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May 12, 2010

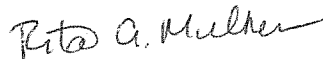
Executive Secretary  
North Dakota Public Service  
Commission  
State Capitol Building  
Bismarck, ND 58505-0480

Re: Case Nos. PU-09-731 and PU-09-733

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and seven (7) copies of Late Filed Exhibit Nos. MDU-5 through MDU-8 requested at the hearing held on May 5, 2010 in the above referenced cases.

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,



Rita A. Mulkern  
Regulatory Analysis Manager

Attachment

38 PU-09-731 Filed 05/12/2010 Pages: 17  
Late filed exhibits - MDU-5, MDU-6, MDU-7, MDU-8  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Rita Mulkern

38 PU-09-733 Filed 05/12/2010 Pages: 17  
Late filed exhibits - MDU-5, MDU-6, MDU-7, MDU-8  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Rita Mulkern

**Montana Dakota Utilities Co.  
Case Nos. PU-09-731 and PU-09-733  
Late Filed Exhibits**

**Exhibit MDU-5**

**Provide a breakdown of the cost shown on Exhibit MDU-4 of \$11,833,071.**

Response:

Please see Attachment A.

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF BIG STONE II EXPENDITURES**

Big Stone II Expenditures

Big Stone II Trust	\$10,368,276
Montana-Dakota Internal	1,514,795
Total	<u>\$11,883,071</u>

Big Stone II Trust 1/

Generation

Engineering, procurement & construction mgt	\$1,201,727
Project Development Team (Including Labor)	1,960,983
Permitting & EIS	1,739,020
Legal	1,865,517
Land	358,958
Other Expenditures	551,788
Total Generation	<u>7,677,993</u>

Transmission

Engineering, procurement & construction mgt	240,385
Project Development Team (Including Labor)	246,941
Permitting & EIS	1,007,431
Legal	690,560
Land	504,966
Total Transmission	<u>2,690,283</u>

Total Big Stone II Trust \$10,368,276

Montana-Dakota Internal 2/

Consulting and external legal	\$731,768
Labor and benefits	582,882
Meals, travel, other expense	166,896
Permits & Filing fees	13,449
Administrative	19,800
Total	<u>\$1,514,795</u>

1/ Montana-Dakota paid into the Big Stone II trust on a monthly basis in a lump sum. The total amount has been allocated to the categories based on categories reported by Otter Tail.

2/ Montana-Dakota recorded its internal costs as a generation project and did not separately track or allocate expenditures.

**Montana Dakota Utilities Co.  
Case Nos. PU-09-731 and PU-09-733  
Late Filed Exhibits**

**Exhibit MDU-6**

**Provide supporting documentation for the AFUDC.**

Response:

Please see Attachment A.

**MONTANA-DAKOTA UTILITIES CO.**  
**ALLOCATION OF AFUDC - DEFERRED GENERATION**

	AFUDC	AFUDC Rate		
		Borrowed	Other	Total
2006	\$72,907	5.50%	0.00%	5.50%
2007	795,279	4.40%	4.06%	8.46%
2008	441,196	3.56%	0.28%	3.84%
2009	1,077,637	3.22%	5.96%	9.18%
	<u>\$2,387,019</u>			

Average Plant Balance	Total	Big Stone II	LV21	MY III
2006	\$8,194,491	\$6,424,577	\$1,769,914	\$0
2007	9,570,969	7,801,055	1,769,914	0
2008	11,368,298	9,598,384	1,769,914	0
2009	13,197,217	11,319,516	1,769,914	107,787

Allocation of AFUDC				
2006	\$72,907	\$57,160	\$15,747	\$0
2007	795,279	648,212	147,067	0
2008	441,196	372,507	68,689	0
2009	1,077,637	924,310	144,525	8,802
Total	<u>\$2,387,019</u>	<u>\$2,002,189</u>	<u>\$376,028</u>	<u>\$8,802</u>

**Montana Dakota Utilities Co.**  
**Case Nos. PU-09-731 and PU-09-733**  
**Late Filed Exhibits**

**Exhibit MDU-7**

**Provide a demonstration that the deferred generation costs, including Big Stone II, are not included in the Company's interim rate increase in Case No. PU-10-124.**

Response:

The deferred generation costs, consisting of costs associated with Big Stone II, Lignite Vision 21 and Milton Young III are included in the Company's request and shown separately on the rate base summary on Statement N, page 1. The calculation of the balance is shown on Statement N, page 19 and the amortization is shown on Statement M, page 9.

