

September 16, 2011

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

Re: Fuel and Purchased Power Adjustment
 Case No. PU-11-__

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith respectfully files an original and seven (7) copies of its fuel and purchased power adjustment (F&PP) pursuant to its Rate 58.

| | <u>Primary</u> | <u>Secondary</u> |
|---------------------------------------|------------------|------------------|
| Base Fuel | \$0.02024 | \$0.02087 |
| Fuel and Purchased Power Adjustment | 0.00018 | 0.00027 |
| Subtotal | \$0.02042 | \$0.02114 |
| Margin Sharing Adjustment | 0.00200 | 0.00200 |
| Deferred Generation | 0.00161 | 0.00161 |
| Total Adjustment billed under Rate 58 | <u>\$0.02403</u> | <u>\$0.02475</u> |

Exhibit A is 3rd Revised Sheet No. 42.3 showing the proposed Fuel and Purchased Power Adjustment to be effective with service rendered on and after October 1, 2011.

Exhibit B, page 1 summarizes the fuel and power adjustment calculated pursuant to the terms of Rate 58 that will apply during the month of October 2011. Pages 2-4 show the calculation of the adjustment for October 2011. The adjustment also reflects the Big Stone II development costs established for the period August 1, 2011 through July 31, 2012 as authorized in Case Nos. PU-09-731 and PU-09-733.

The net effect of this F&PP adjustment is an increase of 0.106 cents per Kwh for primary service customers and an increase of 0.156 cents per Kwh for secondary service customers for service rendered in the month of October 2011. All of North Dakota's electric customers will be affected by this proposal. There were 78,353 electric customers in North Dakota as of August 31, 2011.

The increase in the FCA for October is caused by the fact that the lower cost month of April, used in the September calculation, was replaced by the higher cost month of August.

In response to Paragraph No. 11 of NDAC Section 69-09-02-39, Montana-Dakota purchases natural gas used for electric generation from its own gas operations or transports natural gas purchased from others under the applicable gas tariff approved and on file with the Commission in the state where the purchase is made or the transportation occurs.

Montana-Dakota submitted a check in the amount of \$600.00 on October 14, 2010. This payment will cover the filing fee associated with this monthly FCA filing in accordance with North Dakota Century Code Section 49-05-05.

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 Affairs Manager

Attachment

Proposed Fuel and Purchased Power Adjustment



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4

3rd Revised Sheet No. 42.3

Canceling 2nd Revised Sheet No. 42.3

FUEL AND PURCHASED POWER ADJUSTMENT Rate 58

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7. Fuel and Purchased Power Adjustment:

| | Primary | Secondary |
|-------------------------------------|---------|-----------|
| Base Fuel | 2.024¢ | 2.087¢ |
| Fuel and Purchased Power Adjustment | 0.018 | 0.027 |
| Subtotal | 2.042¢ | 2.114¢ |
| Margin Sharing Adjustment | 0.200 | 0.200 |
| Deferred Generation | 0.161 | 0.161 |
| Total FPPA | 2.403¢ | 2.475¢ |

Date Filed: September 16, 2011

Effective Date:

Issued By: Tamie A. Aberle
Regulatory Affairs Manager

Case No.:

**MONTANA-DAKOTA UTILITIES CO.
FUEL COST ADJUSTMENT - NORTH DAKOTA
OCTOBER 2011 BILLING ADJUSTMENT SUMMARY**

| | <u>Primary</u> | <u>Secondary</u> |
|--|------------------|------------------|
| Current Adjustment (Page 2) | (\$0.00014) | (\$0.00005) |
| Prior Adjustment | <u>(0.00120)</u> | <u>(0.00161)</u> |
| Change in Current Adjustment | 0.00106 | 0.00156 |
| <u>Surcharge Adjustment:</u> | | |
| Current Adjustment | 0.00032 | 0.00032 |
| Prior Adjustment | <u>0.00032</u> | <u>0.00032</u> |
| Change in Surcharge Adjustment | 0.00000 | 0.00000 |
| <u>Margin Sharing Adjustment:</u> | | |
| Current Adjustment | 0.00200 | 0.00200 |
| Prior Adjustment | <u>0.00200</u> | <u>0.00200</u> |
| Change in Margin Sharing Adjustment | 0.00000 | 0.00000 |
| <u>Deferred Generation Development Costs: 1/</u> | | |
| Current Adjustment | 0.00161 | 0.00161 |
| Prior Adjustment | <u>0.00161</u> | <u>0.00161</u> |
| Change in Deferred generation development costs | 0.00000 | 0.00000 |
| | <u>\$0.00106</u> | <u>\$0.00156</u> |
| | | |
| Base Cost of Fuel 2/ | \$0.02024 | \$0.02087 |
| Current Adjustment | (0.00014) | (0.00005) |
| Surcharge Adjustment | 0.00032 | 0.00032 |
| Margin Sharing Adjustment | 0.00200 | 0.00200 |
| Deferred generation development costs | <u>0.00161</u> | <u>0.00161</u> |
| Total Adjustment billed under Rate 58 | <u>\$0.02403</u> | <u>\$0.02475</u> |

1/ Development costs associated with Big Stone II pursuant to Order Adopting Settlement dated June 28, 2010 in Case Nos. PU-09-731 and PU-09-733.
Charge applicable August 1, 2011 through July 31, 2012 as filed on July 12, 2011.

