MONTANA-DAKOTA
UTILITIES CO.
A Division of MDU Resources Group, Inc.

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

July 1, 2009

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505-0480

Re: Case No. PU-09-_____
2009-2010 Avoided Costs Update

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group Inc., herewith requests Commission approval to revise its Occasional Power Purchase Non-Time Differentiated Rate 95 and Parallel Generation Peaking Facility Purchase Time Differentiated Rate 96. This filing is made in compliance with the Order in Case No. 10,000 and in accordance with the Cogeneration and Small Power Producer Rules, Section 69-09-07-09 of the North Dakota Administrative Code.

The methodology used to develop the proposed energy and capacity payment is consistent with the approved avoided cost rate tariffs. The proposed energy payments for Rates 95 and 96 were generated using Montana-Dakota's production costing model (ProSym), updated to reflect a test year of July 2009 through June 2010. The proposed energy payments under Rates 95 and 96 reflect a decrease in payments due to the recent trend in lower Midwest Independent System Operator (MISO) market prices than those included in the currently approved energy payments. The proposed capacity payments for Rate 96 are the projected levelized costs of a new peaking facility. The data used to support the proposed energy and capacity payments is included as Attachment A.

Montana-Dakota is also proposing changes in the metering charges applicable under Rates 95 and 96. The proposed metering charges have been revised to reflect updated meter costs, resulting in a modest increase for single phase meters and a decrease in cost for three phase meters. The workpapers supporting the proposed meter charges is provided in Attachment B.

Included herein is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions requested by lining through the existing language which the Company proposes to delete and clearly highlighting the new language proposed. A report of tariff change reflecting Commission data requirements regarding filings is also attached hereto. Montana-Dakota has one customer served on Rate 95. A monthly history of the net energy billed under Rate 95 is included as Attachment C.

Montana-Dakota respectfully requests that the rate schedules set forth herein be approved within 30 days of this filing.

Please refer all inquiries regarding this filing to:

Ms. Tamie A. Aberle
Pricing & Tariff Manager
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

Mr. Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650

The original and seven (7) copies of this Letter of Transmittal and tariffs have been provided to the North Dakota Public Service Commission.

Montana-Dakota submitted a check for the amount of $600.00 in accordance with North Dakota Century Code Section 49-05-05 on January 9, 2009. The $50.00 filing fee can be deducted from this balance.

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

Donald R. Ball
Vice President – Regulatory Affairs

Attachments
cc: D. Kuntz

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

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:	$ 1.60 per month
With instrument transformers:	$ 3.50 per month
Metering charge for three phase service:	$ 3.80 per month
With instrument transformers:	$ 6.60 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 general electric service, etc.) that is currently on file with the Commission.

   Energy purchases by Company:

   Energy Payment = 2.795¢ per Kwh

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:

   2.795¢ 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.

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

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:	$ 5.20 per month
With instrument transformers:	$ 7.10 per month
Metering charge for three phase service:	$ 5.70 per month
With instrument transformers:	$ 8.50 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	5.618	8.155	9.540	10.616	11.543	12.370	13.116

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.

2. Energy Payment:

ON-PEAK	OFF-PEAK
3.805¢ per Kwh	2.723¢ per Kwh

Peak Periods: The On-Peak Period is defined as those hours between 12 p.m. and 8 p.m. local time, Monday through Friday in the months of June through September. The Off-Peak Period is defined as all other hours. 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:	$ 5.20 per month
With instrument transformers:	$ 7.10 per month
Metering charge for three phase service:	$ 5.70 per month
With instrument transformers:	$ 8.50 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	= Projected Capacity Factor of the facility to be avoided
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
3.805¢ per Kwh	2.723¢ 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 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.

Tariffs Reflecting Proposed Changes

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

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:	$ ~~1.45~~1.60 per month
With instrument transformers:	$ ~~3.45~~3.50 per month
Metering charge for three phase service:	$ ~~5.05~~3.80 per month
With instrument transformers:	$ ~~8.00~~6.60 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 general electric service, etc.) that is currently on file with the Commission.

