 - SECONDARY VOLTAGE SERVICE
(Under 600 Volts)

401. Secondary Voltage Service Connections
The location of the service connection is subject to approval by the Company. It is essential, in order to avoid errors, that the architect, contractor, wireman or others consult with the Company to determine the preferred location. The Company will cooperate with the Customer to the fullest extent practicable in determining such location. Once established, any change by the Customer may result in billing to the Customer for any additional work or materials required by the Company.

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402. Service Connections and Disconnections
All connections or disconnections of overhead or underground services, regardless of the voltage, will be made by the Company at the point where the Company's facilities join those of the Customer. No Customer or agent of the Customer will be authorized to make such connections or disconnections. (Refer to Paragraphs 105, 106, 107 and 108.)

403. Number of Service Drops
In general, one service drop will be installed for each customer location. Exceptions will be made in special cases where it is mutually advantageous to the Customer and the Company.

404. Services in Raceways
Where services are installed in raceways, the installations must comply with the requirements of the latest edition of the National Electrical Code.

405. Service Entrance Requirements
405.1 The Company recommends that the service entrance for single family residences be not less than three conductor No. 2 AWG Copper (100 ampere switch) or its equivalent. The service entrance should be as much larger as is required to permit a load addition of 100%. All service entrance conductors shall be of the stranded type. Bare neutral shall not be installed in conduit due to the possibility of radio interference. The Company should always be consulted regarding services to multiple dwellings, commercial or industrial buildings. A special note should be made that no more than six service switches may operate on one service entrance without a switch ahead of the meters.

405.2 Ample length of service entrance conductor shall be left protruding from the service head and at padmount equipment facilities to allow for proper connection to the service drop for overhead installations and to padmount equipment terminals.

405.3 When entrances are parallel in two or more conduits, all phases shall be run in each conduit and all wires shall be of the same length.

405.4 The service entrance conductors between the Company's service attachment and the meter device shall be in accordance with provisions of the National Electrical Code, state code and local ordinances. The conductors shall be run continuously without a splice from the wire attachment to the meter device and from the meter device to the service switch.

406. Identification of Conductors

406.1 For purposes of identification, the neutral wire of each single phase entrance shall be clearly marked at the service outlet as well as at the meter location.

406.2 Where 4-wire, three phase service entrances are installed, the neutral conductor and the "wild" phase conductor (nominal 208 volts to ground) shall each be clearly marked at the service outlet, at the meter and at service equipment.

407. Conductor Switching and Fusing

All ungrounded conductors shall be properly insulated, and protected by circuit breakers or switches and fuses.

408. Neutral Grounding

The neutral conductor of the Customer's wiring shall be grounded in accordance with provisions of the National Electrical Code, state code and local ordinances.

409. Overhead Service Drops

409.1 The service entrance shall be located so the overhead service drop from the Company's line will allow conductors to maintain a clearance of not less than three feet from windows, doors, porches, fire escapes or similar locations. Conductors running above the top level of a window are considered out of reach from that window.

409.2 In cases where the contours of the building are such that proper clearances cannot be maintained by attaching the service drop directly to the building, the Customer shall install and maintain a supporting structure of sufficient mechanical strength to support the wires and of sufficient height to provide the necessary clearances.

409.3 On buildings constructed of wood, the service entrance shall be run to a point where the service attachment can be made to a studding. If this is not possible, a firm means for mounting the service attachment shall be provided.

409.4 On buildings constructed of materials other than wood, the Customer shall install the necessary facilities for mounting the service drop attachment. The Company will supply the attachment for the Customer to install at the time the building is being constructed.

409.5 The service entrance head must be located above the point of attachment of the service drop to the building. The point of attachment shall be established so that the drip loop is not less than 10 feet above finished grade and shall be at a height to permit the minimum clearance requirements listed in Paragraph 409.7 (Refer to Figure 2.)

409.6 The service entrance head shall be installed to permit the service drop wires to be attached to the building at a location to maintain clearance over railroads, highways, streets, driveways, roofs, communication or signal wires, and away from windows, awnings and other obstructions on the building.

409.7 Service drop conductors shall not be readily accessible and when not in excess of 600 volts, shall conform to the following general requirements. Refer to the National Electrical Safety Code for possible exceptions.

Clearance over roof - Conductors shall have a clearance of not less than 8 feet from the highest point of roofs over which they pass with the following exceptions:

a. Where the voltage between conductors does not exceed 300 volts and the roof is not readily accessible the clearance may be not less than 3 feet. A roof is considered readily accessible if the means of access is through a doorway, ramp, stairway, or permanently mounted ladder.

b. Service drop conductors of 300 volts or less which do not pass over other than a maximum of 4 feet of the overhang portion of the roof for the purpose of terminating at a (through-the-roof) service raceway or approved support may be maintained at a minimum of 18 inches from any portion of the roof over which they pass.

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Clearance from ground - Service drop conductors shall have the following minimum clearance from ground:

15 feet - above spaces or ways accessible to pedestrians only. This clearance may be reduced to the following values:
(a) 12 feet for service conductors less than 300 volts to ground
(b) 10 feet for drip loops of triplex (or quadruplex) service conductors less than 150 volts to ground and the portion of the associated service drop span located within 15 feet of the service entrance to buildings.

15 feet - over residential driveways and commercial areas not subject to truck traffic. This clearance may be reduced to 12 feet for:
(a) triplex (or quadruplex) conductors less than 750 volts to ground
(b) open supply line conductors less than 300 volts to ground.

18 feet - over commercial areas, parking lots, agricultural or other areas subject to truck traffic.

18 feet - over public streets, alleys, roads and driveways on other than residential property.

18 feet - over swimming pools, or within 10 feet, measured horizontally, of the pool edge. In addition, there must be 14 feet clearance measured in any direction from every point on a diving platform or tower. Both requirements apply to triplex (or quadruplex) less than 750 volts to ground.

NOTE: These clearances comply with the 1984 Edition of the National Electrical Safety Code. Refer to the latest edition of this publication for current clearance requirements.

409.8 A farm yard service pole shall be installed on farm installations by the Company for the Customer's convenience in installing service to each of several buildings on the farm. The Customer shall be responsible for installation of all materials. Transformer poles shall not be used for service poles.

410. Secondary Voltage Underground Service

410.1 Where the Customer desires an underground service, he must furnish and install conduit from the line side of the meter socket to a point a minimum of 12 inches below grade. (Refer to Figure 1.) Customer shall also provide necessary conduit for services under any asphalt or concrete driveway, walkway, or parking lot. Where a Customer plans to convert from an overhead to an underground service, he must provide all necessary changes to his service entrance, including relocation, and be responsible for permits and extraordinary charges such as concrete or asphalt work, landscaping damage, unforeseen underground obstructions, frozen ground, etc. To avoid extraordinary charges the Customer may provide the trench.

410.2 If an owner requests underground service from an existing overhead line and desires to own the underground service, he may do so and not be charged the Company's underground service charge. (Refer to Figures 1 and 3.)

411. Mobile Home Service

The Company will connect from and after April 7, 1983 its service conductors to a Company approved but Customer owned metering pedestal or meter socket and meter mounting device. The Customer, as the term is used in this section, is considered to be the mobile home court owner for installations in approved mobile home courts and the mobile home owner for installations on a private lot.

Section 500 - PRIMARY VOLTAGE SERVICE
(2400 Volts or More)

501. General

The Company offers electric service at primary voltages of 2400 volts or higher. A Customer desiring to take service at primary voltage shall furnish and own the conductors from the point of delivery and shall consult the Company to assist in determining the size, type and arrangement of service entrance equipment and conductor specifications required for the Customer's particular needs. It is recommended that the Customer consult the Company concerning advantages of certain filed rates which allow a discount when the Customer owns the conductor, transformers and other equipment on the Customer's side of the primary metering point.

502. Service Entrance Equipment
The service entrance equipment shall perform the following functions:

a. Isolate the load from the supply circuit by visible means.
b. Automatically break the circuit in the event of overload.
c. Permit manual opening of the circuit at full load.

503. Overcurrent Protection
Overcurrent protective devices may be as follows:

a. Fuses
b. Automatic trip circuit breakers

The automatic overcurrent protective device must have an interrupting rating, at circuit voltage, equal or exceeding the maximum short circuit current available at the location where service is taken. The Company should be consulted as to the proper specifications for such equipment since maximum short circuit currents are subject to change through upgrading of the Company's distribution system.

504. Isolating Switches
The isolating switch shall provide visible evidence that the circuit to which it is applied is open or disconnected. It shall be so located in the circuit that it disconnects all service equipment from the source of supply. Where automatic circuit breakers are used as circuit protective equipment they shall be accompanied by isolating switches located in the supply side of the circuit.

505. Load Break Switches
Isolating switches (Paragraph 504) are not considered to possess load-break capability. They shall be accompanied by a switch capable of interrupting the full load on the circuit.

506. Disconnecting Means
506.1 If a Customer's service consists of only one circuit only one set of devices is required as itemized in Paragraph 502, above.

506.2 If the Customer's service consists of more than one but less than seven circuits, one set of devices is required for each circuit as itemized in Paragraph 502, above. A master isolating switch shall be installed at the source side and ahead of

all circuits and their devices. In no case will more than six circuits be supplied from a single installation.

507. Load Balance
Loads on the three phases shall be balanced as closely as possible. The maximum unbalance permitted between individual phase loads is 10% of the total three phase load.

Section 600 – METERING

601. General
The Company will install the necessary meters to measure the electrical energy delivered under each account for a particular class of service.

602. Meter Installations
602.1 The Company will furnish all meters required for billing purposes.
It shall be the Customer's responsibility to furnish, install and maintain the meter mounting device. Company approved specifications for electric meter sockets and metering transformer enclosures are listed below:

Self-Contained Meter Sockets - Single Phase, Three Phase and Multiple Position Type

1. U.L. approved
2. 100 ampere minimum for overhead service installations
3. 150 ampere minimum for underground service installations
4. Connections to be stud type
5. Recommend fittings to be compression type
6. Recommend ringless
7. Equipped with a fifth terminal where network metering is required
8. Recommend a manual lever bypass feature where power cannot be interrupted because of computers, alarm systems, etc.
9. Automatic bypass feature is not acceptable

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Current Transformer Rated Meter Socket, Single Phase

1. U.L. approved
2. Minimum size must provide space for test switch installation
3. Recommend ringless
4. Recommend one piece cover
5. Socket must have six terminals
6. Automatic by-pass feature is not acceptable
7. Consult with Company prior to purchasing any instrument rated socket

Current Transformer Rated Meter Socket, Three Phase

1. U.L. approved
2. Minimum size must provide space for test switch installation
3. Recommend ringless
4. Recommend one piece cover
5. For three phase, three wire, the socket must be equipped with 8 terminals, all others must be equipped with 13 terminals
6. Automatic by-pass feature is not acceptable
7. Consult with Company prior to purchasing any instrument rated socket

Current and Voltage Transformer Enclosure (Secondary Service)

1. Recommend a durable, weather-resistant finish and weatherproof seal
2. Must be provided with hinge-type cover and provisions to attach locking or sealing device
3. Minimum size 10" x 24" x 30" with suitable mounting brackets for current and voltage transformers.
4. Consult with Company prior to purchasing any metering transformer enclosure.

602.2 Socket type meters with capacities up to 200 amperes and under 300 volts for single or two-family residences, farms and small commercial establishments shall, where possible, be placed out-of-doors.

