

# DIVIDER

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

## DESCRIPTION

**PU-05-135**  
Montana-Dakota Utilities Co , a Division of MDU Re  
Cost of Energy Adjustment Clause  
Tariff 05  
Filed 3/1/2005 Closed 7/13/2005



# Public Service Commission State of North Dakota

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## COMMISSIONERS

Tony Clark, President  
Susan E Wefald  
Kevin Cramer

Executive Secretary  
Ilona A. Jeffcoat-Sacco

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Bismarck, North Dakota 58505-0480  
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Fax 701-328-2410  
Phone 701-328-2400

July 13, 2005

Don Ball  
Montana-Dakota Utilities Co  
400 N 4<sup>th</sup> St  
Bismarck ND 58501

Dear Mr. Ball:

On July 13, 2005, the Commission approved Montana-Dakota Utilities Co.'s cost of fuel adjustment clause, Case No. PU-05-135.

Sincerely,

Sharon Helbling  
Public Utilities Division

sdh

Enclosure

**MOTION**

**July 13, 2005**

APPROVED

DATE: 7-13-05  
KME

**Montana-Dakota Utilities Co.  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-135**

I move the Commission approve Montana-Dakota Utilities Co 's Cost of Fuel  
Adjustment Clause tariff, Case No. PU-05-135.

JRL/sdh



# MONTANA-DAKOTA

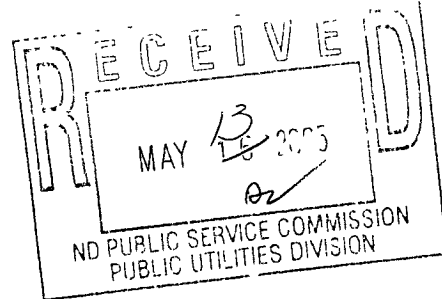
UTILITIES CO.  
A Division of MDU Resources Group, Inc

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

# ORIGINAL

May 13, 2005

Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building  
Bismarck, ND 58505



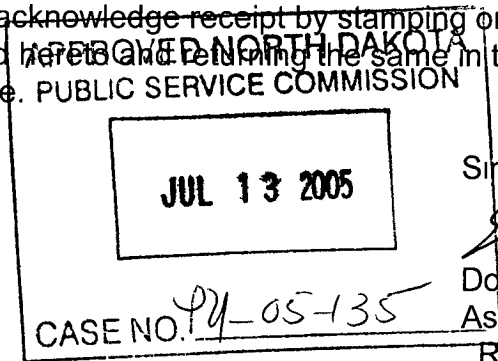
Re Fuel Clause Rate 58  
Case No. PU-05-135  
Compliance Tariff

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc, herewith submits an original and seven (7) copies of revised Fuel Clause Rate 58 (1<sup>st</sup> Revised Sheet No 42) in compliance with the Commission's April 6, 2005 Interim Order in the above referenced docket.

The revisions to Montana-Dakota's Fuel Clause Rate 58 (FCA) reflect inclusion of the Midwest Independent System Operator (MISO) energy related costs that became effective April 1, 2005. Montana-Dakota worked together with Xcel Energy and Otter Tail Power Company to develop the proposed tariff language. Also attached is a copy of the proposed Rate 58 that shows the proposed revisions by underlining the new proposed language.

Montana-Dakota requests that the attached tariff sheet be approved on an interim basis effective April 1, 2005 to allow for the accounting of MISO related costs in accordance with the Commission's Order and effective with the start of the MISO energy market

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. PUBLIC SERVICE COMMISSION



Sincerely,

Donald R. Ball  
Assistant Vice President –  
Regulatory Affairs

Attachment  
cc: D. S. Kuntz

8 PU-05-135

Pages 3

Compliance Tariff

by Montana-Dakota Utilities Co a Division of MDU Res  
05/13/2005C Comm Legal Illona Jerry Annette, Mike



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

NDPSC Volume 4  
1<sup>st</sup> Revised Sheet No 42  
Canceling Original Sheet No 42

### FUEL CLAUSE Rate 58

Page 1 of 2

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;
  - c. Net costs linked to the utility's load serving obligation, associated with participation in wholesale electric energy markets operated by Regional Transmission Organizations, Independent System Operators or similar entities that have received Federal Energy Regulatory Commission approval to operate the energy markets.
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.

Date Filed: May 13, 2005

Effective Date:

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

Case No.:

PU-05-135

CASE NO.