   Energy purchases by Company:

   Energy Payment = ~~3.824~~2.795¢ per Kwh

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Electric Rate Schedule

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NON-TIME DIFFERENTIATED

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   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:

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General Terms and Conditions:

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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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State of North Dakota
Electric Rate Schedule

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: $ ~~4.80~~5.20 per month
With instrument transformers: $ ~~6.80~~7.10 per month

Metering charge for three phase service: $ ~~9.55~~5.70 per month
With instrument transformers: $~~12.50~~8.50 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	~~4.193~~	~~7.804~~	~~9.425~~	~~10.514~~	~~11.361~~	~~12.060~~	~~12.652~~
	5.618	8.155	9.540	10.616	11.543	12.370	13.116

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: **Effective Date:**

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

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

PARALLEL GENERATION PEAKING FACILITY PURCHASE Rate 96 TIME DIFFERENTIATED

2. Energy Payment:

ON-PEAK	OFF-PEAK
~~4.654~~3.805¢ per Kwh	~~3.706~~2.723¢ per Kwh

Peak Periods: The On-Peak Period is defined as those hours between 12 p.m. and 8 p.m. local time, Monday through Friday in the months of June through September. ~~In 2008 the on-peak hours will be shifted one hour later (1 p.m. to 9 p.m.) during two periods; March 9 to March 30 and October 26 to November 2.~~ 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:	$ ~~4.80~~5.20 per month
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where:	P	= capacity payment in $/Kw - month
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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.

North Dakota Report of Tariff Schedule Change

Case No. PU-09-_____

Name of Utility: Montana-Dakota Utilities Co.

Address Main Office: 400 North Fourth Street, Bismarck ND 58501

NEW TARIFF DESIGNATION

Occasional Power Purchase Rate 95	P.S.C. Tariff Volume	4	Sheet No.	6th Revised 44 - 44.1
Parallel Generation Peaking Facility Purchase Rate 96	P.S.C. Tariff Volume	4	Sheet No.	6th Revised 45 and 45.2
Parallel Generation Peaking Facility Purchase Rate 96	P.S.C. Tariff Volume	4	Sheet No.	7th Revised 45.1
	P.S.C. Tariff Volume		Sheet No.	

Change: Rates

(State part of tariff affected by change, such as: applicability, availability, rates, etc.)

Reason for Change: Reflect updated avoided energy costs

Approximate annual reduction in revenue ..... N/A

Approximate annual increase in revenue ..... N/A

Points Affected	Estimated number of customers whose cost of service will be:		
	Reduced	Increased	Unchanged
	(DEPENDENT UPON ENERGY PRODUCED)		

Montana-Dakota Utilities Co.
Donald R. Ball
Vice President - Regulatory Affairs

Montana-Dakota Utilities Co.

North Dakota Lambda
July 2009 through June 2010

		Lambda		
Month	Year	On-Peak $/MWh	Off-Peak $/MWh	Total $/MWh
July	2009	$42.13	$30.54	$33.40
August	2009	42.27	30.13	32.87
September	2009	29.68	26.58	27.34
October	2009	--	25.07	25.07
November	2009	--	25.89	25.89
December	2009	--	28.81	28.81
January	2010	--	28.17	28.17
February	2010	--	30.81	30.81
March	2010	--	23.95	23.95
April	2010	--	22.96	22.96
May	2010	--	24.96	24.96
June	2010	38.11	28.90	31.15
Average		$38.05	$27.23	$27.95

Montana-Dakota Utilities Co.

Monthly Capacity Payment Levels
Nominally Levelized $/kW-Month
On line Contract Year

Contract Length	2009-2010
5	$5.618
10	8.155
15	9.540
20	10.616
25	11.543
30	12.370
35	13.116

Montana-Dakota Utilities Co.