602.3 On large capacity installations over 200 amperes and under 600 volts, the Company will furnish and install the current transformers when required. Where practical, such installations shall be arranged for outdoor metering. (Refer to Figure 4.)

602.4 Where it is determined that a secondary metering transformer enclosure is required, the Customer shall furnish and install a sealable steel enclosure. Such enclosures shall contain only the service entrance conductors and metering transformers. Customer's distribution circuits shall not be taken through the metering transformer enclosure. The metering transformers shall be installed on the line side of the Customer's disconnecting device. Suitable lugs, connectors, etc. for connecting metering transformers to service mains shall be provided by the Customer. The Company will furnish and own the current transformers and voltage transformers where required. (Refer to Figure 5.)

The Company shall always be consulted as to whether a metering transformer enclosure will be used, and for minimum steel enclosure sizing.

602.5 For larger installations having switchboards, the metering transformers may be mounted in the switchboard bus, provided they are accessible for changing and testing.

602.6 Meters and test switches may be mounted on a suitable panel adjacent to the metering transformer enclosure.

603. Meter-Switch-Fuse Wiring Sequence

For all secondary voltage metering installations the meter, entrance switch and main line fuse or breaker shall be installed in the order named with respect to power flow. When more than six meters are served by one entrance a Customer owned main service switch shall be installed on the source side of the meters. (Refer to Figure 6.) Also, a Customer owned main service switch shall be installed on the source side of all 480 volt, self-contained meters.

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604. Meter Locations

604.1 Each meter shall be located in compliance with the National Electrical Code and local ordinances in a place of convenient access and where it will not create a hazard. The location shall be agreed upon by the Customer's representative and the Company. (Refer to Figure 1.)

604.2 Meters shall be located so that there is not less than 3 feet of unobstructed space in front of the meter and so that the center line of the meter is not less than 4 feet nor more than 5 feet above the floor, ground, or permanent platform from which the reading will be taken.

605. Outdoor Metering

Outdoor meters shall be permanently mounted on secure structures such as houses, buildings, poles, etc. in easily accessible locations and where they do not create a hazard. All required conduit will be provided by customer. (Refer to Figures 1 and 4.)

606. Indoor Metering

606.1 Indoor meters for multiple dwellings, large office buildings, etc. shall be grouped and located as near the service entrance location as practicable. (Refer to Figure 6.)

606.2 Meter panels shall be furnished and installed by the Customer in a clean, dry location free from vibration.

607. Wiring Diagrams

Typical wiring diagrams for various types of self-contained meters are shown on Figure 7. These are subject to change from time to time with advancement in the art of metering. Refer to Figure 7 for proper location of "wild" phase for three phase, four wire delta installations.

608. Labeling

Where two or more meter mounting devices are installed at one location, each shall be labeled so that it may be identified as to the Customer served. Electrical contractors are requested and cautioned to check and identify wiring circuits carefully to avoid metering errors due to incorrect circuitry.

609. Seals

609.1 All meters and all points of access to Customer wiring on the source side of the meter will be sealed by the Company. All cabinets and switch boxes, either inside or outside of the building, which contain unmetered wires shall have provision made for sealing before service will be supplied. (Refer to Paragraph 602.4.)

609.2 The breaking of Company seals and/or tampering with meters and unmetered wiring by unauthorized persons is prohibited by law. (Refer to Paragraph 110.)

Section 700 - UTILIZATION EQUIPMENT

701. Interfering Loads

Whenever a Customer's utilization equipment has characteristics which cause undue interference with the Company's service to other Customers, the Customer shall provide, at his expense, the necessary equipment to prevent or eliminate such interference. The Company may install and maintain at the Customer's expense the necessary equipment to eliminate such interference if it deems it advisable. When a Customer's equipment or method of operation causes such interference and the Customer does not correct the condition after being so requested by the Company, the Company reserves the right to discontinue the electric service, following written notification of its intent to do so; and service will not be re-established until the conditions complained of have been corrected.

702. Power Factor

Whenever the Customer's utilization equipment is of such characteristics as to produce a low power factor, the Company reserves the right to require the Customer to raise such power factor, at the Customer's expense, or to pay additional charges as provided in certain of the Company's rates on file with the State Public Service or Utilities Commission of the state wherein the Customer is located.

703. Water Heaters

Water heaters shall be equipped with thermostatically controlled non-inductive heating elements designed for 240 volt single phase service.

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704. Motion Picture Apparatus
Motion picture apparatus, photo lamps and rectifiers requiring more than 15 amperes shall be suitable only for 208 or 240 volts supply.

705. X-Ray Equipment
X-ray equipment requiring more than 15 amperes shall be connected for 208 or 240 volts supply. At the option of the Company, such equipment may be separately metered and/or supplied from separate transformers.

706. Electric Welders
Electric welding apparatus shall require special arrangements with the Company to determine its ability to serve before installation is made. (Refer to Paragraph 702.)

707. Electric Motors
707.1 Motors have standard voltage ratings of 115/230 volts for single phase and 220/440 volts for three phase. Motors are designed to operate at their rated voltage, plus or minus 10%; thus a 220 volt three phase motor will operate satisfactorily at 208 volts or 240 volts.

707.2 All three phase motors connected to the Company's lines should be equipped with low-voltage and single phase protection to insure that such motors will be disconnected from the line or the starting equipment returned to the "off" position in case of failure of normal voltage supply.

707.3 Reverse phase relays are recommended for equipment such as elevator motors, cranes, etc. to protect the installation in case of phase reversal. The Company makes every effort to prevent change in phase rotation of its three phase system, but it cannot guarantee against such occurrence.

707.4 Single phase, infrequently started motors may be operated at 120 volts provided the locked rotor current of such motors does not exceed 45 amperes. Frequently started motors may be operated at 120 volts provided the locked rotor current of such motors does not exceed 25 amperes.

Motors up to and including 7 1/2 h.p. may be operated at 208 or 240 volts except that when the nameplate rating is higher than 5 h.p., compensating starting equipment may be required to limit the starting current. Such cases shall be referred to the Company for approval. (In locations where three phase service is not available, single phase motors larger than 7 1/2 h.p. may be operated with approval of the Company.)

707.5 In general, three phase motors up to and including 10 h.p. nameplate rating, operating at 208, 240, or 480 volts, may be equipped for across line starting. Motors larger than 10 h.p. may use across line starting in some instances, depending on frequency of starting, motor location, etc. Such cases shall be referred to the Company for approval. Reduced voltage starting equipment, when required, shall be furnished by the Customer.

For motors above 50 h.p., the Company shall be consulted for determination of permissible locked rotor current.

When a single piece of motor driven apparatus has more than one motor starting simultaneously, the sum of the maximum starting currents of those motors starting simultaneously and also the sum of their horsepower rating shall be furnished to the Company to determine when reduced voltage starting may be required.

707.6 Locked rotor currents are obtainable from motor manufacturers.
Where frequent starting of motors may interfere with service to other customers supplied from the same secondary or primary lines, the Company reserves the right to limit locked rotor currents.

708. Flashing Display Signs
The Company reserves the right to refuse service for "flashing" display signs or display lighting where such service would interfere with voltage regulation of the secondary system.

709. Fluorescent and Gaseous Tube Lighting
High power factor ballasts or transformers must be used for fluorescent, mercury vapor, neon or other gaseous tube lighting equipment. It is required that such equipment operate at a power factor of not less than 90% lagging.

710. Electric Heat Equipment

A Customer planning to install resistance type heating, heat pump, electric furnace, electrode boiler, etc. shall consult with the Company, preferably before purchasing the equipment, so that operational modes of this equipment are determined to be acceptable for connection to the Company's distribution system. It is important that consultation is obtained prior to installation of this equipment so the Company can provide adequate equipment and conductor capacity to efficiently serve the Customer's requirements. Consultation shall be required only for permanently installed electric heat equipment and where it is the Customer's primary heat source.

711. Computers and Electronic Equipment

Computers and other sensitive electronic equipment which require high grade, uninterrupted power may, on occasion, experience problems when connected directly to the Company's distribution system. The customer should check with an electric dealer, wireman, contractor, engineer, or architect to ascertain the need for lightning arresters, surge suppressors, isolation transformers, standby or uninterruptible power supplies. (Refer to Paragraph 113.)

712. Carrier Equipment

The Customer shall not impose, or cause to be imposed, any electric signal of any frequency or magnitude upon the Company's distribution system.

713. Lighting Service to Athletic Fields

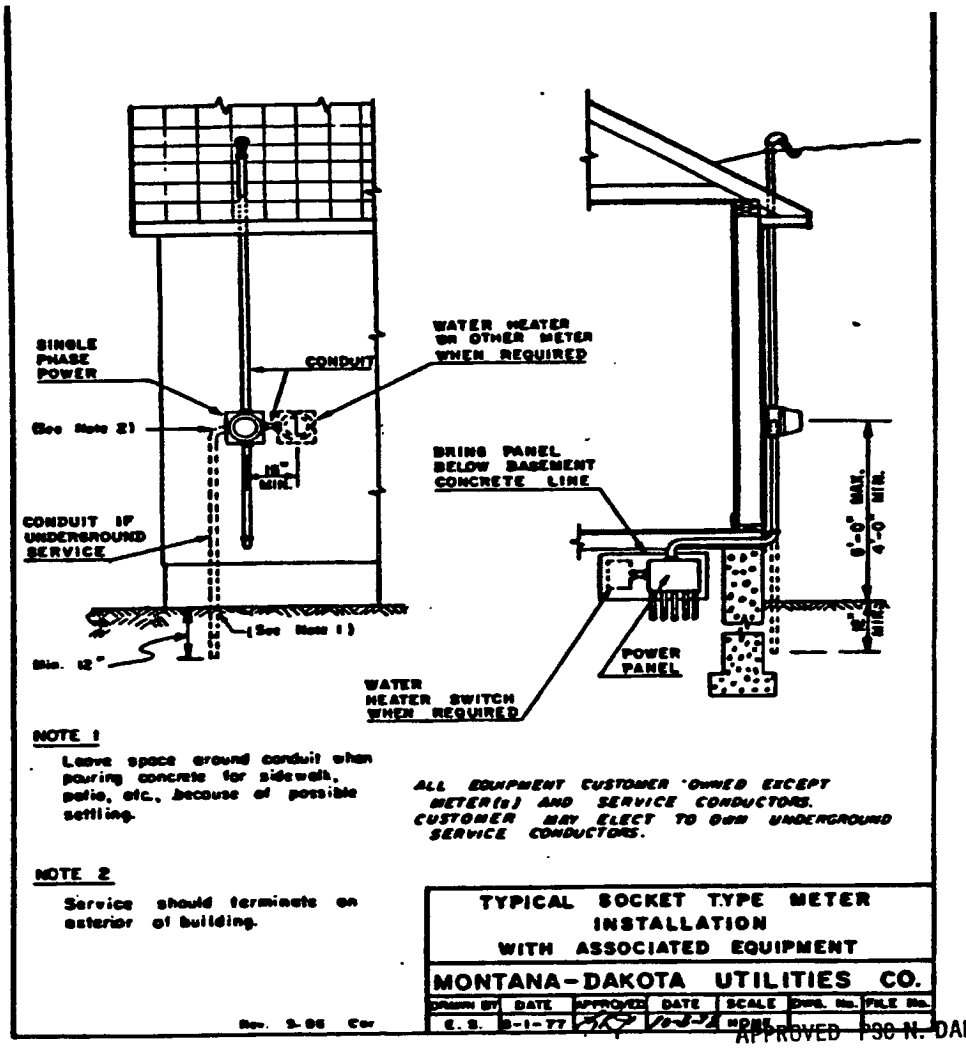
All new installations shall be served at primary voltage. Loads greater than 50 Kw shall be served three phase. The customer shall furnish, install, and maintain the entire installation, including distribution transformers and a load break switch suitable for operation from the ground. Metering will be accomplished by an elapsed time meter, furnished by the Company, connected at an appropriate location on the customer's 120/240 volt distribution system. The Company's General Service Rate applies with the exception that there will be no demand charge or discount for primary service.