APPROVED NORTH DAKOTA  
PUBLIC SERVICE COMMISSION  
JUL 13 2005  
P11-05-135



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

NDPSC Volume 4  
Original Sheet No 42

### FUEL CLAUSE Rate 58

Page 1 of 2

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:

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  - 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;
  - c Net costs linked to the utility's load serving obligation, associated with participation in wholesale electric energy markets operated by Regional Transmission Organizations, Independent System Operators or similar entities that have received Federal Energy Regulatory Commission approval to operate the energy markets
- 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

Date Filed:

Effective Date:

Issued By: Donald R Ball  
Assistant Vice President -  
Regulatory Affairs

Case No.:

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Otter Tail Corporation  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-131**

**Montana-Dakota Utilities Co.  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-135**

**Northern States Power Company  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-147**

**AFFIDAVIT OF SERVICE BY CERTIFIED MAIL AND ORDINARY 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 **7th day of April, 2005**, 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.

**Interim Order**

The envelopes were addressed as follows:

Bernadeen Brutlag  
Otter Tail Corporation  
215 S Cascade St  
Fergus Falls MN 56538-0496  
**Cert. No. 7003 2260 0001 3517 9749**

Don Ball  
Montana-Dakota Utilities Co  
400 N 4<sup>th</sup> St  
Bismarck ND 58501  
**Cert. No. 7003 260 0001 3517 9756**

Dave Sederquist  
Xcel Energy  
P O Box 2747  
Fargo ND 58208-2747  
**Cert. No. 7003 2260 0001 3517 9763**

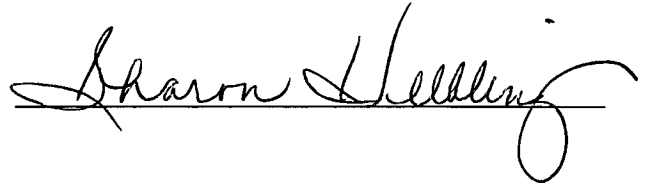
**Sharon Helbling** further deposes and says that on the **7th day of April, 2005**, she deposited in the United States Mail, Bismarck, North Dakota, **three** envelopes by regular mail, with postage fully prepaid, securely sealed, each containing a photocopy of the same.

Bruce Gerhardson  
Otter Tail Corporation  
215 S Cascade St  
Fergus Falls MN 56538-0496

James P Johnson  
Xcel Energy Services  
800 Nicollet Mall Ste 2900  
Minneapolis MN 55402

Dan Kuntz  
Montana-Dakota Utilities Co  
400 N 4<sup>th</sup> St  
Bismarck ND 58501

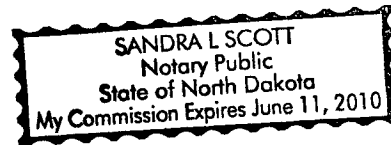
Each address shown is the respective addressee's last reasonably ascertainable post office address



Subscribed and sworn to before me  
this **7th day of April, 2005**

  
Notary Public

SEAL



**MOTION**

**April 6, 2005**

**APPROVED**

DATE: 4-6-05  
KMF

**Otter Tail Corporation  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-131**

**Montana-Dakota Utilities Co.  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-135**

**Northern States Power Company  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-147**

I move the Commission adopt the Interim Order prescribing initial accounting treatments for MISO Day-2 energy market costs, Case Nos PU-05-131, PU-05-135 and PU-05-147.

JRL/sdh

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Otter Tail Corporation  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-131**

**Montana-Dakota Utilities Co.  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-135**

**Northern States Power Company  
Cost of Fuel Adjustment Clause  
Tariff**

**Case No. PU-05-147**

**INTERIM ORDER**

**April 6, 2005**

On March 1, 2005, in Case No. PU-05-131, Otter Tail Corporation, d/b/a Otter Tail Power Company (Otter Tail) filed revisions to its Fuel Clause Adjustment (FCA) tariff to reflect new accounting procedures effective with the April 1, 2005 implementation of a new regional wholesale electric energy market. The new market, known as Day 2, will operate under the Midwest Independent Transmission System Operator, Inc.'s (Midwest ISO) Transmission Energy Markets Tariff (TEMT) as approved by the Federal Energy Regulatory Commission (FERC).

Also on March 1, 2005, in Case No. PU-05-135, Montana-Dakota Utilities Co (MDU), a Division of MDU Resources Group, Inc. filed similar revisions to its FCA tariff to be effective with implementation of the new Day 2 energy markets on April 1, 2005.