Supply-Side Resource Expansion Plan
2010 - 2044

Year	$/KW - Year	Installed Facility
2010	$0.00	No capacity needed
2011	0.00	No capacity needed
2012	108.54	Cost of peaking combustion turbine
2013	112.89	Cost of peaking combustion turbine
2014	117.40	Cost of peaking combustion turbine
2015	122.10	Cost of peaking combustion turbine
2016	126.98	Cost of peaking combustion turbine
2017	132.06	Cost of peaking combustion turbine
2018	137.34	Cost of peaking combustion turbine
2019	142.84	Cost of peaking combustion turbine
2020	148.55	Cost of peaking combustion turbine
2021	154.49	Cost of peaking combustion turbine
2022	160.67	Cost of peaking combustion turbine
2023	167.10	Cost of peaking combustion turbine
2024	173.78	Cost of peaking combustion turbine
2025	180.73	Cost of peaking combustion turbine
2026	187.96	Cost of peaking combustion turbine
2027	195.48	Cost of peaking combustion turbine
2028	203.30	Cost of peaking combustion turbine
2029	211.43	Cost of peaking combustion turbine
2030	219.89	Cost of peaking combustion turbine
2031	228.69	Cost of peaking combustion turbine
2032	237.83	Cost of peaking combustion turbine
2033	247.35	Cost of peaking combustion turbine
2034	257.24	Cost of peaking combustion turbine
2035	267.53	Cost of peaking combustion turbine
2036	278.23	Cost of peaking combustion turbine
2037	289.36	Cost of peaking combustion turbine
2038	300.93	Cost of peaking combustion turbine
2039	312.97	Cost of peaking combustion turbine
2040	325.49	Cost of peaking combustion turbine
2041	338.51	Cost of peaking combustion turbine
2042	352.05	Cost of peaking combustion turbine
2043	366.13	Cost of peaking combustion turbine
2044	380.78	Cost of peaking combustion turbine

Montana-Dakota Utilities Co.
Electric Utility - North Dakota

Calculation of Metering Charges - Rate 95
2009 - 2010 Avoided Cost Updates

	Single-Phase		Three-Phase	
Rate 95	Without Instrument Transformer	With Instrument Transformer	Without Instrument Transformer	With Instrument Transformer
Estimated Meter Cost 1/	$90	$290	$285	$585
Levelized Fixed Charge Rate 2/	11.103%	11.103%	11.103%	11.103%
Annual Carrying Cost/Meter	$9.99	$32.20	$31.64	$64.95
Annual O&M Expense	9.53	9.53	14.30	14.30
Total Annual Cost of Meter	$19.52	$41.73	$45.94	$79.25
Calculated Charge	$1.63	$3.48	$3.83	$6.60
Monthly Metering Charge	$1.60	$3.50	$3.80	$6.60

1/ Including installation and testing.
2/ Reflective of capital costs, depreciation and taxes.

Montana-Dakota Utilities Co.
Electric Utility - North Dakota

Calculation of Metering Charges - Rate 96
2009 - 2010 Avoided Cost Updates

	Single-Phase TOD, Demand		Three-Phase TOD, Demand	
Rate 96	Without Instrument Transformer	With Instrument Transformer	Without Instrument Transformer	With Instrument Transformer
Estimated Meter Cost 1/	$309	$509	$319	$619
Levelized Fixed Charge Rate 2/	11.103%	11.103%	11.103%	11.103%
Annual Carrying Cost/Meter	$34.31	$56.51	$35.42	$68.73
Annual O&M Expense	28.59	28.59	33.36	33.36
Total Annual Cost of Meter	$62.90	$85.10	$68.78	$102.09
Calculated Charge	$5.24	$7.09	$5.73	$8.51
Monthly Metering Charge	$5.20	$7.10	$5.70	$8.50

1/ Including installation and testing.
2/ Reflective of capital costs, depreciation and taxes.

Montana-Dakota Utilities Co.
Electric Utility - North Dakota

Rate 95 Net Energy Billed
Twelve Months Ended May 31, 2009

	Kwh Delivered	Kwh Generated under Rate 95	Net Kwh Billed/(Purchased)
June 2008	1,811	1,937	(126)
July	1,752	905	847
August	2,808	893	1,915
September	2,382	490	1,892
October	2,089	692	1,397
November	2,183	1,416	767
December	1,819	1,121	698
January 2009	2,426	852	1,574
February	2,373	0	2,373
March	2,538	0	2,538
April	3,004	0	3,004
May	1,701	0	1,701
Total	26,886	8,306	18,580