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JUL 22 1986

FIGURE 1

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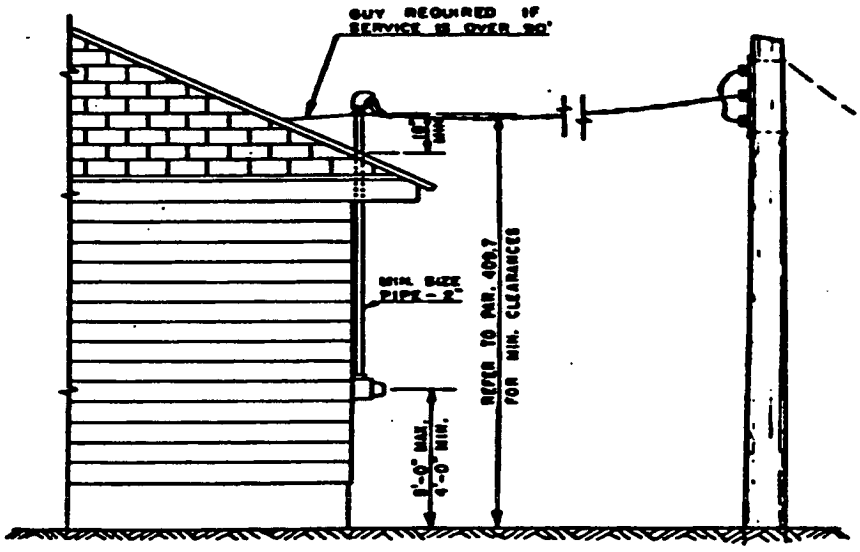
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TYPICAL SERVICE ATTACHMENT						
MONTANA-DAKOTA UTILITIES CO.						
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E. S.	8-2-77		10-3-77	NONE		

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FIGURE 2

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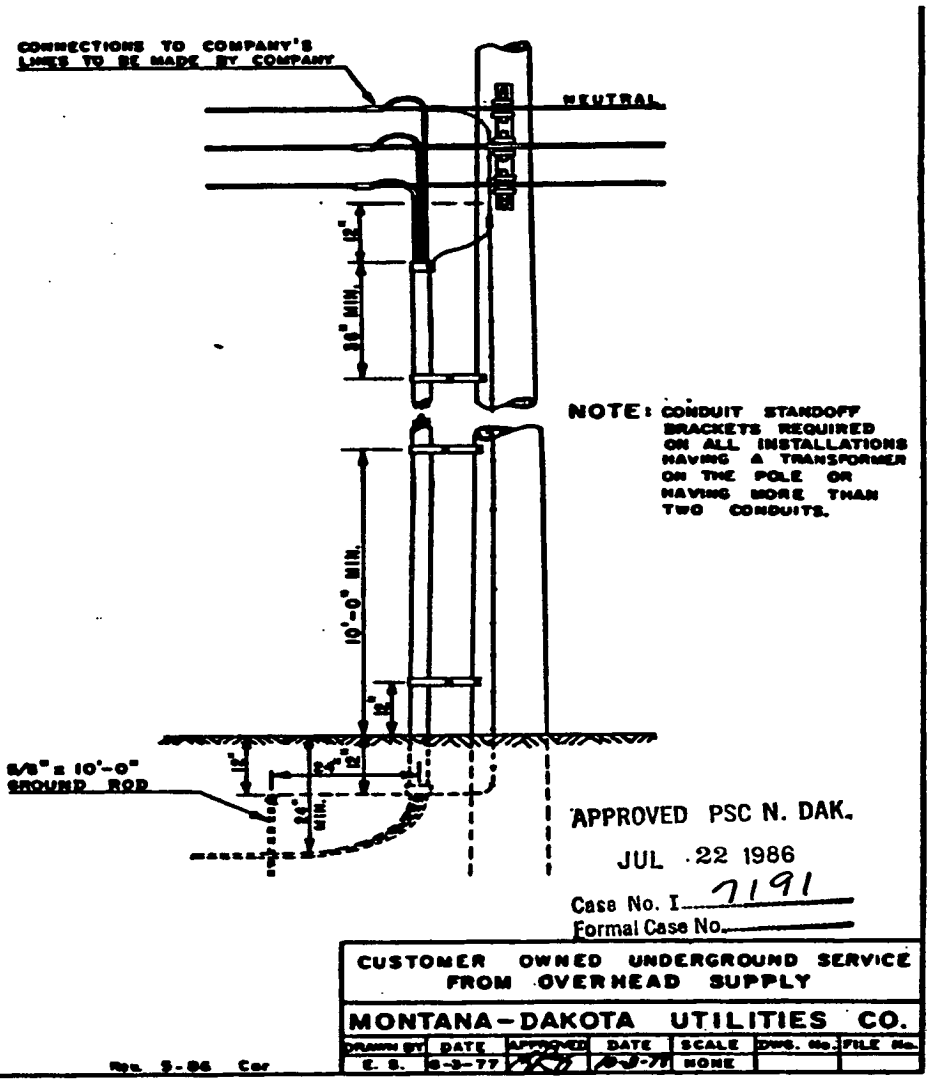


FIGURE 3

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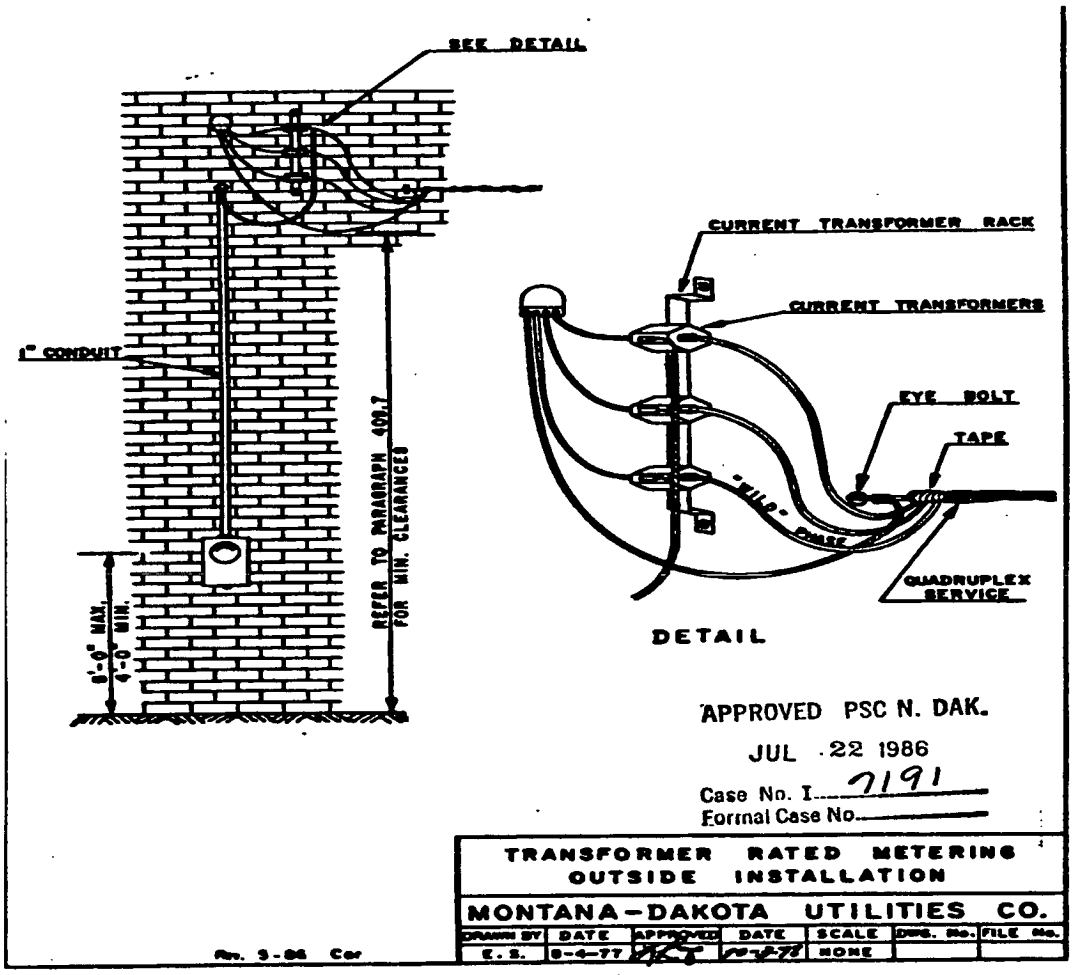


FIGURE 4

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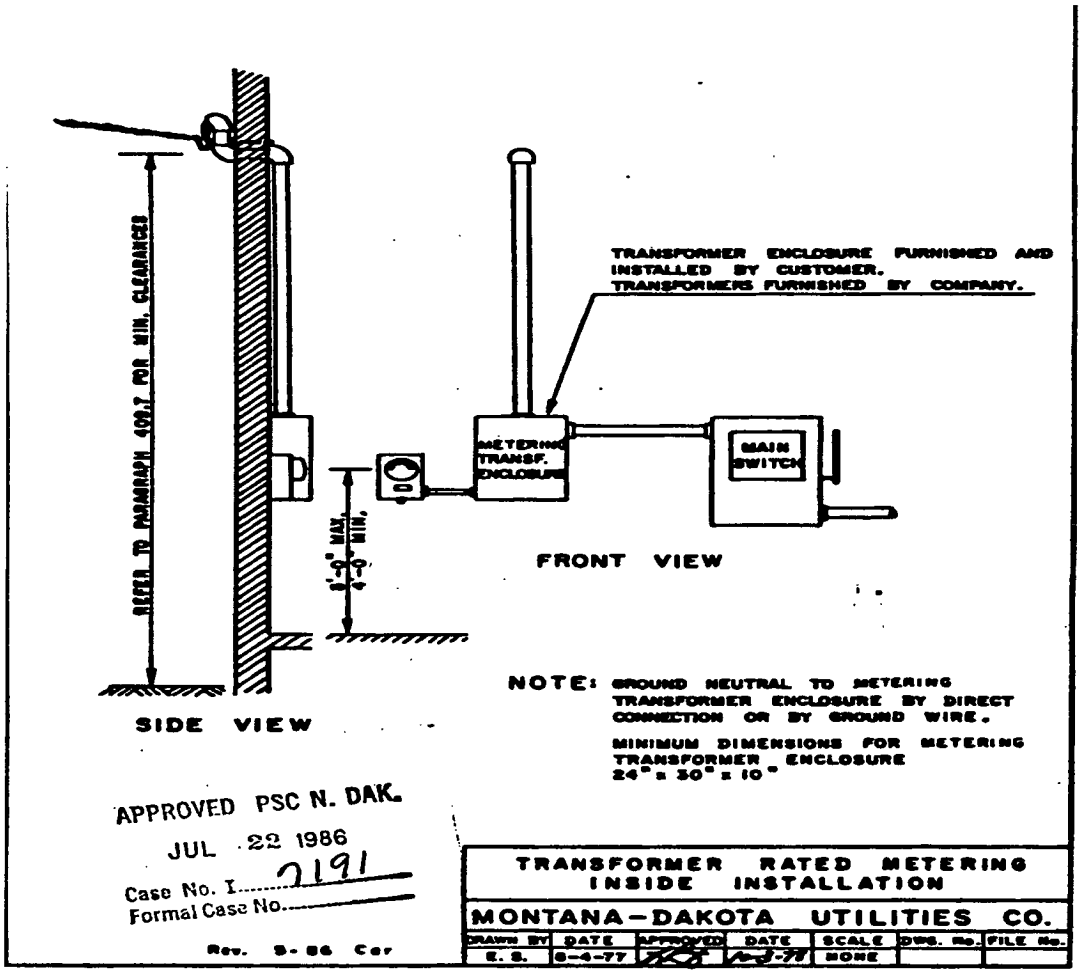