On March 5, 2005, in Case No. PU-05-147, Northern States Power Company d/b/a Xcel Energy (NSP) filed similar revisions to its FCA tariff.

On March 9, 2005, the Commission suspended the tariff revisions filed by Otter Tail and MDU. On March 23, 2005, the Commission suspended the tariff revisions filed by NSP.

Also on March 23, 2005, the Commission discussed the proposed tariff revisions with Commission staff and all three applicants during an informal hearing.

Implementation of the Midwest ISO's Day 2 energy market changes the way participating utilities procure energy to serve load. In the past utilities obtained energy directly from utility-owned or contracted generating resources and recovered the costs of generating fuel or purchased energy from consumers through the FCA billing.

mechanism. Under the new Day 2 market, generation not self-scheduled by the utility is centrally dispatched into the market and receives payment equal to the full locational marginal price (LMP) per megawatt-hour (MWH) at the generator location. Energy to serve load that is not self-scheduled by the utility is purchased from the Day 2 market at a price equal to the full LMP per MWH at the load location. The LMP at any particular location consists of three components. Self-scheduled transactions are exempted from the energy component, but are subject to the remaining marginal loss and congestion components. As a result of these changes, it is necessary to credit the new market revenues against the costs being paid for energy before passing the net costs on to consumers.

The differences between the generator LMP and load LMP reflect the cost of transmission grid congestion between generator and load locations. Utilities may hedge against the costs of congestion by holding financial transmission rights (FTR) for particular transmission paths. Congestion revenues collected from an FTR path are paid to the FTR holder. Therefore, it will be necessary under Day 2 operations to net FTR revenues and charges against the costs of purchased energy being passed on to consumers.

Additionally, the Midwest ISO will charge FERC approved cost adders for recovering market implementation and operating costs. These cost adders include TEMT Schedule 16 and 17 charges as well as uplift charges for costs that have been approved for recovery from the entire market.

The applicants originally proposed two accounting methodologies. NSP and MDU proposed the use of sub-accounts under FERC Account 555, Purchased Power Energy Consumed, to arrive at a net cost of purchased power from the Day-2 energy market. Under section 69-09-02-39(4)(c) of the North Dakota Administrative Code, the resulting net cost of energy recorded in Account 555 would be recovered dollar-for-dollar from consumers through FCA billings. Otter Tail initially proposed to maintain separate FERC revenue accounts and credit these against expenses from Account 555 (purchased energy) and 501 (fuel consumed) within the fuel clause adjustment mechanism. During the informal hearing, Otter Tail stated that it now prefers to use sub-accounts under Account 555 as proposed by NSP and MDU because this method will be required in other jurisdictions. During the informal hearing the applicants agreed they would work together to try and standardize the tariff language being proposed by each company.

The Commission finds that sufficient Day 2 operational experience and market maturity will be necessary before adopting any permanent accounting treatment for the new market costs. Consequently, an interim plan is necessary if the applicants are to participate in the Day 2 energy market. Therefore, the Commission finds the proposed sub-accounts under FERC Account 555 acceptable for interim fuel clause recovery of

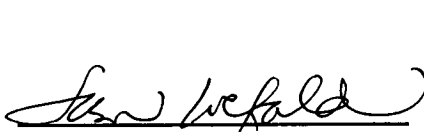
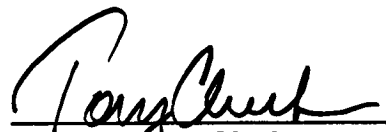
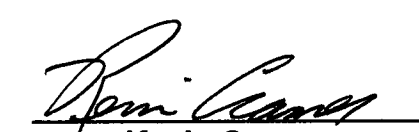
the net costs of energy, including TEMT Schedules 16 and 17 charges and FERC approved uplift charges, purchased through the Midwest ISO Day 2 energy market to serve native load. The Commission further finds that amounts collected under this interim treatment should be subject to refund with interest in the event the Commission ultimately orders a different or modified accounting treatment that results in lower charges.

### Order

The Commission Orders:

1. On an interim basis, the net costs of energy purchased through the Midwest ISO Day 2 energy market for serving native load, including TEMT Schedule 16 and 17 charges and FERC approved uplift charges, are to be recorded as a cost of purchased energy under FERC Account 555.
2. The recovery of Day 2 costs, net of any applicable revenues, are subject to refund plus interest in the event the Commission ultimately orders a different or modified accounting treatment.
3. Each Midwest ISO billing line item is to be tracked individually in a separate sub-account under Account 555.
4. MDU, NSP and Otter Tail shall work together to develop standardized appropriate FCA tariff language.
5. MDU, NSP and Otter Tail shall file proposed FCA tariff revisions by May 15, 2005.

