Fahn, Patrick J.

From: Diller, Michael R.
Sent: Friday, July 13, 2007 11:06 AM
To: -Grp-PSC Commissioners; -Grp-PSC Public Utilities
Subject: MDU IRP (Case No. PU-07-394)

I noticed in the recently filed IRP that MDU is adding 20 MW's of wind in Montana to meet legislated mandates. We heard from MDU at the BS2 hearing that wind is never the least cost resource. I called Rita Mulkern to discuss the allocation of mandated wind in Montana to North Dakota. She stated that it will be part of their integrated system and therefore North Dakota will be allocated its share of the wind farm (about 60%).

Naturally, I have concerns about MDU procuring higher cost electricity than necessary to satisfy a Montana mandate and then billing North Dakota for most of it. I thought about requiring MDU to report its annual results without MT wind but that gets a little tricky. It would be easy enough to exclude related capital costs and O&M but then the energy side of things would have to be worked through. Simply excluding capital costs and O&M would not take into consideration the relatively low cost of energy produced by wind or the relatively high cost of energy required to back up wind when it doesn't blow.

Rita argues that any wind energy will replace the more costly MISO purchases currently being made and therefore the MT wind project will have little effect on overall rates. I think she might be right--but the economics will surely change when BS2 comes on-line. Best Guess: There is likely a slight advantage to North Dakota in requiring MT to pay for their own mandates in the initial years and likely a greater advantage when BS2 comes on-line and the dependence on MISO purchases diminishes.

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E-mail re: MDU IRP
Public Service Commission
M. Diller

This does not have to be addressed today (wind farm won't be on-line until the end of 2007) but wanted to give you a heads up and share my thoughts. Annette is our MDU IRP advisory group representative but sometimes I get curious. Mike