FIGURE 5

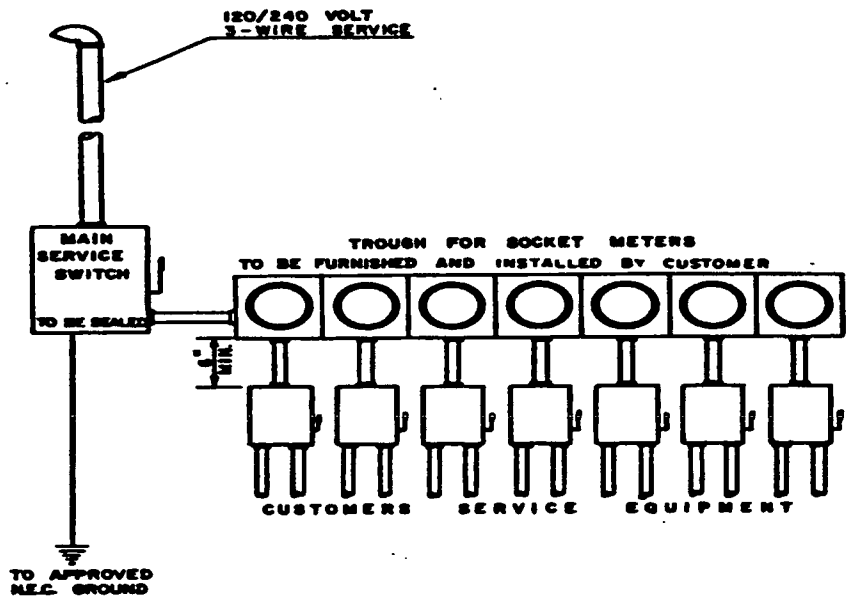
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NOTE: INSTALLATION SHALL COMPLY WITH N.E.C. AND LOCAL ORDINANCES. MAIN SWITCH NOT REQUIRED FOR SIX METERS OR LESS.

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SERVICE INSTALLATION FOR MULTIPLE DWELLINGS						
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FIGURE 6

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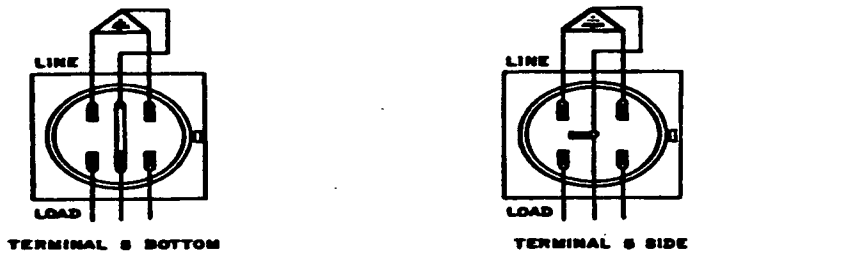
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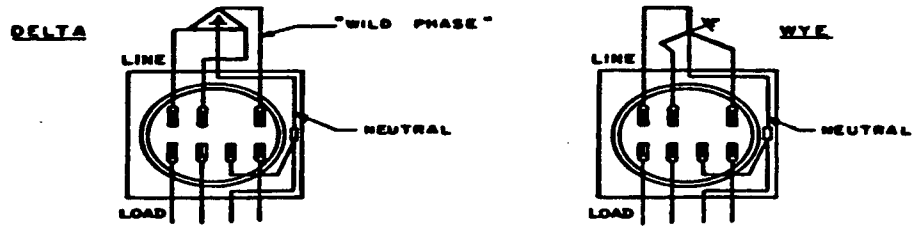
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3-WIRE 3-PHASE DELTA 240 V.



4-WIRE 3-PHASE DELTA AND WYE

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POLYPHASE SELF CONTAINED METER CONNECTIONS						
MONTANA-DAKOTA UTILITIES CO.						
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FIGURE 7

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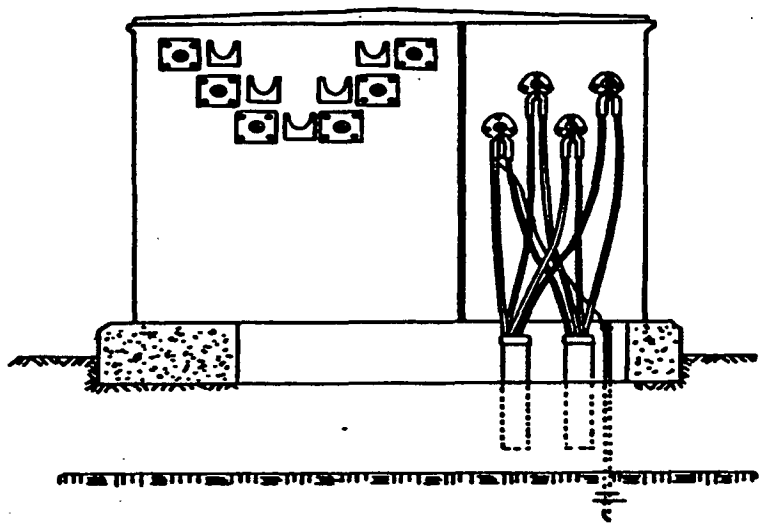
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NOTES

CONSULT WITH COMPANY FOR ACTUAL EQUIPMENT PAD DIMENSIONS.

TRANSFORMER PAD, SERVICE CABLE, CONDUIT AND GROUND ROD FOR SERVICE CABLE GROUNDING ARE FURNISHED BY CUSTOMER.

ALLOW SUFFICIENT SLACK IN SERVICE ENTRANCE CONDUCTOR TO ALLOW FOR PROPER CONNECTION TO EQUIPMENT TERMINALS.

SERVICE CONNECTORS TO BE FURNISHED BY COMPANY.

CONNECTION TO COMPANY'S EQUIPMENT TERMINALS TO BE MADE BY COMPANY.

WHEN MORE THAN FOUR CONDUCTORS ARE INSTALLED FOR EACH PHASE, CONSULT COMPANY FOR TRANSITION CABINET REQUIREMENTS.

Redrawn 5-86 Csr

TRANSFORMER LOCATION

1. MINIMUM SEPARATION OF FIVE FEET MUST BE MAINTAINED BETWEEN OIL-FILLED PADMOUNT TRANSFORMERS AND NONCOMBUSTIBLE OR COMBUSTIBLE STRUCTURES.
2. ALL OIL-FILLED PADMOUNT TRANSFORMERS MUST BE INSTALLED SO ANY FLOW OF OIL RESULTING FROM A FAILURE OF THE TRANSFORMER WILL FLOW AWAY FROM ANY STRUCTURE.
3. A TRANSFORMER SHOULD BE LOCATED AWAY FROM TRAFFIC AREAS OR PROTECTED WITH A SUITABLE BARRIER SUCH AS CONCRETE FILLED PIPE PROVIDED BY THE CUSTOMER.
4. WHEN LOCATING PAD, CONSIDER OVERHEAD CLEARANCE FOR POSSIBLE TRANSFORMER REPLACEMENT.

TYPICAL PADMOUNT EQUIPMENT INSTALLATION

MONTANA-DAKOTA UTILITIES CO.

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FIGURE 8

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~~**RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111**~~

~~The Company will make underground residential distribution facilities available to serve residential customers according to the following rules and regulations and subject to the rates filed with the North Dakota Public Service Commission:~~

1. ~~Where the developer requests it, underground distribution and services will be provided in new subdivisions having 25 or more homes on contiguous lots available to the extension. The developer/owner(s) will furnish such easement rights as the Company may require for the installation, operation, and maintenance of the underground distribution, and will furnish a copy of a recorded plat or map showing the location of the area for which underground service is being requested. The service cable will be owned by the Company terminating at the meter socket located on the house, except the customer will furnish and install the conduit from the line side of the meter to a point a minimum of 12" below the ground. At the Company's option, it may extend its underground residential distribution in new areas to fewer than 25 customers.~~

2. ~~When the property owner(s) requests it, underground residential distribution and services will be provided to replace existing overhead distribution to a group of owner(s) cooperating with one another, providing a minimum of 25 homes on contiguous lots are available to the conversion or extension thereof. The owner group shall, prior to the installation of the underground distribution system, secure such easement rights as the Company may require for the installation, operation, and maintenance of the underground distribution. The owner(s) will provide all necessary changes in the service entrances, including relocation, to convert to underground service at no cost to the Company. This will include the installation of the conduit from the line side of the meter socket to a point a minimum of 12" below the ground. The owner(s) will reimburse the Company for the cost of removal of the existing overhead distribution multiplied by the fractional life remaining, plus the total installed cost (including material), based on present day costs, of the facilities to be removed multiplied by the fractional life remaining, less the salvage value of all materials removed based on present day new values multiplied by the fractional life remaining.~~

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RULES FOR UNDERGROUND ELECTRIC RESIDENTIAL DISTRIBUTION Rate 111

3. ~~At the property owner's request, underground services from an existing overhead distribution system will be made available to residential customers. The customer will furnish and install the conduct from the line side of the meter socket to a point a minimum of 12" below the ground. When the owner(s) desire(s) to covert from overhead to underground service, he must provide all necessary changes in his service entrance, including relocation. If an owner requests underground service from an existing overhead line and desires to own the underground service, he may do so and not be charged the Company's underground service charge.~~

4. ~~These rules will apply to multiple occupancy dwellings of less than three units. If in an area served by overhead distribution the Company finds it expedient to serve an apartment building of three units or more, by underground primary service, the occupants of the apartment building will not be charged the underground service rate. Occupants of two-units apartment buildings will be charged the rate for underground service.~~

5. ~~Residential underground distribution will be provided in new trailer courts or in existing trailer courts where the Company does not now own the distribution facilities if 25 or more trailer homes will be served therefrom. The Company's facilities will terminate at the line side of the meter pedestal or socket, which will be installed and owned by the customer. At the Company's option it may provide underground residential distribution to fewer than 25 customers in trailer courts.~~

6. ~~In general, the underground residential distribution will be served from overhead distribution feeder lines.~~

7. ~~Where abnormal conditions causing extraordinary costs on any part of the extension exist, a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.~~

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8. ~~The Company has on file with the North Dakota Public Service Commission rates for service provided by underground distribution, which include an additional monthly charge for underground electric residential service for 96 monthly billing periods. If the customer desires, he may make an advance payment of $144, instead of being billed for 96 months under the special terms for underground service.~~

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Canceling Original 112

ELECTRIC EXTENSION POLICY Rate 112

The policy of Montana-Dakota Utilities Co. for electric extensions to provide service to customers located within its service territory is as follows:

1. A permanent extension may be constructed without a contribution if the estimated project construction cost is equal to or less than two times the estimated annual revenue (2 to 1 ratio).