### PUBLIC SERVICE COMMISSION

		
Susan E. Wefald Commissioner	Tony Clark President	Kevin Cramer Commissioner

**North Dakota Public Service Commission**  
**INFORMAL HEARING**  
**March 23, 2005**

**Otter Tail Corporation**  
**Cost of Energy Adjustment**  
**Tariff**

**PU-05-131**  
**Filed: 3/1/05**

**Montana-Dakota Utilities Co.**  
**Cost of Energy Adjustment**  
**Tariff**

**PU-05-135**  
**Filed: 3/1/05**

**Northern States Power Company**  
**Cost of Energy Adjustment**  
**Tariff**

**PU-05-05-147**  
**Filed: 3/5/05**

**Summary of Proposals:** All three regulated electric utilities have filed fuel clause adjustment tariff changes to reflect new accounting procedures beginning April 1<sup>st</sup> when the MISO Day-2 market is expected to be implemented. The changes would allow for revenues received from FTRs and generation serving native load to be credited against the LMP prices and other MISO charges paid for energy delivered to native load. If the Commission determines any waivers from the existing fuel clause rules are needed, then the Companies request those waivers be granted.

**Procedural History:** On March 9, 2005 the Commission suspended the filings of MDU and Otter Tail. NSP's filing is expected to be suspended March 23<sup>rd</sup>.

**Discussion:** The companies have identified two accounting alternatives that would accomplish the same result, but vary in methodology. NSP and MDU proposed a "netting" treatment using sub-accounts under FERC Account 555 Purchased Power Energy Consumed to provide a net cost of purchased power from the day-2 energy market. Otter Tail now prefers the "netting" under Account 555 methodology, though it originally proposed to maintain separate FERC revenue accounts and credit these against expenses from Account 555 (purchased energy) and 501 (fuel consumed) within the fuel clause adjustment mechanism. Otter Tail explains that the MNPUC is expected to adopt the "netting" Account 555 on March 24<sup>th</sup> as an interim methodology and Otter Tail prefers to use the same method in all jurisdictions.

So far the FERC has not provided any guidance, though late last year it did issue a preliminary inquiry as to whether it should issue a Notice of Inquiry.

In order to implement the "netting" under Account 555 methodology, the companies request an order from the Commission requiring that all costs and revenues for serving native load from MISO day-2 energy markets be netted

through account 555 as a cost of purchased power. It appears no waiver of existing fuel clause rules would be necessary under such accounting treatment. See attached ND Admin. Code section 69-09-02-39(4)(c).

NSP suggests proposes to provide a breakdown of the various components of MISO TEMT charges in monthly FCA filings including:

- Total Purchases from MISO related to linked transactions;
- Total payments from MISO related to self-scheduled or must run transactions;
- Total congestion and marginal loss costs charges;
- Total FTR credits and expenses; and
- Total Marginal Loss Compensation revenue.

**Recommendation:** I recommend the Commission approve the proposed fuel clause adjustment tariff changes and order that all costs and revenues for serving native load from MISO Day-2 energy markets be netted through account 555. For initial reporting requirements, I recommend the Commission require the companies to submit a breakdown of TEMT charges as proposed by NSP with all FCA filings. These initial requirements can be evaluated and modified if needed after more experience is gained with Day-2 operations.

**Prepared by:** Jerry Lein

## North Dakota Administrative Code

Source: <http://www.state.nd.us/lr/information/acdata/pdf/69-09-02.pdf>

### **69-09-02-39. Automatic adjustment clauses.**

1. As used in this section, the term "automatic adjustment clause" means a tariff provision that provides for increases or decreases, or both, without prior hearing, in rates reflecting increases or decreases, or both, in energy costs incurred by an electric utility.

2. An automatic adjustment clause that does not conform to the principles set out in this section may not be in the public interest. This section contemplates that the filing of a proposed rate tariff that includes a nonconforming automatic adjustment clause may result in suspension of all or part of the tariff.

