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July 6, 2010

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

PUBLIC SERVICE COMMISSION

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

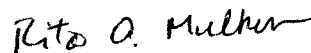
Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and seven (7) copies of its supporting documentation for the cost recovery of the Big Stone II development costs as well as a sample calculation illustrating the inclusion in the fuel cost adjustment (FCA) calculation in compliance with the Commission Order Adopting Settlement (Commission Order) dated June 25, 2010.

Pursuant to the Commission Order, the cost recovery rate for Big Stone II development costs will be \$.00201 per kwh for the period August 1, 2010 through July 31, 2011 as shown on Attachment A.

The sample calculation provided in Attachment B is illustrative only and the FCA to be effective on August 1, 2010 reflecting the inclusion of the Big Stone II development costs will be submitted in the August 2010 FCA filing, to be filed on or about July 21, 2010.

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

- 53 PU-09-733 Filed 07/07/2010 Pages: 3
Documentation for the cost of recovery of the Big Stone II development costs
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
Rita Mulkern, Regulatory Analysis Mgr.
- 53 PU-09-731 Filed 07/07/2010 Pages: 3
Documentation for the cost of recovery of the Big Stone II development costs
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
Rita Mulkern, Regulatory Analysis Mgr.

**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/ | 953,263 |
| 5 | <u>\$14,838,523</u> |
| 6 Less: Estimated Recovery | (1,051,221) |
| 7 Total to Recover as of July 31, 2010 | <u><u>\$13,787,302</u></u> |
| 8 | |
| 9 | |
| 10 North Dakota Amount 3/ | \$9,561,713 |
| 11 | |
| 12 Annual amortization | \$3,187,238 |
| 13 | |
| 14 North Dakota Kwh Sales 4/ | 1,589,214,000 |
| 15 | |
| 16 Adjustment Per Kwh | \$0.00201 |
| 17 | |
| 18 Typical Residential | 750 |
| 19 | |
| 20 Monthly for Residential | \$1.51 |
| 21 | |
| 22 Annual for Residential | \$18.12 |

- 1/ Includes amounts submitted to the Big Stone II Trust and internal expenditures.
- 2/ Carrying charges for the period November 2009 - July 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 August 2010 - July 2011.

SAMPLE FCA EXHIBIT

MONTANA-DAKOTA UTILITIES CO. FUEL COST ADJUSTMENT - NORTH DAKOTA JULY 2010 BILLING ADJUSTMENT SUMMARY

| | <u>Amount</u> |
|--|---------------|
| Current cost per Kwh 1/ | \$0.02039 |
| Surcharge Adjustment | (0.00024) |
| Total Cost per Kwh | \$0.02015 |
| Less: Base Cost 2/ | 0.01303 |
| Total Fuel Cost Adjustment | \$0.00712 |
| Deferred generation development costs 3/ | \$0.00201 |
| Total Adjustment billed under Rate 58 | \$0.00913 |

1/ July 2010 billing summary.

2/ Base cost of fuel per Case No. PU-399-03-296, Order dated December 18, 2003.

3/ Development costs associated with Big Stone II pursuant to Order Adopting Settlement dated June 25, 2010 in Case Nos. PU-09-731 and PU-09-733.