2. If the estimated project construction cost is greater than two times the estimated annual revenue, the extension will be made only with a contribution, which may be refundable.

   a. Contribution -

      1) When a contribution is required of any customer, with the exception of those customers defined in 2) below, the formula for determining the amount of the initial contribution shall be the estimated construction cost less two times the estimated annual revenues.

      2) The initial contribution for developers of subdivisions shall be the estimated construction cost.

      3) Payment of the initial contribution amount shall be made prior to construction.

      4) Upon completion of construction, the contribution amount shall be adjusted to reflect actual construction costs and an additional charge or refund levied accordingly.

      5) Company may waive all contributions if it determines that the initial contribution will be soon refunded because of additional customer connections.

b. Refund -
   1) If within a five-year period from the date initial service is established, one or more additional customers are added to the above referred to extension, Company shall recompute the contribution required by combining the estimated proposed construction cost for the new customer(s) with the construction cost to those customers already taking service. If, by so combining the construction costs, the contribution of those customers already taking service would be less, Company shall make a proportionate refund, without interest, to those customers taking service prior to commencement of service to said additional customer(s).

   2) Refunds for developers of subdivisions shall be made for each lot connected based on the following calculation: Total refundable contribution divided by the number of lots that can be served from the extension equals refund per lot. In addition, the total revenue of the subdivision will be reviewed annually to determine if adequate revenues are being generated so that the contribution formula would indicate a zero contribution. When this revenue level is reached, a refund will be made to the developer equal to the remaining contribution amount still held by the Company.

   3) No refund shall be made by Company to customer(s) or developer after a five-year period from which initial service is established, nor shall refunds be made in excess of the amount contributed.

   4) No interest will be paid by Company to customer(s) on any amount customer(s) has paid to Company as a contribution in aid of construction.

3. Project construction cost shall include all cost of the electric extension and overhead cost less the cost of customers' transformer(s), service line, and meter. The service line is considered to be the low voltage conductors between the Company owned transformer or secondary system and the customer owned service entrance equipment.

Montana-Dakota Utilities Co.
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ELECTRIC EXTENSION POLICY Rate 112

4. Electric extension refers to any facilities which must be constructed to connect a new customer to the utility system or the addition of capacity to existing facilities.

5. Company will deliver electricity to customer at the rate approved by the North Dakota Public Service Commission.

6. Where a contribution in aid of construction is required to provide service, such extension is subject to prior execution by customer and Company of Company's standard agreement for extensions.

7. Where abnormal conditions exist, causing extraordinary costs on any part of the extension (e.g., railroad or river crossing, land clearing, special permits, etc.), a charge may be made equal to the additional cost incurred by reason of the abnormal conditions.

8. This rule shall not be construed as prohibiting the Company from making a contract with a customer in a different manner, if the contract provides a more favorable method of extension to the customer. Such determination to be made on the basis of specific extension characteristics.

9. Temporary loads, such as gravel pit operations, carnivals, etc., shall follow the Company rules for temporary services.

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NDPSC Volume 3
1st Revised Sheet No. 61
Canceling 113-N-1

METHOD OF COMPUTING INITIAL OR FINAL BILLS FOR ELECTRIC SERVICE FOR LESS THAN A FULL MONTHLY BILLING PERIOD Rate 113

Customers meters are read as nearly as practicable at thirty-day intervals. When service is begun or terminated at any location between regular meter reading dates, bills will be prorated on a daily basis, whenever the billing period is less than 27 calendar days or more than 35 calendar days. The minimum monthly bill, base rate, kilowatt hour blocks and demand charge provisions in all rate schedules will be prorated.

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Electric Rate Schedule

NDPSC Volume 3
2nd Revised Sheet No. 62
Canceling 1st Revised Sheet No. 62

RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

1. Residential Electric Service is available to any residential customer for domestic purposes only. All normal sized equipment used for domestic lighting, heating, cooking and power, and used strictly for household purposes, may be supplied through one meter.

   a. Residential service is defined as service for domestic general household purposes in space occupied as living quarters, designed for occupancy by one family. Typical service would include the following: separately metered units, such as single private residences, single apartments, mobile homes and sorority and fraternity houses (this is not an all-inclusive list). In addition, auxiliary buildings on the same premise as the living quarters, used for residential purposes, may be served on the residential rate.

   b. Motors and other equipment which interfere with service to neighboring customers, all motors larger than 5 horsepower and temporary or seasonal loads totaling more than 25 kilo-watts (Kw) will not be permitted on the Residential Electric Service Rate without prior Company approval.

   c. Only single phase service is available under the Residential Electric Service Rate.

2. Three phase service shall be served under the appropriate General Electric Service Rate.

3. General Electric Service is defined as service provided to nonresidential services, such as a business enterprise in space occupied and operated for nonresidential purposes. Typical service would include stores, offices, shops, restaurants, boarding houses, hotels, service garages, wholesale houses, filling stations, barber shops, beauty parlors, apartment houses with master metering exemptions, common areas of shopping malls or apartments (such as halls or basements), churches, elevators, schools and facilities located away from the home site (this is not an all-inclusive list).

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2nd Revised Sheet No. 62.1
Canceling 1st Revised Sheet No. 62.1

RULES FOR APPLICATION OF ELECTRIC SERVICE Rate 114

4. If separate metering is not practical for a single unit (one premise) that is using electricity for both domestic purposes and for conducting business (or for nonresidential purposes), the customer will be billed under the predominate use policy. Under this policy, the customer's combined service is billed under the rate (Residential or General Electric Service) applicable to the type of service which constitutes 50% or more of his total connected load.

5. Other classes of service furnished by the Company shall be defined in applicable rate schedules or in rules and regulations pertaining thereto. Service to customers for which no specific rate schedule is applicable shall be billed on the appropriate General Electric Service Rate.

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NDPSC Volume 3
1st Revised Sheet No. 67
Canceling 130-N

TAX CLAUSE Rate 130

In addition to the charges provided for in the electric tariffs of the Company there shall be charged pro rata amounts which on an annual basis shall be sufficient to yield to the Company the full amount of any excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality or other political subdivision for the privilege of conducting its utility operations therein.

The charges to be added to the customers' service bills under this clause shall be limited to the customers within the corporate limits of the municipality or other political subdivision imposing the tax.

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NDPSC Volume 3
Substitute 3rd Revised Sheet No. 68
Canceling 2nd Revised Sheet No. 68

SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

A. NEW METERS

A sampling of 5% will be tested at full load and at light load. If any meter is found to be off more than ±1%, the entire lot will be tested or rejected.

B. RESIDENTIAL WATTHOUR METERS IN SERVICE

1. A random selection of meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979, 1980 to 1989, etc., will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 96% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 96% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of four years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

C. COMMERCIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

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SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 98% of the meters shall be not more than plus or minus 2% in error, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

4. Whenever it is found that less than 98% of the tested meters in a given vintage class fail to meet the requirements of ±2% error limit, the entire vintage class will be tested and adjusted or, if more economic, replaced within a period of two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

D. INDUSTRIAL WATTHOUR METERS

1. A random selection of electro-mechanical meters from each vintage class - 1950 to 1959, 1960 to 1969, 1970 to 1979 and meters manufactured since 1980, will be tested annually at full load and light load. A separate selection of solid state meters from each decade - 1990's, 2000's, etc. will be tested annually at full load and light load. The sample size will depend on lot size and will be calculated per Inspection Level V in Military Standards 414 of the Department of Defense.

2. Full load readings will be given a weighting of 4 and light load readings a weighting of 1 to determine the weighted average values of meter accuracies.

3. The criteria for acceptance shall be: at least 99% of the meters shall be not more than ±2% in error at both light load and full load, as determined by the Variability Unknown, Standard Deviation Method described in Military Standards 414 of the Department of Defense.

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NDPSC Volume 3
Substitute 3rd Revised Sheet No. 68.2
Canceling 2nd Revised Sheet No. 68.2

SELECTIVE TESTING PLAN FOR WATTHOUR METERS Rate 131

4. Whenever it is found that less than 99% of the tested meters fail to meet these requirements, the entire vintage class will be tested and adjusted or, if more economic, replaced within two years. In the event the meter type failing the ±2% error limit may be identified, that meter type, regardless of vintage class, will be tested and adjusted or replaced within a period of four years rather than the entire vintage class.

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NDPSC Volume 3
1st Revised Sheet No. 70
Canceling 133-N

RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

1. These rules apply to electric service to:

   a. Any new commercial or residential building for which the physical labor involved in the erection of such building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

   b. Any substantially remodeled commercial or residential building for which the physical labor involved with the remodeling of the said building starts on or after November 1, 1980, if the said building contains more than one unit or contains facilities for multiple uses and the occupant of each unit or facility controls a portion of the electric energy used in the unit or facility.

2. This rule does not apply to hotels, motels, dormitories, nursing homes, homes for the elderly, facilities of a similar nature, or to low-income rental housing for which the cost of electricity is included in the rent, and for which the amount of the rental payment is based upon the tenant's ability to pay. Such buildings and facilities may be served by a master-meter.

3. Electric service to each unit or facility in a new or substantially remodeled building which is subject to this rule shall be provided in accordance with the applicable rate schedule for such service in the area in which the building is located.

4. Electric service to buildings which are subject to this rule shall be on an individually-metered basis, unless the owner or builder of such building presents the Company with written evidence that the North Dakota Public Service Commission has approved master-metering of electric service to the building on the basis that the owners or contractors costs of purchasing and installing facilities for separate metering together with the Company costs of purchasing and installing separate meters exceed the long-term benefits resulting therefrom.

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NDPSC Volume 3
1st Revised Sheet No. 70.1
Canceling 133-N

RULES AND POLICIES FOR IMPLEMENTING MASTER METERING RESTRICTIONS Rate 133

5. All other rules and regulations of the Company which govern electrical service in North Dakota and which do not conflict with the provisions of this rule shall apply to electric service provided to new and existing buildings which are subject to this rule. The customer is responsible for ascertaining and complying with all applicable rules and regulations of any governmental authority having jurisdiction over the subject matter of this rule.

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NDPSC Volume 3
3rd Revised Sheet No. 74
Canceling 2nd Revised Sheet No. 74

SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

General Rules for Generation:

1. The interconnection between the utility and the qualifying facility will be limited to the service voltage and phases available at the qualifying facility. If different voltages or phases are required, the necessary changes will be provided by the qualifying facility.

2. The power factor and frequency of the qualifying facility shall be such as to not adversely affect the utility system. If corrective devices are required, they will be provided by the qualifying facility.

3. Fault protection equipment shall be provided by the qualifying facility. The utility and qualifying facility shall coordinate protective devices in order to limit damage to each system.

4. The qualifying facility's interconnection shall meet the requirements of local, state and federal codes.

5. The owner of the qualifying facility shall submit equipment specifications as requested by the utility prior to owner's installation of such equipment to assure compatibility and coordination with the utility system.

