

Fahn, Patrick J.

From: Aberle, Tamie [Tamie.Aberle@MDU.com]
Sent: Monday, July 26, 2010 2:25 PM
To: 'Derrick Braaten'; Bendish, Annette M.
Cc: Kuntz, Dan; Fahn, Patrick J.; Jeffcoat-Sacco, Illona
Subject: Montana-Dakota Big Stone II Insert
Attachments: Big Stone II Bill Insert Revision 1.pdf

Importance: High

Attached is a revised copy of Montana-Dakota's proposed bill insert regarding Big Stone II development cost recovery reflecting a comment received from Patrick Fahn, Commission Advisory Staff (the phrase, "As provided in State law" was added to the highlighted paragraph).

Mr. Braaten and Ms. Bendish, please advise as soon as possible if you are OK with the attached bill insert that is on the Commission's Agenda for July 28. Thank you.

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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.

As provided in State law, 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 on June 25, 2010. 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.