3. The automatic adjustment clause must be in a form that provides for periodic adjustments per kilowatt-hour of sales equal to the difference between the energy cost per kilowatt-hour of sales in the base period and in the current period in accordance with the following formula:

$$\text{Adjustment Factor} = (F_m - S_m) - (F_b - S_b)$$

For the purposes of this formula: "F<sub>m</sub>" is the expense of fossil and nuclear fuel in the current period; "F<sub>b</sub>" is the expense of fossil and nuclear fuel in the base period; "S<sub>m</sub>" is the kilowatt-hour sales in the current period; and "S<sub>b</sub>" is the kilowatt-hour sales in the base period. The energy costs per kilowatt-hour for the current period shall be calculated from data covering actual costs from the most recent four-month period as follows: Energy costs for actual months 1, 2, 3, and 4 plus unrecovered (or less overrecovered) prior cumulative energy costs divided by kilowatt-hour sales for actual months 1, 2, 3, and 4 equals the energy cost adjustment for month 6.

4. Energy costs (F) are the cost of:

a. Fuel consumed in the utility's own plants, and the utility's share of

fossil and nuclear fuel consumed in jointly owned or leased plants;

b. The actual identifiable fuel costs associated with energy purchased

for reasons other than those identified in subdivision c;

c. The net energy cost of energy purchases, exclusive of capacity or

demand charges, irrespective of the designation assigned to such transaction, when such energy is purchased:

(1) On an economic dispatch basis. Included therein may be such costs as the charges for economic energy purchases

and the charges as a result of scheduled outage, all such kinds of energy being purchased by the buyer to substitute for its own higher cost energy;

- (2) From a renewable energy source, including hydropower, wood, windpower, and biomass; and
- (3) From a qualifying facility as defined in 18 CFR part 292;

d. Less the cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

5. Sales (S) are all kilowatt-hours sold, excluding intersystem sales. Where for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of:

- a. Generation;
- b. Purchases;
- c. Interchange-in; less
- d. Energy associated with pumped storage operations; less
- e. Intersystem sales referred to in subdivision d of subsection 4; less
- f. Total system losses.

6. The adjustment factor developed according to this procedure must be modified to properly allow for losses (estimated if necessary) associated only with wholesale sales for resale.

7. The cost of fuel other than nuclear may include only those items listed in Account 151 of the Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel is that in Account 518, to the extent that the cost has not already been included in the cost of other fuel.

8. If the current price of fuels is in litigation or otherwise being collected subject to refund, the utility shall advise the commission and shall keep a separate account of amounts paid that are subject to refund, and shall advise the commission of the final outcome.

9. Notice of change in the adjustment must be filed with the commission prior to billing. The notice must include:

- a. Workpapers calculating the adjustment; and
- b. To the extent possible, an explanation of market and other factors causing the change.

10. If a particular circumstance prevents the use of a standard or its use would result in an undue burden, the commission may for good cause shown, permit deviation from a standard.

11. The commission may review an automatic adjustment clause at any time to ensure the maximum economies in those operations and purchases which affect the rates to which the clause applies. The commission's review may include an evidentiary hearing. In making this review, the commission may examine and, if appropriate, cause to be audited, the practices of a utility relating to costs subject to an automatic adjustment clause, and may require any filings and reports that may be necessary to carry out the review, including volumes, prices, and contracts for all fuel and electric energy from all sources and a disclosure of any affiliation between the electric utility and the seller of fuel, electric energy, or other items to the utility.

12. Each utility shall cause an independent audit of its automatic adjustment clause to be performed annually. A copy of the auditor's report must be filed annually with the commission.



# Public Service Commission

## State of North Dakota

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### COMMISSIONERS

Tony Clark, President  
Susan E. Wefald  
Kevin Cramer

Executive Secretary  
Ilona A. Jeffcoat-Sacco

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

March 9, 2005

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

Dear Mr. Ball:

On March 9, 2005, the Commission suspended Montana-Dakota Utilities Co.'s Cost of Fuel Adjustment Clause tariff, Case No. PU-05-135.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sharon Helbling".

Sharon Helbling  
Public Utilities Division

Sdh

APPROVED

MOTION

DATE 3-9-05  
KMF

March 9, 2005

Montana-Dakota Utilities Co.  
Cost of Fuel Adjustment Clause  
Tariff

Case No. PU-05-135

I move the Commission suspend Montana-Dakota Utilities Co.'s Cost of Fuel  
Adjustment Clause tariff, Case No. PU-05-135.

JRL/sdh



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Public Service Commission

Receipt of Payme

Received 3/2/2005 Check# 1039350 for \$50 00 Receipt# 6150

Cost of Energy Adjustment Clause Tariff

**Docket # PU-05-135**

Montana-Dakota Utilities Co , a Division of MDU Resources Group, Inc  
400 N 4th Street  
Bismarck ND 58501



# MONTANA-DAKOTA

UTILITIES CO.