6. The owner of a qualifying facility will be requested to curtail, interrupt or reduce deliveries of electric energy, in order that the utility may construct, install, maintain, repair, replace, remove or inspect any of its equipment or any part of its system, or if it determines that curtailment, interruption or reduction of delivery is necessary because of safety, emergencies, forced outages or operating conditions on its system. Except in case of emergency, in order to minimize operating problems, the utility and qualifying facility shall give the other reasonable prior notice of any curtailment, interruption or reduction of delivery and its probable duration.

7. The Company reserves the right for periodic inspection of safety devices which are part of the interconnection. This does not affect the responsibility of the qualifying facility to assure the operating safety of the equipment on its side of the interconnection point.

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SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

8. The Company reserves the right to disconnect any facility that has interconnected without utility authorization.

9. The Company has the right to disconnect and lock-out a qualifying facility's generating equipment with due notice whenever it has been determined that harmonics are being produced or other factors are present which would interfere with communications or otherwise cause degradation of service to other customers. If, in the judgment of the utility, an unsafe condition is created on the utility system by the operation of the qualifying facility the utility shall have the right to disconnect the facility until the cause of such condition is eliminated.

10. In the event of a utility system outage or interruption of service, a qualifying facility's generator shall be capable of automatically disconnecting itself to prevent the utility's line from being energized. Also, a qualifying facility's system shall not be capable of energizing the utility's line when that line is de-energized.

11. A manually operated generator disconnect switch, provided by the owner of a qualifying facility, shall be accessible to utility personnel at all times. Such a switch would be used, whether or not the owner is present to remove the qualifying facility's generator from the line in an emergency situation as determined by utility system conditions.

12. All necessary rights-of-way and easements to install, operate, maintain, replace and remove utility facilities, including adequate access rights are to be furnished by the owner of the qualifying facility on owner's property.

13. The metering shall be adequate to measure energy, or energy and capacity, from the qualifying facility to the utility, from the utility to the qualifying facility, and, if necessary, adequate to determine the time at which energy is transferred from one party to another.

14. If the qualifying facility is located at a site outside of Company service territory and energy is delivered to Company through facilities owned by another utility, energy payments will be adjusted reflecting losses occurring between point of metering and point of delivery.

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SMALL QUALIFYING FACILITIES (SQF)
GENERAL RULES Rate 140

15. In the event the qualifying facility desires wheeling by the Company of its output, arrangements will be made subject to negotiation.

16. A Metering Charge will be assessed the qualifying facility for installation by the Company of additional metering equipment plus operation and maintenance costs.

17. An Interconnection Charge will be assessed for any additional facilities (exclusive of the items included in Metering Charge) or changes in existing facilities to permit interconnection with the Company. Payment shall be a one-time payment.

18. The owner of a qualifying facility will indemnify and save the utility harmless from all loss on account of injury, death or damage to property caused by the qualifying facility unless the injury, death or damage is the direct result of the negligence of the utility.

19. Qualifying facilities shall be required to execute a contract that specifies a one or five-year minimum term depending upon applicable rate schedule and describes the responsibilities, liabilities, ownership of equipment, and location.

20. The owner of a qualifying facility shall obtain and maintain general liability insurance in an amount established by negotiation between the owner of a qualifying facility and the Company.

21. Qualifying facilities with generating capacity greater than 1000 Kw, or operating as a base loaded unit regardless of size, will require individual negotiation.

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Revenue Allocation - Settlement PU-399-03-296

		Revenue Data Before Increase				Target Design		Actual Design		
					Total	Revenue Increase		Total	Revenue Increase	
Rate	Rate Class	Bills	Kwh	Kw	Revenue	$	%	Revenue	$	%
Residential										
10	Residential	713,490	477,832,651		$33,267,173	$401,964	1.21%			
11	Dual Fuel	0	11,411,441		393,627	4,756	1.21%			
13	Thermal Storage	0	92,252		3,088	37	1.20%			
50	General Water Heating	0	3,092		198	2	1.01%			
56	General Space Heating	0	106,323		6,121	74	1.21%			
	Subtotal Rate 10	713,490	489,445,759		$33,670,207	$406,833	1.21%	$34,075,367	$405,160	1.20%
16	T-O-D	165	228,511		13,156	159	1.21%	13,318	162	1.23%
	Total Residential	713,655	489,674,270		$33,683,363	$406,992	1.21%	$34,088,685	$405,322	1.20%
Small General Service										
20	Small General Service	87,489	57,198,141	0.0	5,167,305	$62,436	1.21%			
22	Dual Fuel	0	3,684,891		126,581	1,529	1.21%			
50	General Water Heating	0	209,659		11,912	144	1.21%			
56	General Space Heating	0	11,207,106		632,527	7,643	1.21%			
	Subtotal Rate 20	87,489	72,299,797	0.0	$5,938,325	$71,752	1.21%	$6,009,752	$71,427	1.20%
26	T-O-D	217	1,378,641	3,648.0	75,728	915	1.21%			
27	Feed Grinding	119	29,093	0.0	4,103	50	1.22%			
	Subtotal Rate 26	336	1,407,734	3,648.0	$79,831	$965	1.21%	$80,796	$965	1.21%
	Total Small General Service	87,825	73,707,531	3,648.0	6,018,156	72,717	1.21%	6,090,548	72,392	1.20%
Large General Service										
30	Large General Service	41,861	712,292,262	2,200,024.0	$42,747,313	516,511	1.21%	43,264,476	517,163	1.21%
31	T-O-D	62	316,337	11,228.0	67,892	820	1.21%	68,714	822	1.21%
39	Interruptible Large Power	24	6,783,905	21,106.0	236,445	2,857	1.21%	239,287	2,842	1.20%
	Total Large General Service	41,947	719,392,504	2,232,358	$43,051,650	$520,188	1.21%	$43,572,477	$520,827	1.21%
Irrigation										
25	Irrigation Service	201	764,169		37,235	450	1.21%	37,822	587	1.58%
Municipal Services										
40	Muncipal Service	4,993	4,462,402	11,971.0	298,929	3,612	1.21%	302,535	3,606	1.21%
48	Municipal Pumping	3,756	25,926,045	89,350.0	1,201,065	14,512	1.21%	1,215,845	14,780	1.23%
	Total Municipal	8,749	30,388,447	101,321.0	$1,499,994	$18,124	1.21%	$1,518,380	$18,386	1.23%
Lighting										
41&42	Street Lighting	10,458	20,739,452		1,198,802	(14,985)	-1.25%	1,183,807	(14,995)	-1.25%
52	Private Lighting	31,174	3,718,628		278,979	(3,487)	-1.25%	275,501	(3,478)	-1.25%
	Total Lighting	41,632	24,458,080		1,477,781	(18,472)	-1.25%	1,459,308	(18,473)	-1.25%
Total North Dakota		894,009	1,338,385,001	2,337,327.0	$85,768,179	$999,999	1.17%	$86,767,220	$999,041	1.16%

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Electric Service - Rate 10
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rates 100 & 180				
Bills	713,490	$5.50	$3,924,195	
Rates 100 & 180 (June-Sept)				
Kwh				
1st 750 Kwh	116,590,211	$0.06830	7,963,111	
Over 750 Kwh	47,520,935	0.06830	3,245,680	
Total Kwh	164,111,146		11,208,791	
Rate 100 and 180 (Oct-May)				
Kwh				
1st 750 Kwh	224,906,750	$0.06830	15,361,131	
Over 750 Kwh	88,814,755	0.03431	3,047,234	
Total Kwh	313,721,505		18,408,365	
Total Rate 10 & 18-00	477,832,651			$33,541,351
11-00				
Bills	0	$5.50	$0	
11-00 (June-Sept)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	3,919,248	$0.06830	267,685	
Total Kwh	3,919,248		267,685	
11-00 (Oct-May)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	7,492,193	$0.03431	257,057	
Total Kwh	7,492,193		257,057	
Total Rate 11-00	11,411,441			$524,742
13-00				
Bills	0	$5.50	$0	
13-00 (June-Sept)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	31,684	$0.06830	2,164	
Total Kwh	31,684		2,164	
13-00 (Oct-May)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	60,568	$0.03431	2,078	
Total Kwh	60,568		2,078	
Total Rate 13-00	92,252			$4,242

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Electric Service - Rate 10
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
50-00				
Bills	0	$5.50	$0	
50-00 (June-Sept)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	1,062	$0.06830	73	
Total Kwh	1,062		73	
50-00 (Oct-May)				
Kwh				
1st 750 Kwh		$0.06830	0	
Over 750 Kwh	2,030	$0.03431	70	
Total Kwh	2,030		70	
Total Rate 50-00	3,092			$143
56-00				
Bills	0	$5.50	$0	
56-00 (June-Sept)				
Kwh				
1st 750 Kwh		$0.06830	0	
Over 750 Kwh	36,517	$0.06830	2,494	
Total Kwh	36,517		2,494	
56-00 (Oct-May)				
Kwh				
1st 750 Kwh	0	$0.06830	0	
Over 750 Kwh	69,806	$0.03431	2,395	
Total Kwh	69,806		2,395	
Total Rate 56-00	106,323			4,889

Total Rate 10 Revenues Per Design	$34,075,367
Target Revenues	34,077,040
Difference	($1,673)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Electric Service - Rate 10
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate Calculations:				
Pro Forma Revenues			$33,670,207	
Proposed Revenue Increase			406,833	
Total Target Revenues			34,077,040	
Less:				
Base Rate Revenues			$3,924,195	
Over 750 Kwh Oct-May Block			3,308,834	
Total To Be Collected From Energy Charge			$26,844,011	
Total Kwh Sales (Excl Oct-May > 750)			393,006,407	
Energy Charge:			Summer	Winter
1st 750 Block			$0.06830	$0.06830
Over 750 Block			$0.06830	$0.03431

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Time-of-Day - Rate 16
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
16-00			
Bills	165	$10.50	$1,733
Kwh			
On-Peak Oct-May	47,496	$0.08320	$3,952
On-Peak June-Sept	15,996	0.12320	1,971
Off-Peak	165,019	0.03431	5,662
Total Kwh	228,511		11,585
Total Revenue			$13,318

Total Rate 16 Revenues Per Design	$13,318
Target Revenues	13,315
Difference	$3

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Residential Time-of-Day - Rate 16
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$13,156
Proposed Revenue Increase	159
Total Target Revenues	13,315
Less:	
Base Rate Revenues	$1,733
Off-Peak Revenues	5,662
On-Peak June-Sept Differential	640
Total To Be Collected From Energy Charge	$5,280
Total On-Peak Kwh Sales	63,492
On-Peak Energy Charge:	
June-Sept	$0.12320
Oct -May	$0.08320
Winter/Summer Differential	$0.0400

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
General Service - Rate 20
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 20				
Secondary & Primary Co. Owned				
Bills	87,313	$20.00	$1,746,260	
June-September All Kwh	19,611,144	$0.06789	1,331,401	
Oct-May				
1st 750 Kwh	26,876,166	$0.06789	1,824,623	
Over 750 Kwh	10,613,288	0.03431	364,142	
Total Oct-May	37,489,454		2,188,765	
Total Revenue	57,100,598			$5,266,426
Primary Customer Owned				
Bills	65	$20.00	$1,300	
June-September All Kwh	5,406	$0.06789	367	
Oct-May				
1st 750 Kwh	7,409	$0.06789	503	
Over 750 Kwh	2,926	0.03431	100	
Total Oct-May	10,335		603	
Total Revenue	15,741			$2,270
Rate 22 - Primary				
Bills		$20.00		
June-September All Kwh	10,534	$0.06789	715	
Oct-May				
1st 750 Kwh	36,564	$0.06789	2,482	
Over 750 Kwh	67,904	0.03431	2,330	
Total Oct-May	104,468		4,812	
Total Revenue	115,002			$5,527