2/ Established in Case No. PU-10-124.

**MONTANA-DAKOTA UTILITIES CO.
FUEL AND PURCHASED POWER ADJUSTMENT - NORTH DAKOTA
OCTOBER 2011**

| | Total 1/ | Allocation to 2/ North Dakota | Allocation to 3/ | |
|---|---------------------|----------------------------------|--------------------|---------------------|
| | | | Primary | Secondary |
| Fuel & Purchased Power Costs | | | | |
| Account 501 and 547 | \$16,279,120 | \$10,656,126 | \$1,457,430 | \$9,198,696 |
| Account 555 Energy | 1,425,317 | 932,996 | 127,605 | 805,391 |
| Account 555 Demand 4/ | 668,750 | 468,107 | 32,533 | 435,574 |
| Account 575 Market Admin. 4/ | 75,270 | 49,271 | 6,739 | 42,532 |
| Total Fuel & Purchased Power | \$18,448,457 | \$12,106,500 | \$1,624,307 | \$10,482,193 |
| Fuel Costs - Wholesale sales | 988,537 | 647,085 | 88,501 | 558,584 |
| System Costs | 17,459,920 | 11,459,415 | 1,535,806 | 9,923,609 |
| Wholesale sales Margin 4/ | (301,701) | (197,490) | (27,011) | (170,479) |
| Revenue from Sale of RECs 5/ | 0 | (63,321) | (8,660) | (54,661) |
| Net System Costs | \$17,158,219 | \$11,198,604 | \$1,500,135 | \$9,698,469 |
| Kwh Retail Sales | 825,546,744 | 540,393,452 | 74,632,065 | 465,761,387 |
| Cost of Fuel - per Kwh | | \$0.02072 | \$0.02010 | \$0.02082 |
| Base cost of Fuel | | | 0.02024 | 0.02087 |
| Current Adjustment | | | (0.00014) | (0.00005) |

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2/ Energy allocated on Kwh sales and demand is allocated on Allocation Factor No. 15, Integrated System peak demand.

3/ Energy is allocated on Kwh sales at generation and demand is allocated on class Allocation Factor No. 2, Average and Excess Demand.

4/ Authorized in Case No. PU-10-124.

5/ Allocated to North Dakota based on REC sales by unit and allocated between primary service and secondary service based on Kwh sales at generation.

**MONTANA-DAKOTA UTILITIES CO.
FUEL AND PURCHASED POWER TRACKING ADJUSTMENT - INTEGRATED SYSTEM
OCTOBER 2011**

| | 2011 | | | | Total |
|---|--------------------|--------------------|--------------------|--------------------|-------------------------|
| | May | June | July | August | |
| Fuel & Purchased Power Costs | | | | | |
| Account 151 and 547 | \$3,357,227 | \$3,327,252 | \$5,133,107 | \$4,461,534 | \$16,279,120 |
| Account 555 Energy 1/ | 130,522 | 322,804 | 243,959 | 728,032 | 1,425,317 |
| Account 555 Demand 2/ | 0 | 0 | 323,750 | 345,000 | 668,750 |
| Account 575 Market Admin. 2/ | 0 | 0 | 36,751 | 38,519 | 75,270 |
| Total Fuel & Purchased Power | \$3,487,749 | \$3,650,056 | \$5,737,567 | \$5,573,085 | \$18,448,457 |
| Fuel Costs - Sales for Resale | 211,407 | 177,262 | 321,376 | 278,492 | 988,537 |
| System Costs | \$3,276,342 | \$3,472,794 | \$5,416,191 | \$5,294,593 | \$17,459,920 |
| Sales for Resale - Margin 2/ | 0 | 0 | (206,826) | (94,875) | (301,701) |
| Total Costs - net of margin | \$3,276,342 | \$3,472,794 | \$5,209,365 | \$5,199,718 | \$17,158,219 |
| Kwh Retail Sales | 187,643,683 | 192,162,438 | 195,585,077 | 250,155,546 | 825,546,744 |
| Cost Per Kwh | \$0.01746 | \$0.01807 | \$0.02663 | \$0.02079 | <u><u>\$0.02078</u></u> |

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2/ Authorized in Case No. PU-10-124.

