

November 30, 2012

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

Re: Transmission Cost Adjustment (TCA)  
 Rate 59  
 Case No. PU-12-\_\_\_\_

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., herewith files an original and two (2) copies of its Transmission Cost Adjustment (TCA) pursuant to N.D.C.C. §49-05-04.3 and §49-05-06 to be effective January 1, 2013.

Montana-Dakota requests approval of the Transmission Cost Adjustment Rate 59 1<sup>st</sup> revised Sheet No. 43.1 marked as Exhibit 1 to be effective January 1, 2013. This tariff change is necessary to reflect the currently effective charges assessed to Montana-Dakota under the Midwest Independent System Operator's (MISO) Schedule 26 – Network Upgrade Charges from the Transmission Expansion Plan and Schedule 26A – Charges Associated with Multi-Value Transmission Projects and revenues recovered through each of those schedules. The TCA also reflects Western Area Power Administration (WAPA) Network Integrated Transmission System (NITS) charges not recovered through retail electric rates.

The total amount proposed to be recovered through the TCA for the period January 1, 2013 through December 31, 2013 is \$520,695. As shown on Exhibits 3 and 4, the transmission expenses, net of revenue credits projected for 2013 equate to \$769,601 as allocated to North Dakota. The projected net transmission expenses are offset by an estimated over-recovery balance of \$248,906. The following charges per Kwh are proposed to be effective January 1, 2013 for the collection of the Transmission Cost Adjustment and the change from the TCA implemented on June 1, 2012 are shown below:

		TCA	
		\$/KWh	Change
Res & Small General	(Rates 10, 13, 20 & 25)	\$0.00030	(\$0.00005)
Large General	(Rates 30, 31, 32, 38, 40, 48)	0.00024	(0.00005)
Lighting	(Rates 41 & 52)	0.00018	(0.00002)

The TCA results in a decrease of approximately \$0.038 per month for the period January through December 2013 for a residential customer using 750 Kwh per month.

Following is an explanation of the components comprising the TCA:

**Projected 2013 Net Expense**

Montana-Dakota is projecting the following costs and revenues to be assessed under Schedule 26, Schedule 26A, and WAPA NITS in 2013:

- The Schedule 26 charges allocated to North Dakota represent estimated charges posted by MISO as of July 18, 2012 by Pricing Zone for Approved Baseline Reliability Projects, Generation Interconnection Projects, and Market Efficiency Projects.
- The Schedule 26 revenue allocated to North Dakota is equivalent to Montana-Dakota's 2011 revenue requirement for the Heskett Substation deemed a reliability project under MISO's 2009 Transmission Expansion Plan.
- The Schedule 26A charges allocated to North Dakota are based on MISO's indicative charge under Schedule 26A for 2013 and the Company's projected 2013 load requirements. Schedule 26A is charged equally to all MISO load for recovery of MISO's MVP portfolio and is estimated at \$0.17 per MWH for all load in MISO for 2013.
- The WAPA NITS charges assessed to Montana-Dakota continue to increase. The proposed WAPA NITS charges proposed to be recovered through the TCA exclude the \$166,000 level of expenditures Montana-Dakota is recovering in its base retail rates authorized in Case No. PU-10-124.

**2012 True-Up**

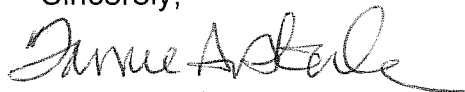
Montana-Dakota's total expense, net of revenue, charged from MISO Schedule 26 and Schedule 26A reflects an over recovered balance of \$248,906 as of December 31, 2012 as shown on Exhibit 4. The change is due to higher revenues collected under schedule 26 than expected.

In summary, Montana-Dakota requests approval to implement the revised Transmission Cost Adjustment factors by rate class effective with service rendered on an after January 1, 2013 as provided on its 1<sup>st</sup> Revised Sheet No. 43.1.

Montana-Dakota also herewith submits a check for \$50 pursuant to the requirements of 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,



Tamie A. Aberle  
Director of Regulatory Affairs

Attachments

# Exhibit 1



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

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NDPSC Volume 4  
1<sup>st</sup> Revised Sheet No. 43.1  
Original Sheet No. 43.1

### TRANSMISSION COST ADJUSTMENT Rate 59

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d. The true-up will reflect any over or under collection of revenue under the Transmission Adjustment from the preceding twelve month period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

**3. Time and Manner of Filing:**

Montana-Dakota shall file the Transmission Adjustment at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of a revised Transmission Adjustment tariff sheet identifying the amounts of the adjustment, the derivation of the adjustment and the resulting Transmission Adjustment rate.

**4. Transmission Cost Adjustment Rate by class:**

Residential & Small General	0.030¢
Large General	0.024¢
Lighting	0.018¢

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Date Filed: November 30, 2012

Effective Date:

Issued By: Tamie A. Aberle  
Director - Regulatory Affairs

Case No.:

# Tariff Reflecting Proposed Changes



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

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### TRANSMISSION COST ADJUSTMENT Rate 59

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#### 3. Time and Manner of Filing:

Montana-Dakota shall file the Transmission Adjustment at least 30 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of a revised Transmission Adjustment tariff sheet identifying the amounts of the adjustment, the derivation of the adjustment and the resulting Transmission Adjustment rate.

#### 4. Transmission Cost Adjustment Rate by class:

Residential & Small General	<del>0.0350</del> .030¢
Large General	<del>0.0290</del> .024¢
Lighting	<del>0.0200</del> .018¢

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Date Filed:

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Case No.:

**Montana-Dakota Utilities Co.  
Electric Utility - North Dakota  
Transmission Cost Adjustment Allocation by Class  
Projected 2013**

		Embedded Class COS Study Factor No. 2 1/	North Dakota Projected 2013 Transmission Costs 2/	2013 Projected KWh 3/	\$/KWh
Res & Small General	(Rates 10, 13, 20 & 25)	50.759749%	\$264,304	868,595,000	\$0.00030
Large General	(Rates 30, 31, 32, 38, 40, 48)	48.279940%	251,391	1,026,611,000	0.00024
Lighting	(Rates 41 & 52)	0.960311%	5,000	28,426,000	0.00018
		<u>100.000000%</u>	<u>\$520,695</u>	<u>1,923,632,000</u>	

1/ Class demand allocation from Case No. PU-10-124.

2/ Exhibit 3.

3/ 2013 projected sales (KWh) excluding special contract sales.

**Montana-Dakota Utilities Co.  
Electric Utility - North Dakota  
Transmission Cost Adjustment Summary  
Projected 2013**

**Projected 2013 Net Expense**

Charges 1/	
MISO Schedule 26 and 26A	\$1,804,246
WAPA NITS	139,468
Total Charges	<u>\$1,943,714</u>
 MISO Schedule 26 Revenue 1/	 \$1,174,113
 Total Projected 2013 Net Expense	 \$769,601
 Estimated Balance as of December 31, 2012 2/	 (\$248,906)
 Total to be Recovered through TCA January 1, 2013 through December 31, 2013	 <u><u>\$520,695</u></u>

1/ Exhibit 4.

2/ Exhibit 3.

**Montana-Dakota Utilities, Co.**  
**Electric Utility - North Dakota**  
**Transmission Cost Adjustment Balancing Account**  
**January 1, 2012 - December 31, 2012**

Month	Beginning Balance	Carrying Charge 1/	Current Month Net Expenses	TCA Recovery 2/	Ending Balance
January 2012	\$0	\$0	\$32,647	\$0	\$32,647
February	32,647	0	26,786	0	59,433
March	59,433	0	26,952	0	86,385
April	86,385	0	22,314	0	108,699
May	108,699	0	23,712	0	132,411
June	132,411	0	(8,238)	15,054	109,119
July	109,119	6	(11,062)	46,854	51,209
August	51,209	3	(19,123)	51,930	(19,841)
September	(19,841)	(2)	(20,433)	41,654	(81,930)
October	(81,930)	(7)	(5,070)	41,209	(128,216)
November - est 3/	(128,216)	0	(12,785)	45,055	(186,056)
December - est 3/	(186,056)	0	(12,785)	50,065	(248,906)
Total		\$0	\$42,915	\$291,821	

1/ Carrying charges calculated based on the three-month Treasury Bill rate pursuant to Rate 59.

2/ Based on TCA Rate effective June 1, 2012 applied to actual sales January through October and estimated November and December sales.

3/ The estimated November and December net expense amount is based on the average net expense June through October 2012.

**Montana-Dakota Utilities Co.**  
**North Dakota Transmission Cost Adjustment**  
**WAPA NITS, MISO Schedule 26 and 26A Charges and Revenues**  
**Electric Utility - North Dakota**  
**Projected 2013**

	Projected												Projected Total
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Dec-13
<b>MISO Schedule 26 and 26A</b>													
MISO Schedule 26 Expense 1/	\$166,867	\$166,867	\$166,867	\$166,867	\$166,867	\$166,867	\$166,867	\$166,867	\$166,867	\$166,867	\$166,867	\$166,870	\$2,002,407
MISO Schedule 26A Expense 2/	45,888	44,237	40,940	38,047	38,613	38,414	47,403	43,590	41,287	39,309	42,912	48,021	508,661
Total Schedule 26 and 26A	\$212,755	\$211,104	\$207,807	\$204,914	\$205,480	\$205,281	\$214,270	\$210,457	\$208,154	\$206,176	\$209,779	\$214,891	\$2,511,068
North Dakota Allocation 3/	\$152,868	\$151,682	\$149,313	\$147,234	\$147,641	\$147,498	\$153,957	\$151,217	\$149,562	\$148,141	\$150,730	\$154,403	\$1,804,246
<b>WAPA Network Integrated Transmission</b>													
WAPA NITS Integrated System 4/	\$35,428	\$35,428	\$35,428	\$35,428	\$35,428	\$35,428	\$35,428	\$35,428	\$35,428	\$35,428	\$35,428	\$35,428	\$425,136
North Dakota Allocation 3/	25,456	25,456	25,456	25,456	25,456	25,456	25,456	25,456	25,456	25,456	25,456	25,452	305,468
Less WAPA NITS in Base Rates 5/	13,833	13,833	13,833	13,833	13,833	13,833	13,833	13,833	13,833	13,833	13,833	13,837	166,000
Total North Dakota WAPA NITS	\$11,623	\$11,623	\$11,623	\$11,623	\$11,623	\$11,623	\$11,623	\$11,623	\$11,623	\$11,623	\$11,623	\$11,615	\$139,468
Total North Dakota Charges	\$164,491	\$163,305	\$160,936	\$158,857	\$159,264	\$159,121	\$165,580	\$162,840	\$161,185	\$159,764	\$162,353	\$166,018	\$1,943,714
<b>Revenue</b>													
MISO Schedule 26 Revenue 6/	\$136,173	\$136,173	\$136,173	\$136,173	\$136,173	\$136,173	\$136,173	\$136,173	\$136,173	\$136,173	\$136,173	\$136,172	\$1,634,075
North Dakota Allocation	\$97,843	\$97,843	\$97,843	\$97,843	\$97,843	\$97,843	\$97,843	\$97,843	\$97,843	\$97,843	\$97,843	\$97,840	\$1,174,113
Net North Dakota Charges	\$66,648	\$65,462	\$63,093	\$61,014	\$61,421	\$61,278	\$67,737	\$64,997	\$63,342	\$61,921	\$64,510	\$68,178	\$769,601

1/ Schedule 26 indicative costs posted by MISO as of July 18, 2012.

2/ MISO's published indicative charge under Schedule 26A for 2013 of \$0.17 per MWh.

3/ Allocated on Factor No. 15, Integrated System 12 Month Peak Demand. 71.851839%

4/ Total 2013 estimated annual Integrated System WAPA NITS charges.

5/ WAPA NITS recovered in base rates authorized in Case No. PU-10-124.

6/ Reflects Montana-Dakota's 2011 revenue requirement for its MTEP project 1355 recovered under Schedule 26.