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
General Service - Rate 20
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 22 - Secondary				
Bills		$20.00		
June-September All Kwh	247,037	$0.06789	16,771	
Oct-May				
1st 750 Kwh	1,162,998	$0.06789	78,956	
Over 750 Kwh	2,159,854	0.03431	74,105	
Total Oct-May	3,322,852		153,061	
Total Revenue	3,569,889			$169,832
Rate 50				
Bills		$20.00		
June-September All Kwh	108,436	$0.06789	7,362	
Oct-May				
1st 750 Kwh	35,428	$0.06789	2,405	
Over 750 Kwh	65,795	0.03431	2,257	
Total Oct-May	101,223		4,662	
Total Revenue	209,659			$12,024

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
General Service - Rate 20
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 56				
Bills		$20.00		
June-September All Kwh	1,381,257	$0.06789	93,774	
Oct-May				
1st 750 Kwh	3,362,541	$0.06789	228,283	
Over 750 Kwh	6,244,720	0.03431	214,256	
Total Oct-May	9,607,261		442,539	
Total Revenue	10,988,518			$536,313
Rate 56 - 10% Discount Contract				
Bills		$20.00		
June-September All Kwh	75,074	$0.06789	5,097	
Oct-May				
1st 750 Kwh	102,885	$0.06789	6,985	
Over 750 Kwh	40,629	0.03431	1,394	
Total Oct-May	143,514		8,379	
Total Revenue	218,588		$13,476	
Discount			(1,348)	
				$12,128
Rate 290				
Bills		$20.00		
June-September All Kwh	61,831	$0.06789	4,198	
Oct-May				
1st 750 Kwh	10,364	$0.06789	704	
Over 750 Kwh	9,610	0.03431	330	
Total Oct-May	19,974		1,034	
Total Revenue	81,805			$5,232
Total Rate 20 Revenues Per Design				$6,009,752
Target Revenues				6,010,077
Difference				($325)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
General Service - Rate 20
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate Calculations:				
Pro Forma Revenues			$5,938,325	
Proposed Revenue Increase			71,752	
Total Target Revenues			6,010,077	
Less:				
Base Rate Revenues			$1,747,560	
Over 750 Kwh Oct-May Block			658,914	
Total To Be Collected From Energy Charge			$3,603,603	
Total Kwh Sales (Excl Oct-May > 750)			53,077,278	
Energy Charge:			Summer	Winter
1st 750 Block			$0.06789	$0.06789
Over 750 Block			$0.06789	$0.03431

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Irrigation Service - Rate 25
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
25-20,21			
Bills	201	$10.00	$2,010
Kw Oct-May	5,030.3	$1.00	5,030
Kw June- Sept	3,041.7	1.50	4,563
Kwh	764,170	$0.03431	26,219
Total Revenue			$37,822

Total Rate 25 Revenues Per Design	$37,822
Target Revenues	37,685
Difference	$137

1/ Total demand billed under current rates divided by $2.00 demand charge per horsepower. New rate will reflect a minimum bill of $21.00 per horsepower per annual period Jan-Dec.

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Irrigation Service - Rate 25
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$37,235
Proposed Revenue Increase	450
Total Target Revenues	37,685
Less:	
Base Rate Revenues	$2,010
Energy Charge Revenue	26,219
Total To Be Collected From Energy Charge	$9,456
Total Adjusted KW Demand	9,593
Summer Demand Charge	$1.50
Winter Demand Charge	$1.00
Energy Charge (tied to Rate 20)	$0.03431

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Small General Service Time-of-Day - Rate 26
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
Rates 26 and 27			
Bills	336	$22.00	$7,392
Kwh			
On-Peak Oct-May	228,389	$0.08512	$19,440
On-Peak June-Sept	148,677	0.12512	18,602
Off-Peak	1,030,668	0.03431	35,362
Total Kwh	1,407,734		73,404
Total Revenue			$80,796
Total Rate 26 Revenues Per Design			$80,796
Target Revenues			80,796
Difference			$0

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Small General Service Time-of-Day - Rate 26
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$79,831
Proposed Revenue Increase	965
Total Target Revenues	80,796
Less:	
Base Rate Revenues	$7,392
Off-Peak Revenues	35,362
On-Peak Differential	5,947
Total To Be Collected From Energy Charge	$32,095
Total On-Peak Kwh Sales	377,066
Energy Charge:	
On-Peak Rate (Oct-May)	$0.08512
On-Peak Rate (June-Sept)	$0.12512
Off-Peak Rate	$0.03431
Blocking Differentials:	
On-Peak to Off-Peak	0.04

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 30 & 302				
Secondary, Primary Co Owned				
Bills	8,473	$35.00	$296,555	
Kw Oct-May	777,005.9	$8.224	6,390,097	
Kw June- Sept	378,940.1	$11.224	4,253,224	
	1,155,946.0		10,643,321	
Kwh Oct-May	254,495,142	$0.03336	8,489,958	
Kwh June- Sept	132,142,989	$0.03336	4,408,290	
	386,638,131		12,898,248	
Total				23,838,124
30-Primary				
Bills	220	$90.00	$19,800	
Kw Oct-May	155,444.7	$5.254	816,706	
Kw June- Sept	60,551.3	$8.254	499,790	
	215,996.0		1,316,496	
Kwh Oct-May	64,086,187	$0.03255	2,086,005	
Kwh June- Sept	34,048,977	$0.03255	1,108,294	
	98,135,164		3,194,299	
Total				4,530,595

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Moved from Rate 20 - 205				
Bills	12	$35.00	$420	
Kw Oct-May	388.2	$8.224	3,193	
Kw June- Sept	151.2	$11.224	1,697	
	539.4		4,890	
Kwh Oct-May	138,720	$0.03336	4,628	
Kwh June- Sept	73,702	$0.03336	2,459	
	212,422		7,087	
Contract Discount @ 10%			(1,240)	
Total				11,157
Moved from Rate 20 - Secondary & Primary Co. Owned				
Bills	33,012	$35.00	$1,155,420	
Kw Oct-May	457,916.8	$8.224	3,765,908	
Kw June- Sept	178,386.0	$11.224	2,002,204	
	636,302.8		5,768,112	
Kwh Oct-May	101,784,305	$0.03336	3,395,524	
Kwh June- Sept	54,077,977	$0.03336	1,804,041	
	155,862,282		5,199,565	
Total				12,123,097

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Moved from Rate 20 - Primary Customer Owned				
Bills	35	$90.00	$3,150	
Kw Oct-May	473.1	$5.254	2,486	
Kw June- Sept	184.3	$8.254	1,521	
	657.4		4,007	
Kwh Oct-May	129,110	$0.03255	4,203	
Kwh June- Sept	68,596	$0.03255	2,233	
	197,706		6,436	
Total				13,593
Moved from Rate 40 Secondary				
Bills	0	$35.00	$0	
Kw Oct-May	0.0	$6.100	0	
Kw June- Sept	0.0	$6.100	0	
	0.0		0	
Kwh Oct-May	0	$0.03336	0	
Kwh June- Sept	0	$0.03336	0	
	0		0	
Total				0
MedCenter & Capitol - Secondary & Co. Owned				
Bills	73	$35.00	$2,555	
Kw Oct-May	21,720.2	$8.224	178,627	
Kw June- Sept	10,592.8	$11.224	118,894	
	32,313.0		297,521	
Kwh Oct-May	9,734,237	$0.03336	324,734	
Kwh June- Sept	6,505,516	$0.03336	217,024	
	16,239,753		541,758	
Contract Discount @ 10%			(84,183)	
Total				757,651

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
MedCenter & Capitol - Primary				
Bills	12	$90.00	$1,080	
Kw Oct-May	23,193.0	$5.254	121,856	
Kw June- Sept	11,311.0	$8.254	93,361	
	34,504.0		215,217	
Kwh Oct-May	8,681,779	$0.03255	282,592	
Kwh June- Sept	4,877,801	$0.03255	158,772	
	13,559,580		441,364	
Contract Discount @ 10%			(65,766)	
Total				591,895

Total Rate 30 Revenues Per Design	$41,866,112
Target Revenues	41,865,460
Difference	$652

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue

Rate Calculations:

Pro Forma Revenues (Less Fixed Contract Rates)	$41,348,949
Proposed Revenue Increase	516,511
Total Target Revenues	41,865,460
Less:	
Base Rate Revenues	$1,478,575
Demand Revenues	18,197,801
Primary Service Energy Differential	(90,633)
Total To Be Collected From Energy Charge	$22,279,717
Kwh Sales:	
Secondary	542,500,413
Primary	98,332,870
Discounted Contracts	27,010,580
Total Kwh Sales	667,843,863
Energy Charge:	
Primary	$0.03255
Secondary	$0.03336
Differentials:	
Primary Service - Energy	($0.00081)
Contract Discount	10%

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service Time-of-Day - Rate 31
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
Bills (Secondary)	62	$37.00	$2,294
Kw - Secondary			
Off-Peak	1,212.0	$0.00	0
On-Peak (Oct-May)	7,092.6	$4.500	31,917
On-Peak (June-Sept)	2,923.4	$7.500	21,926
Total Kw	11,228.0		53,843
Kwh - Secondary			
Off-Peak	261,783	$0.03840	$10,052
On-Peak (Oct-May)	33,043	0.03840	1,269
On-Peak (June-Sept.)	21,511	0.05840	1,256
Total Kwh	316,337		12,577
Total Revenue			$68,714

Total Rate 31 Revenues Per Design	$68,714
Target Revenues	68,712
Difference	$2

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service Time-of-Day - Rate 31
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$67,892
Proposed Revenue Increase	820
Total Target Revenues	68,712
Less:	
Base Rate Revenues	$2,294
Demand Charges	53,843
On-Peak Differential	430
Total To Be Collected From Energy Charge	$12,145
Total Kwh Sales	316,337
Energy Charge:	
On-Peak Rate	$0.05840
Off-Peak Rate	$0.03840
Blocking Differentials:	
On-Peak to Off-Peak	$0.020

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 39
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Interruptible Rate 39				
Bills	24	$297.50	$7,140	
Kw Oct-May	13,152.7	$2.250	29,594	
Kw June- Sept	7,953.3	$2.250	17,895	
	21,106.0		47,489	
Kwh Oct-May	2,176,250	$0.02722	59,238	
Kwh June- Sept	4,607,655	$0.02722	125,420	
	6,783,905		184,658	
Total				239,287

Total Rate 39 Revenues Per Design	$239,287
Target Revenues	239,302
Difference	($15)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Large General Service - Rate 30
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue

Rate Calculations:

Pro Forma Revenues	$236,445
Proposed Revenue Increase	2,857
Total Target Revenues	239,302
Less:	
Base Rate Revenues	$7,140
Demand Revenues	47,489
Total To Be Collected From Energy Charge	$184,673
Kwh Sales:	6,783,905
Energy Charge:	$0.02722