The deferred generation costs are excluded from the Interim request in Appendix B as indicated by the absence of the balance on the rate base summary on page 49 and the absence of the amortization on page 10.

The reference pages are provided as Attachment A.

Late Filed Exhibit MDU-7

**MONTANA-DAKOTA UTILITIES CO.**  
**RATE BASE**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2009**  
**PROJECTED 2010**  
**(000s)**

	Per Books	Projected 2010	
Electric Plant in Service	\$534,847	\$615,223	1/
Accumulated Reserve for Depreciation	288,104	302,493	
Net Electric Plant in Service	\$246,743	\$312,730	
CWIP in Service Pending Reclassification	1,477	0	
Total Electric Plant in Service	\$248,220	312,730	
Additions			
Materials and Supplies	4,782	5,077	
Fuel Stocks	2,944	2,955	
Prepayments	102	373	
Unamortized Loss on Debt	5,015	4,556	
Deferred Generation Costs	0	10,213	
Decommission of Retired Plant	0	(353)	
Total Additions	12,843	22,821	
Total Before Deductions	\$261,063	\$335,551	
Deductions			
Accumulated Deferred Income Taxes	\$49,902	\$49,973	
Accumulated Investment Tax Credits	94	0	
Customer Advances	164	227	
Total Deductions	50,160	50,200	
Total Rate Base	<u>\$210,903</u>	<u>\$285,351</u>	

1/ Includes CWIP in Service by function.

**MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
DEFERRED GENERATION COSTS  
PROJECTED 2010  
(000s)**

	<u>Total Company</u>	<u>North Dakota</u>
Deferred Generation Costs 1/	\$16,363	\$11,348
Amortization 2/		1,135
Balance		<u>\$10,213</u>

1/ Costs incurred in the acquisition of generation.

2/ Amortized over ten years.

MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2010  
 (000s)

Function	Industry Dues	Regulatory Commission	Deferred Generation	Decommissioning on Retired Plants	Subcontract Labor	Software Maintenance	All Other O&M 13/
Cost of Fuel & Purchased Power					\$78		\$8
Production			\$1,135	(\$39)	1,973	\$56	1,012
Transmission					1,691	145	1,140
Distribution					735	31	(84)
Customer Accounting					82	50	152
Customer Service & Information							1
Sales					1		11
Administrative and General	\$105	\$166			405	225	1,797
Total Other O&M	105	166	1,135	(39)	4,887	507	4,029
<b>Total O&amp;M</b>	<b>\$105</b>	<b>\$166</b>	<b>\$1,135</b>	<b>(\$39)</b>	<b>\$4,965</b>	<b>\$507</b>	<b>\$4,037</b>
Page No.	25-26	27	Statement N Page 19	Statement N Page 20			28

**MONTANA-DAKOTA UTILITIES CO.**  
**RATE BASE - INTERIM**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2009**  
**PROJECTED 2010**  
**(000s)**

	Per Books	Projected 2010	
Electric Plant in Service	\$534,847	\$606,502	1/
Accumulated Reserve for Depreciation	288,104	301,911	
Net Electric Plant in Service	<u>\$246,743</u>	<u>\$304,591</u>	
 CWIP in Service Pending Reclassification	 1,477	 0	
Total Electric Plant in Service	<u>\$248,220</u>	<u>304,591</u>	
 Additions			
Materials and Supplies	4,782	5,077	
Fuel Stocks	2,944	2,955	
Prepayments	102	373	
Unamortized Loss on Debt	5,015	4,556	
Decommission of Retired Plant	0	(353)	
Total Additions	<u>12,843</u>	<u>12,608</u>	
 Total Before Deductions	 \$261,063	 \$317,199	
 Deductions			
Accumulated Deferred Income Taxes	\$49,902	\$49,835	
Accumulated Investment Tax Credits	94	0	
Customer Advances	164	227	
Total Deductions	<u>50,160</u>	<u>50,062</u>	
 Total Rate Base	 <u>\$210,903</u>	 <u>\$267,137</u>	

1/ Includes CWIP in Service by function.

**MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE - INTERIM  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2010  
(000s)**

Function	Industry Dues	Regulatory Commission	Decommissioning on Retired Plants	Subcontract Labor	Software Maintenance	All Other O&M
Cost of Fuel & Purchased Power				\$78		\$8
Production			(\$39)	1,973	\$56	1,012
Transmission				1,691	145	1,140
Distribution				735	31	(84)
Customer Accounting				82	50	152
Customer Service & Information						1
Sales				1		11
Administrative and General	\$105	\$166		405	225	1,797
Total Other O&M	105	166	(39)	4,887	507	4,029
<b>Total O&amp;M</b>	<b>\$105</b>	<b>\$166</b>	<b>(\$39)</b>	<b>\$4,965</b>	<b>\$507</b>	<b>\$4,037</b>
Page No.	26-27	28	64			29

**Montana Dakota Utilities Co.  
Case Nos. PU-09-731 and PU-09-733  
Late Filed Exhibits**

**Exhibit MDU-8**

**Provide the calculation of the carrying cost savings to customers resulting from the Settlement.**

Response:

Montana-Dakota calculated the net present value (NPV) of the savings to customers comparing the Settlement (three year amortization with no return on the unamortized balance) to 1) a three year amortization with a return on the unamortized balance, net of deferred income taxes and 2) a ten year amortization with a return on the unamortized balance net of deferred income taxes. The results summarized below with the detail provided on Attachment A.

	<u>NPV</u>
Settlement - 3 year amortization no return	\$7,843,679
3 year amortization with return	8,900,498
10 year amortization with return	8,705,415

**MONTANA-DAKOTA UTILITIES CO.  
RECOVERY OF BIG STONE II COSTS  
NORTH DAKOTA ELECTRIC**

	<u>Settlement</u>	<u>3 year Amort. w/Return</u>	<u>10 year Amort. w/Return</u>
Amortization	\$9,464,428	\$9,464,428	\$9,464,428
Return - Rev. Requ.	0	1,223,411	4,080,011
Total Recovery	\$9,464,428	\$10,687,839	\$13,544,439
NPV of Recovery	<u>\$7,843,679</u>	<u>\$8,900,498</u>	<u>\$8,705,415</u>

Assumptions:

Rate of return of 10.016 percent authorized in Case No. PU-399-03-296.

Settlement reflects three year amortization without any return on the unamortized balance.

Three year amortization with return and ten year amortization with return include the revenue requirement on the return at the authorized rate of return on the average unamortized balance net of deferred income taxes.

**MONTANA-DAKOTA UTILITIES CO.  
RECOVERY OF BIG STONE II COSTS  
NORTH DAKOTA ELECTRIC  
THREE YEAR AMORTIZATION**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Beginning Balance	\$9,464,428	\$6,306,497	\$3,153,665
Annual Amortization	\$3,154,809	\$3,153,249	\$3,153,665
Projected Kwh	1,586,900,000	1,608,588,000	1,632,115,000
Per Kwh	\$0.00199	\$0.00196	\$0.00193
Amortization	\$3,157,931	3,152,832	3,153,665
Ending Balance	\$6,306,497	\$3,153,665	\$0

	<u>Amortization</u>	<u>Net Present Value</u>
Year 1	\$3,157,931	\$2,870,429
Year 2	3,152,832	2,604,888
Year 3	3,153,665	2,368,362
Total	<u>\$9,464,428</u>	<u>\$7,843,679</u>

Summary:

Amortization	\$9,464,428
Return - Rev. Req.	
Total	<u>\$9,464,428</u>

Net Present Value	<u><u>\$7,843,679</u></u>
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**MONTANA-DAKOTA UTILITIES CO.  
RECOVERY OF BIG STONE II COSTS  
NORTH DAKOTA ELECTRIC  
NORTH DAKOTA ELECTRIC - THREE YEAR AMORTIZATION**

