



# MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

July 15, 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 this letter and a proposed bill insert (Attachment A) regarding the recovery of Big Stone II generation costs in compliance with the Commission Order Adopting Settlement (Commission Order) dated June 25, 2010.

Pursuant to the Commission Order, upon approval, the bill insert will be included with customer bills every third month during the 36 month recovery period starting with bills issued on August 1, 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,

Tamie A. Aberle  
Pricing & Tariff Manager

## Attachment

Cc: Annette Bendish, Legal Counsel, ND PSC (abendish@nd.gov)  
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54 PU-09-733 Filed 07/15/2010 Pages: 2  
Proposed bill insert  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Tamie Aberle

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***Recovery of Big Stone II Generation Development Costs- Bill Insert***

Effective August 1, 2010, the recovery of Big Stone II generation development costs will be included in your electric service bill. The recovery rate effective August 1, 2010 is \$0.00201 per kilowatt hour (Kwh) and is included in the Fuel Cost Adjustment (FCA) charge on your electric service bill. Residential customers using 750 Kwh per month, on average, will see an increase of \$1.51 per month.

Montana-Dakota, along with six other utilities originally pursued the development of the Big Stone II generating station, a planned 500-to-600 megawatt coal-fired power plant to be located near Milbank, SD. In August of 2008, the North Dakota Public Service Commission (Commission) determined Montana-Dakota's participation in the Big Stone II generating station, up to a maximum of 133 megawatts, was reasonable and prudent to ensure reliable electric service to its customers.

However, in September 2009 a large project participant, who was also the lead developer, withdrew from the Big Stone II Project. New projects participants were pursued but in the end, Montana-Dakota and the other project participants reluctantly determined it was prudent to discontinue the Big Stone II Project because of a lack of sufficient participation to make the project economical. The Commission concurred in that decision. A series of circumstances ultimately led to the demise of Big Stone II: a very long permitting process, the economic downturn and uncertainty in Washington, DC, regarding climate legislation.

On June 25, 2010, the Commission authorized Montana-Dakota to collect the approximate \$10 million share of the costs invested in developing Big Stone II for North Dakota electric customers. Development costs will be collected over a three-year period starting August 1, 2010. The majority of the costs are related to the permitting process.

Montana-Dakota currently has adequate power supply arrangements in place to continue to provide reliable and low cost electric power to its customers. Montana-Dakota also continues to evaluate other supply options that are reliable and cost-beneficial for our customers.

For further information, contact a customer service representative at 1-800-638-3278.