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Municipal Service - Rate 40
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate 40 Non-Demand				
Bills	4,529	$15.50	$70,200	
June-September All Kwh	708,602	$0.04497	31,866	
Oct-May				
1st 750 Kwh	971,107	$0.04497	43,671	
Over 750 Kwh	383,486	$0.03431	13,157	
Total Oct-May	1,354,593		56,828	
Total Revenue	2,063,195			$158,894
Rate 40 Demand				
Bills	464	$25.50	$11,832	
Kw Oct-May 1st 10 kw	2,637.5			
Kw Oct-May Over 10 kw	5,977.6	$4.224	25,249	
Kw June- Sept	3,355.9	$7.224	24,243	
	11,971.0		49,492	
Kwh Oct-May	1,566,778	$0.03431	53,756	
Kwh June- Sept	832,429	$0.03431	28,561	
	2,399,207		82,317	
Total				143,641

Total Rate 40 Revenues Per Design	$302,535
Target Revenues	302,541
Difference	($6)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Municipal Service - Rate 40
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
Rate Calculations:				
Pro Forma Revenues			$298,929	
Proposed Revenue Increase			3,612	
Total Target Revenues			302,541	
Less:				
Base Rate Revenues			$82,032	
Over 750 Kwh Oct-May Block			95,474	
Demand Charges			49,492	
Total To Be Collected From Summer Energy Charge			$75,543	
Total Kwh Sales (Excl Oct-May > 750)			1,679,709	
Energy Charge (Non-Demand)			Summer	Winter
1st 750 Block			$0.04497	$0.04497
Over 750 Block			$0.04497	$0.03431
Energy Charge (Demand)			$0.03431	

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Street Lighting Rates 41 and 42
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
Rates 41, 42			
Bills	10,458	$0.00	$0
Secondary Kwh & Private	282,436	$0.06328	17,873
Primary Kwh	816	$0.05828	48
5% Contract Discount Kwh	273,488	$0.06328	17,306
10% Contract Discount Kwh	20,182,712	$0.06328	1,277,162
Subtota	20,739,452		1,312,389
Contract Discount			(128,582)
Total Revenue			$1,183,807

Total Rate 41 Revenues Per Design	$1,183,807
Target Revenues	1,183,817
Difference	($10)

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Street Lighting Rates 41 and 42
12 Months Ended 12/31/00

Pro Forma Revenues	$1,198,802
Proposed Revenue Increase	(14,985)
Total Target Revenues	1,183,817
Less:	
Primary Service Discount	(4)
Total To Be Collected From Energy Charge	$1,183,821
Total Adjusted Kwh Sales	18,707,506
Energy Charge	$0.06328
Primary Service Differential	$0.00500
Contract Discount	10%

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Municipal Pumping Service - Rate 48
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue	
48-50				
Seconday - No Discount				
Bills	192	$10.00	$1,920	
Kw				
Oct-May	4,306.1	$3.06	$13,177	
June-Sept	2,603.9	6.06	15,780	
			28,957	
Kwh				
Oct-May	486,603	$0.03659	17,805	
June-Sept	486,603	$0.03659	17,805	
			35,610	
Total Revenue	973,206			$66,487
Seconday - 10% Contract Discount				
Bills	3,516	$10.00	$35,160	
Kw				
Oct-May	39,778.6	$3.06	$121,723	
June-Sept	24,053.4	6.06	145,764	
			267,487	
Kwh				
Oct-May	8,417,368	$0.03659	307,991	
June-Sept	8,417,368	$0.03659	307,991	
			615,982	
Total Revenue	16,834,736		$918,629	
10% Contract Discount			(91,863)	$826,766
Primary - 10% Contract Discount				
Bills	48	$12.00	$576	
Kw				
Oct-May	17,129.8	$1.15	$19,699	
June-Sept	10,358.2	4.15	42,987	
			62,686	
Kwh				
Oct-May	4,059,053	$0.03636	147,587	
June-Sept	4,059,053	$0.03636	147,587	
			295,174	
Total Revenue	8,118,106		$358,436	
10% Contract Discount			(35,844)	$322,592
Total Revenues				$1,215,845
Target Revenues				1,215,577
Difference				$268

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Municipal Pumping Service - Rate 48
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$1,201,065
Proposed Revenue Increase	14,512
Total Target Revenues	1,215,577
Less:	
Base Rate Revenues	$34,082
Demand Revenues	326,113
Primary Service Differential	(1,867)
Total To Be Collected From Energy Charge	$857,249
Adjusted Kwh Sales:	
Secondary	16,124,468
Primary	7,306,295
Total Kwh Sales	23,430,763
Energy Charge- Primary	$0.03636

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Private Lighting Rate 52
Settlement Case No. PU-399-03-296

Rate/Revenue Class	Billing Units	Rate	Revenue
Bills	31,174	$0.00	$0
Secondary Kwh & Private	3,716,906	$0.07409	275,386
10% Contract Discount Kwh	1,722	$0.07409	128
Subtota	3,718,628		275,514
Contract Discount			(13)
Total Revenue			$275,501

Total Rate 41 Revenues Per Design	$275,501
Target Revenues	275,492
Difference	$9

MONTANA-DAKOTA UTILITIES CO.
Electric Utility - North Dakota
Private Lighting Rate 52
Settlement Case No. PU-399-03-296

Pro Forma Revenues	$278,979
Proposed Revenue Increase	(3,487)
Total Target Revenues	275,492
Less:	
Total To Be Collected From Energy Charge	$275,492
Total Adjusted Kwh Sales	3,718,456
Energy Charge	$0.07409
Contract Discount	10%

Change in Electric Rates

On May 30, 2003, Montana-Dakota Utilities Co. (Montana-Dakota) filed an application with the North Dakota Public Service Commission for an increase in prices charged to customers for electric service. Montana-Dakota requested an increase of approximately $7.8 million in additional revenues. The primary reasons for the rate filing were to recover the investment and additional costs associated with the installation and commercial operation of a new generation resource required to meet the growing electrical energy requirements and to recover increased operation and maintenance expenses, depreciation expenses, insurance and taxes. Montana-Dakota's electric rates were last increased in early 1987. On December 18, 2003, the North Dakota Public Service Commission approved an electric rate increase in the amount of $1,000,000.

Effective with the rate change implemented on January 23, 2004, the North Dakota Public Service Commission also approved a number of tariff changes. Following is a summary of those changes:

- Seasonal rates reflecting a summer period of June-September have been added to all rate schedules to reflect the summer peaking nature of the electric system.
- Several rates have been consolidated with the otherwise applicable residential or general service rate: Rate 11 Dual Fuel, Rate 13 Thermal Storage, Rate 50 General Water Heating, Rate 56 General Space Heating, Rate 22 Dual Fuel and Rate 27 Feed Grinding.
- The Small General Service Rate 20 schedule will now be applicable to non-residential customers that are not demand metered. General Service Rate 30 will apply to non-residential customers that are demand metered.
- The on-peak hours applicable under the time of day schedules (Rates 16, 26 and 31) have been changed to 12:00 p.m. to 8:00 p.m.
- Private Lighting Rate 52 has been renamed Outdoor Lighting Service and the availability has been expanded to include all outdoor lighting uses other than street lighting.
- Primary service rates have been added to replace the current 5% discount applicable to customers that own their transformer equipment under Rates 30, 31, 34, 41, 48 and 52.
- The power factor penalty applicable under Rates 25, 30, 31, 34, 39, 40 and 48 has been increased from $1.75 to $3.35 per Kvar.

Also approved with the electric case is a Margin Sharing Adjustment (MSA), whereby 85% of the Company's wholesale sales margins, above or below a base of $6.5 million, will be applied to customers' bills as an adjustment per Kwh. The first annual adjustment will occur in April 2005 and will be based on the actual wholesale margins achieved in 2004.

The new electric rates are effective with service rendered on and after January 23, 2004. The first bill you receive may be prorated, depending on your meter reading date. This means that any electric service used prior to January 23, 2004 will be billed at the old rates, and any electric service used on and after January 23, 2004 will be billed at the new rates included in this folder.

Following are the rates effective as of January 23, 2004:

Residential Electric Service – Rate 10

Base Rate .....$5.50 per month
Energy Charge
First 750 Kwh .....$0.06830 per Kwh
Over 750 Kwh
October-May .....$0.03431 per Kwh
June-September.....$0.06830 per Kwh
Minimum Bill: Base Rate

Optional Time-of-Day Residential Electric Service – Rate 16

Base Rate .....$10.50 per month
On-Peak Energy Charge
For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local times, Monday through Friday
October-May.....$0.08320 per Kwh
June-September.....$0.12320 per Kwh
Off-Peak Energy Charge
For all energy not covered by the On-Peak rating period.
All Kwh .....$0.03431 per Kwh
Minimum Bill: Base Rate

Small General Electric Service – Rate 20 (Non-demand Service)

Base Rate .....$20.00 per month
Energy Charge
First 750 Kwh .....$0.06789 per Kwh
Over 750 Kwh
October-May .....$0.03431 per Kwh
June-September.....$0.06789 per Kwh
Minimum Bill: Base Rate

General Electric Service – Rate 30 (Demand Service)

Primary Service
Base Rate .....$90.00 per month
Demand Charge
October-May .....$5.254 per Kw
June-September.....$8.254 per Kw
Energy Charge .....$0.03255 per Kwh
Secondary Service
Base Rate .....$35.00 per month
Demand Charge
October-May .....$8.224 per Kw
June-September.....$11.224 per Kw
Energy Charge .....$0.03336 per Kwh
Minimum Bill: Base Rate

Other Rates Available:
Irrigation Power Service – Rate 25
Optional Time-of-Day Small General Electric Service – Rate 26
Optional Time-of-Day General Electric Service – Rate 31
General Electric Space Heating Service – Rate 32
Firm Service Economic Development – Rate 34
Interruptible Large Power Service – Rate 39
Small Municipal Electric Service – Rate 40 (Closed)
Municipal Lighting Service – Rate 41
Municipal Pumping Service – Rate 48
Outdoor Lighting Service – Rate 52
Occasional Power Purchase – Rate 95 (Non-Time Differentiated)
Parallel Generation Peaking Facility Purchase – Rate 96 (Time Differentiated)
Special Contracts: Contract rates are entered into from time to time and are filed with the Commission for approval.

Reconnection Fee:
A fee of $20.00 will be collected for reconnecting electric service to any customer who has disconnected electric service at the same location during the preceding twelve-month period.

Payment:
Bills will be considered past due if not paid by the due date shown on the bill. An amount equal to 1% per month will be applied to any unpaid balance existing at the immediate subsequent billing date.

Montana-Dakota's rates, rules and regulations are on file at its offices and are available for inspection upon request. Contact an MDU representative at the telephone number shown on the front of your utility bill to obtain additional information regarding rates available to you.

How to calculate your bill
This information is to assist you in checking your bill. A residential rate is used for this example, assuming a winter month's use of 1,000 Kwh*:

Base Rate	$ 5.50
Energy Charge:	
First 750 Kwh @ $0.06830	$51.23
Remaining 250 Kwh @ $0.03431	$ 8.58
Fuel Clause Adjustment (FCA):	
1,000 Kwh @ ($0.00282)	($2.82)
Total Bill *(not including tax)*	**$62.49**

* A Kwh (Kilowatt-hour) is one thousand watts used for one hour. For example, the electric energy used by ten 100-watt bulbs burning for one hour equals one Kwh.
** Fuel Clause Adjustment – the amount can vary every month depending upon the cost of fuel burned in generating plants to produce electricity.

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DOCKET SEQUENCE NO. _____

EXHIBIT _____

CASE NO. PU-399-03-296

ON FILE IN

STATE ARCHIVES

CONTROL NUMBER: 80051