	Year 1	Year 2	Year 3
Beginning Balance	\$9,464,428	\$6,306,497	\$3,153,665
Annual Amortization	\$3,154,809	\$3,153,249	\$3,153,665
Projected Kwh	1,586,900,000	1,608,588,000	1,632,115,000
Per Kwh	\$0.00199	\$0.00196	\$0.00193
Amortization	\$3,157,931	3,152,832	3,153,665
Ending Balance	\$6,306,497	\$3,153,665	\$0

	Average Balance	DITs	Net Balance	Revenue Req. Return 1/	Net Present Value	Amortization	Return	Total	Net Present Value
Year 1	\$7,885,463	\$2,991,404	\$4,894,059	\$679,785	\$617,896	\$3,157,931	\$679,785	\$3,837,716	\$3,488,325
Year 2	4,730,081	1,794,842	2,935,239	407,705	336,848	3,152,832	407,705	3,560,537	2,941,737
Year 3	1,576,833	598,281	978,552	135,921	102,075	3,153,665	135,921	3,289,586	2,470,436
Total				\$1,223,411	\$1,056,819	\$9,464,428	\$1,223,411	\$10,687,839	\$8,900,498

Summary:

Amortization	\$9,464,428
Return - Rev. Req.	1,223,411
Total	\$10,687,839

Net Present Value \$8,900,498

1/ Based on authorized capital structure and 39.16 percent tax rate.

**MONTANA-DAKOTA UTILITIES CO.  
RECOVERY OF BIG STONE II COSTS  
NORTH DAKOTA ELECTRIC - TEN YEAR AMORTIZATION**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Beginning Balance	\$9,464,428	\$8,517,985	\$7,571,542	\$6,625,099	\$5,678,656	\$4,732,213	\$3,785,770	\$2,839,327	\$1,892,884	\$946,441
Annual Amortization	\$946,443	\$946,443	\$946,443	\$946,443	\$946,443	\$946,443	\$946,443	\$946,443	\$946,443	\$946,441
Ending Balance	\$8,517,985	\$7,571,542	\$6,625,099	\$5,678,656	\$4,732,213	\$3,785,770	\$2,839,327	\$1,892,884	\$946,441	\$0

	Average Balance	DITs	Net Balance	Revenue Req. Return 1/	Net Present Value	Amortization	Return	Total	Net Present Value
Year 1	\$8,991,207	\$3,410,201	\$5,581,006	\$775,202	\$704,627	\$946,443	\$775,202	\$1,721,645	\$1,564,904
Year 2	8,044,764	3,051,232	4,993,532	693,602	573,058	946,443	693,602	1,640,045	1,355,015
Year 3	7,098,321	2,692,263	4,406,058	612,001	459,605	946,443	612,001	1,558,444	1,170,371
Year 4	6,151,878	2,333,294	3,818,584	530,401	362,060	946,443	530,401	1,476,844	1,008,118
Year 5	5,205,435	1,974,325	3,231,110	448,801	278,468	946,443	448,801	1,395,244	865,707
Year 6	4,258,992	1,615,356	2,643,636	367,201	207,095	946,443	367,201	1,313,644	740,871
Year 7	3,312,549	1,256,387	2,056,162	285,601	146,409	946,443	285,601	1,232,044	631,590
Year 8	2,366,106	897,418	1,468,688	204,001	95,057	946,443	204,001	1,150,444	536,067
Year 9	1,419,663	538,449	881,214	122,401	51,842	946,443	122,401	1,068,844	452,701
Year 10	473,221	179,482	293,739	40,800	15,707	946,441	40,800	987,241	380,071
Total				\$4,080,011	\$2,893,928	\$9,464,428	\$4,080,011	\$13,544,439	\$8,705,415

Summary:

Amortization	\$9,464,428
Return	4,080,011
Total	\$13,544,439

Net Present Value \$8,705,415

1/ Based on authorized capital structure and 39.16 percent tax rate.