MONTANA-DAKOTA UTILITIES CO.
ACCOUNT 555
OCTOBER 2011 BILLING ADJUSTMENT

| Account No. | Account Description | 2011 | | | |
|---------------------------|---|-----------|-----------|-------------|-----------|
| | | May | June | July | August |
| 555.1 | Purchased Power | | \$3,189 | | \$1,103 |
| 555.111 | Day-Ahead Asset Energy | \$546,412 | 664,331 | (\$941,350) | (57,225) |
| 555.114 | Real-Time Asset Energy | (111,549) | 119,506 | 321,742 | 128,836 |
| 555.117 | Real-Time Excessive Energy | 46 | (52) | (81) | (196) |
| 555.118 | Real-Time Non-Excessive Energy | (201,260) | (161,856) | 589,731 | 329,501 |
| 555.1211 | Day-Ahead Asset Congestion | (356,708) | (277,538) | 37,842 | 160,207 |
| 555.1215 | Real-Time Asset Congestion | 46,276 | 2,259 | (25,618) | 1,915 |
| 555.1219 | Real-Time Non-Excessive Congestion | 137,825 | (23,347) | (59,498) | (88,789) |
| 555.1221 | Financial Transmission Rights Hourly Allocation | (2,113) | (70) | | |
| 555.1223 | Financial Transmission Rights Monthly Allocation | (73) | (79) | | |
| 555.1226 | Financial Transmission Rights Funding Guarantee Amt | (79) | 77 | | |
| 555.1227 | Financial Transmission Rights Guarantee Uplift Amt | 81 | (69) | | |
| 555.1230 | Revenue Rights Transaction | (2,168) | (50,508) | (50,508) | (50,508) |
| 555.1231 | Annual Transaction | 253 | | | |
| 555.1232 | Revenue Rights Infeasible Uplift | 533 | 4,585 | 4,585 | 4,585 |
| 555.1233 | Revenue Rights Stage 2 Distribution | (51,275) | (38,961) | (38,887) | (38,812) |
| 555.130 | Real-Time Non-Excessive Loss | 21,903 | 6,856 | (82,863) | (37,304) |
| 555.131 | Day-Ahead Asset Loss | 61,685 | 30,269 | 373,497 | 240,864 |
| 555.135 | Real-Time Asset Loss | 64,711 | 48,274 | 83,124 | 84,864 |
| 555.136 | Real-Time Distribution of Loss | (32,744) | (31,007) | (53,433) | (73,125) |
| 555.151 | Day-Ahead Rev Suff Guarantee Distribution | 6,300 | 9,455 | 16,818 | 9,508 |
| 555.152 | Day-Ahead Rev Suff Guarantee Make Whole Pmt | (38) | | (6,049) | (3,723) |
| 555.153 | Real-Time Miscellaneous | (2) | (179) | (266) | (554) |
| 555.154 | Real-Time Net Inadvertent Distribution | (4,826) | (3,445) | (8,906) | (10,533) |
| 555.155 | Real-Time Revenue Neutrality Uplift | 42,864 | 7,881 | 30,136 | 53,206 |
| 555.156 | R-T Rev Suff Guarantee First Pass Distribution | 21,682 | 31,987 | 57,978 | 60,345 |
| 555.157 | R-T Rev Suff Guarantee Make Whole Payment | (21,871) | (15,780) | (8,238) | (3,571) |
| 555.159 | Day Ahead Schedule 24 | 4,088 | 4,406 | 5,257 | 5,158 |
| 555.160 | Real Time Schedule 24 | 617 | 537 | 503 | 475 |
| 555.162 | Real Time Price Volume Make Whole Payment | (29,211) | (7,172) | (11,665) | (10,881) |
| 555.1700 | Day-Ahead Regulation Amount | (13,620) | (6,401) | (961) | (3,180) |
| 555.1701 | Day-Ahead Spinning Reserve Amount | (27,947) | (16,032) | (418) | (2,664) |
| 555.1710 | Real-Time Net Regulation Adjustment | 198 | 312 | 95 | 30 |
| 555.1711 | Real-Time Excessive Deficient Energy Deployment | 1 | 7 | 25 | 3 |
| 555.1713 | Real-Time Regulation Amount | 1,253 | 242 | (4) | 871 |
| 555.1714 | Real-Time Spinning Reserve Amount | (826) | (2,830) | (20,329) | (7,010) |
| 555.1716 | Real-Time Regulation Cost Distribution | 15,100 | 11,920 | 18,145 | 19,306 |
| 555.1717 | Real-Time Spinning Reserve Cost Distribution Amount | 9,759 | 8,235 | 8,498 | 11,260 |
| 555.1718 | Real-Time Supplemental Reserve Cost Distribution | 5,245 | 3,802 | 5,057 | 4,070 |
| Total Account 555 Charges | | \$130,522 | \$322,804 | \$243,959 | \$728,032 |