

## Jeffcoat-Sacco, Illona

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**From:** Kuntz, Dan [Dan.Kuntz@MDUResources.com]  
**Sent:** Thursday, May 27, 2010 2:31 PM  
**To:** Jeffcoat-Sacco, Illona; Bendish, Annette M.; bgerhardson@ottertail.com; 'Derrick Braaten'; rsavelkoul@felhaber.com  
**Cc:** Diller, Michael R.; Fahn, Patrick J.; -Grp-PSC Commissioners; 'Mark Bring'; Stomberg, Andrea; Goodin, Dave; Mulkern, Rita; Senger, Garret; Aberle, Tamie; Haider, Dennis  
**Subject:** RE: Big Stone II work session question  
**Attachments:** Big Stone II Settlement w AFUDC Rate.pdf

Ms. Jeffcoat-Sacco;

Regarding the concern expressed by the Commission at the work session, the terms of the settlement agreement between Montana-Dakota and the Commission Advocacy Staff provides for recovery of a carrying charge comprised of interest expense and a return on equity for the amounts invested in the project which is consistent with what the Company is authorized to receive under the provisions of NDCC Section 49-05-16. Nonetheless, in response to the Commission's request, Montana-Dakota is prepared to accept an order approving the settlement agreement that would be subject to a condition that the carrying charge be based on the Company's average 2009 AFUDC rate of 9.18 percent rather than the Company's rate of return approved in its most recent rate case of 10.016 percent as provided in the settlement agreement. Attached hereto is a calculation showing the effect of this change in the same format as Exhibit MDU-4. The effect of this change in the carrying charge reduces the North Dakota recovery amount by approximately \$61,000.

Daniel S. Kuntz  
Associate General Counsel  
MDU Resources Group, Inc.  
P.O. Box 5650  
1200 West Century Avenue  
Bismarck, ND 58506-5650  
(701) 530-1016, (701) 530-1731 fax  
[dan.kuntz@mduresources.com](mailto:dan.kuntz@mduresources.com)

**From:** Jeffcoat-Sacco, Illona [mailto:[ijs@nd.gov](mailto:ijs@nd.gov)]  
**Sent:** Tuesday, May 25, 2010 4:02 PM  
**To:** Bendish, Annette M.; Kuntz, Dan; bgerhardson@ottertail.com; 'Derrick Braaten'; rsavelkoul@felhaber.com  
**Cc:** Diller, Michael R.; Fahn, Patrick J.; -Grp-PSC Commissioners  
**Subject:** Big Stone II work session question

At the its work session today, the Commission expressed concern about the inclusion in the Settlement Agreements of a monthly carrying charge on the North Dakota share of Big Stone II Generation Costs from the date on which the companies ceased accumulating an allowance for funds used during construction (AFUDC) on the construction work in progress (CWIP) balance up until the recovery of costs commences. Otter Tail Power Company ceased accumulating AFUDC on September 1, 2009 and Montana-Dakota Uti42

The Commission asked advisory staff to contact the par  
Commission adopted the settlements, **but excluded a n**  
Generation Costs.

Please respond by Friday, May 28, 2010. Thank you.

**Illona A. Jeffcoat-Sacco**  
General Counsel

- 42 PU-10-30 Filed 05/27/2010 Pages: 3  
Email re. response to work session question with attachment  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Dan Kuntz
- 47 PU-09-739 Filed 05/27/2010 Pages: 3  
Email re. response to work session question with attachment  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Dan Kuntz
- 43 PU-09-733 Filed 05/27/2010 Pages: 3  
Email re. response to work session question with attachment  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Dan Kuntz
- 43 PU-09-731 Filed 05/27/2010 Pages: 3  
Email re. response to work session question with attachment  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Dan Kuntz

Public Service Commission  
600 E. Boulevard Ave., Dept. 408  
Bismarck, ND 58505-0480  
701-328-2407 (fax: 701-328-2410)  
[ijs@nd.gov](mailto:ijs@nd.gov)

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

	<u>Total</u>
1 Big Stone II expenditures 1/	\$11,883,071
2 AFUDC	2,002,189
3 Total	<u>\$13,885,260</u>
4 Carrying Charges 2/	740,818
5	<u>\$14,626,078</u>
6 Less: Estimated Recovery	<u>(1,067,000)</u>
7 Total to Recover	<u><u>\$13,559,078</u></u>
8	
9	
10 North Dakota Amount 3/	\$9,403,436
11	
12 Annual amortization	\$3,134,479
13	
14 North Dakota Kwh Sales 4/	1,586,900,000
15	
16 Per Kwh	\$0.00198
17	
18 Typical Residential	750
19	
20 Monthly for Residential	\$1.49
21	
22 Annual for Residential	\$17.88

- 1/ Includes amounts submitted to the Big Stone II Trust and internal expenditures.
- 2/ Carrying charges for the period November 2009 - May 2010 at the 2009 AFUDC rate.
- 3/ Allocated to North Dakota on the twelve monthly system peak demand.
- 4/ Projected kwh sales for the period June 2010 - May 2011.