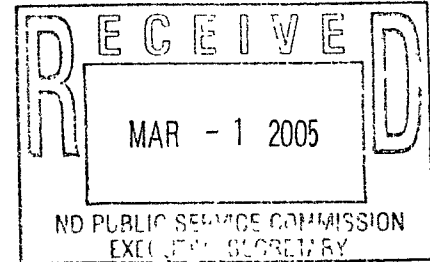
A Division of MDU Resources Group, Inc

# ORIGINAL

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

March 1, 2005

Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building  
Bismarck, ND 58505



Re: Fuel Clause Rate 58  
Case No. PU-05-\_\_\_

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and seven (7) copies of revised Fuel Clause Rate 58 in accordance with Title 49 of the North Dakota Century Code and the rules and regulations promulgated by the North Dakota Public Service Commission.

The Company seeks revisions to its Fuel Clause Rate 58 (FCA) to reflect inclusion of the Midwest Independent System Operator (MISO) energy related costs that will become effective upon implementation of the MISO Energy Market, currently projected to be effective April 1, 2005.

Montana-Dakota is a member of MISO, which serves as a regional transmission organization. On February 16, 2005, MISO filed with the Federal Energy Regulatory Commission (FERC) to certify its readiness for the April 1 launch of the "Day 2 Market" under its Transmission and Energy markets Tariff (TEMT). The Day 2 market is an energy market design consisting of Day-Ahead and Real-Time Energy Markets, based on Locational Marginal Pricing (LMP) and hedged with Financial Transmission Rights (FTRs).

The introduction of the Day 2 market will change the process used by the Company to account for the energy required to serve its retail customers. All Montana-Dakota generation and load will participate in the Day Ahead Markets either through economic dispatch by MISO or bilateral arrangements between Montana-Dakota's generation and load. In addition, Montana-Dakota may participate in the Real Time Markets. Participation in the markets results in the Company bidding generation into the market, and if cleared, selling energy into the market at the market clearing price. The outcome is regional economic dispatch, controlled by MISO. Montana-Dakota's load will also be bid into the market, with payment at the market price for energy at the load location.

The difference in these prices will include costs such as transmission congestion costs and energy losses. These costs are hedged by the Company through FTRs, which entitles Montana-Dakota to receive funds collected from transmission congestion costs.

Presently, Montana-Dakota recovers fuel costs, delivery losses and congestion (in the form of redispatched higher cost units), as well as the cost of purchased energy through the FCA. Many components of the cost of purchased energy exist bundled together in the energy purchase price today, but under the Day 2 market these costs will be unbundled and stated individually. Montana-Dakota will continue to incur these costs, but the name and form of these costs will change. They will be seen as charges and revenues from MISO, but still reflect the fuel and purchased energy costs of serving customers.

Montana-Dakota is proposing to revise the FCA to specify that the net energy cost of energy purchases includes energy related costs associated with the MISO energy market. These energy related costs include such items as congestion and FTR costs, LMP market energy costs, market and FTR administration fees, and marginal loss costs and will be recorded in Account 555.

Montana-Dakota respectfully requests Commission approval of the attached revised tariff by April 1, 2005 to be coincident with the implementation of the Day 2 market.

Montana-Dakota is also providing a copy of the proposed Rate 58 that shows the proposed revisions by underlining the new proposed language

Please refer all inquiries regarding this filing to:

Mr. 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 pleading to:

Mr. Daniel S. Kuntz  
Senior Attorney  
MDU Resources Group, Inc  
P.O. Box 5650  
Bismarck, ND 58506-5650

Montana-Dakota also herewith submits a check for \$50.00 pursuant to the

requirements of Section 49-05-05 of the North Dakota Century Code.

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Donald R Ball  
Assistant Vice President –  
Regulatory Affairs

Attachment

cc: D. S Kuntz



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

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NDPSC Volume 4  
1<sup>st</sup> Revised Sheet No 42  
Canceling Original Sheet No 42

### FUEL CLAUSE Rate 58

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Page 1 of 2

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;
  - c. Energy related costs associated with the Midwest ISO Energy Market
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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**Date Filed:** March 1, 2005

**Effective Date:**

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

**Case No.:**



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street

Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

NDPSC Volume 4  
Original Sheet No 42

### FUEL CLAUSE Rate 58

Page 1 of 2

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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,
  - c. Energy related costs associated with the Midwest ISO Energy Market
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.

Date Filed:

Effective Date

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

Case No.: