



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

May 31, 2013

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

Re: Case No. PU-13-83  
Revisions to the Application for Approval  
of an Environmental Cost Recovery  
Rider

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits revisions to its request to implement an Environmental Cost Recovery Rider (ECRR) submitted on February 11, 2013 in Case No. PU-13-83. Montana-Dakota requested authority to implement an ECRR for the recovery its share of the costs resulting from the environmental retrofit required to be installed at the Big Stone Generating Station (Big Stone) in that Application. On February 27, 2013, the Commission suspended the Company's pending request in the above referenced docket.

Montana-Dakota is now submitting 2<sup>nd</sup> Revised Sheet No. 41.1 (Attachment A) and supporting workpapers to reflect revised budget numbers associated with the Big Stone Air Quality Control System (AQCS) and revised billing determinants used to calculate the proposed ECRR rates.

The AQCS project team has finalized contracts for procurement of approximately 90 percent of the project costs allowing the Big Stone partners to reduce the total capital budget from the original budget of \$489 million to \$405 million. This reduction in the budget reduces Montana-Dakota's North Dakota share from \$79 million to \$65.5 million. The updated budget is 17.5 percent lower than the original budget for the AQCS project. The reduction in the budget is a result of the following four factors:

31 PU-13-85 Filed 09/17/2013 Pages: 10  
Exhibit MDU-2 from Sept. 16 formal hearing  
Montana-Dakota Utilities Co., a Division of MDU  
Resources Group, Inc.

33 PU-13-83 Filed 09/17/2013 Pages: 10  
Exhibit MDU-2 from Sept. 16 formal hearing  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.

33 PU-13-84 Filed 09/17/2013 Pages: 10  
Exhibit MDU-2 from Sept. 16 formal hearing  
Montana-Dakota Utilities Co., a Division of MDU Resources  
Group, Inc.

32 PU-13-79 Filed 09/17/2013 Pages: 10  
Exhibit MDU-2 from Sept. 16 formal hearing  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.

1. Design and engineering modifications (accounting for the majority of the reduction);
2. The project delivery method of using a single contractor for the construction of the AQCS project, timing and market conditions yielding bid prices below the expected market;
3. The Big Stone partners named Otter Tail Power Company as the construction manager for the project avoiding the need for a third party to perform construction management activities and,
4. The contingency included within the budget was lowered because of the amount of the project currently under contract.

Provided as Exhibit 1 are revised schedules reflecting the revised budget amount allocated to North Dakota, actual expenditures through April 2013 and revised billing determinants to reflect a recovery period of July 2013 through March 2014.

As shown on Exhibit 1 page 1 the revised Construction Work in Progress (CWIP) revenue requirement is reduced to \$2,751,330 from the original request of \$3,216,870 reflecting a reduction of 14.5% in total costs to be recovered under the Environmental Cost Recovery Rider (ECRR). Montana-Dakota originally submitted a proposed ECRR, by rate class, reflecting estimated costs for the period January 2013 through March 2014. The proposed costs to be recovered now reflect actual costs through April 2013 and projected costs for the remainder of the tracking adjustment period (March 2014). The change in billing units and recovery period result in the following rates proposed to be effective July 1, 2013.

Residential and Small General	\$0.00203 per Kwh
Large General	\$0.00164 per Kwh
Lighting	\$0.00120 per Kwh

The per unit charges are higher than the originally proposed charges because the rates originally included billing determinants for the period January 1, 2013 through March 31, 2014. The above rates assume the recovery period starts July 1, 2013 and ends on March 31, 2014 with billing determinants for the same time period

Montana-Dakota requests that 2<sup>nd</sup> Revised Sheet No. 41.1 attached hereto and the remaining tariff sheets submitted on February 11, 2013 be approved to be effective with service rendered on and after July 1, 2013.

Please refer all inquiries regarding this filing to Tamie Aberle at 701-222-7856 or [tamie.aberle@mdu.com](mailto:tamie.aberle@mdu.com).

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

cc: Daniel S. Kuntz

**Attachment A**

**Attachment A**





# 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  
2<sup>nd</sup> Revised Sheet No. 41.1  
Canceling 1<sup>st</sup> Revised Sheet No. 41.1

### Environmental Cost Recovery Rider Rate 57

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#### 4. Environmental Cost Recovery Rider:

Residential and Small General	0.203¢ per Kwh
Large General	0.164¢ per Kwh
Lighting	0.120¢ per Kwh

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Date Filed: May 31, 2013

Effective Date:

Issued By: Tamie A. Aberle  
Director - Regulatory Affairs

Case No.:



# 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  
2<sup>nd</sup> Revised Sheet No. 41.1  
Canceling 1<sup>st</sup> Revised Sheet No. 41.1

### Environmental Cost Recovery Rider Rate 57

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#### 4. Environmental Cost Recovery Rider:

Residential and Small General	<del>0.1470</del> .203¢ per Kwh
Large General	<del>0.1190</del> .164¢ per Kwh
Lighting	<del>0.0860</del> .120¢ per Kwh

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Date Filed:

Effective Date:

Issued By: Tamie A. Aberle  
Director - Regulatory Affairs

Case No.:

Montana-Dakota Utilities Co.  
Electric Utility - North Dakota  
Environmental Cost Recovery Rider Adjustment  
Rate Proposed to be Effective July 1, 2013

Big Stone CWIP  
Revenue Requirement 1/

\$2,751,330

		Embedded Class COS Factor #2	Total Projected Costs 3/2014	Forecasted Sales 2/	\$/Kwh
Res & Small General	(Rates 10, 13, 20 & 25)	50.759749%	\$1,396,568	689,559,007	0.00203
Large General	(Rates 30, 31, 32, 38, 40, 48)	48.279940%	1,328,341	808,095,997	0.00164
Lighting	(Rates 41 & 52)	0.960311%	26,421	21,997,867	0.00120
		100.000000%	\$2,751,330	1,519,652,871	

1/ Exhibit 1, page 2.

2/ North Dakota projected electric sales July 2013-March 2014.

**Montana-Dakota Utilities Co.**  
**Electric Utility - North Dakota**  
**Environmental Cost Recovery Rider Adjustment - AQCS Project**  
**Revenue Requirement**  
**January 1, 2013 through March 31, 2014**

	Total 1/2013-3/2014	Actuals				Projected		
		January	February	March	April	May	June	July
<b>Rate Base</b>								
Plant Balance		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation		0	0	0	0	0	0	0
Net Plant in Service		0	0	0	0	0	0	0
CWIP (Allocated to ND) 1/		5,957,956	6,380,297	7,866,631	7,903,460	10,490,051	12,922,165	14,946,375
Total Plant in Service		5,957,956	6,380,297	7,866,631	7,903,460	10,490,051	12,922,165	14,946,375
<b>Average Rate Base</b>	\$17,949,622							
<b>Return on Rate Base 2/</b>	\$1,951,800	\$130,120	\$130,120	\$130,120	\$130,120	\$130,120	\$130,120	\$130,120
<b>Expenses</b>								
Income before Taxes	0	0	0	0	0	0	0	0
Interest Expense	666,375	44,425	44,425	44,425	44,425	44,425	44,425	44,425
Taxable income	(666,375)	(44,425)	(44,425)	(44,425)	(44,425)	(44,425)	(44,425)	(44,425)
Income Taxes 3/	(255,540)	(17,036)	(17,036)	(17,036)	(17,036)	(17,036)	(17,036)	(17,036)
Operating Income	\$255,540	\$17,036	\$17,036	\$17,036	\$17,036	\$17,036	\$17,036	\$17,036
Revenue Requirement	\$2,751,330	\$183,422	\$183,422	\$183,422	\$183,422	\$183,422	\$183,422	\$183,422
Total AQCS CWIP		8,361,223	8,953,925	11,039,802	11,091,487	14,721,435	18,134,593	20,975,311

1/ Allocated on Factor No. 15  
Integrated System 12 Month Peak Demand.  
71.256990%

2/ Capital structure authorized in  
Case No. PU-10-124

	Ratio	Cost	
Long Term Debt	42.232%	6.845%	2.891%
Short Term Debt	3.136%	2.535%	0.079%
Preferred Equity	2.333%	4.590%	0.107%
Common Equity	52.299%	10.750%	5.622%
	100.000%		8.699%
			2.970%

3/ Tax Rate 38.3475%  
1- tax rate 61.6525%

**Montana-Dakota Utilities Co.**  
**Electric Utility - North Dakota**  
**Environmental Cost Recovery Rider Adjustment - AQCS Project**  
**Revenue Requirement**  
**January 1, 2013 through March 31, 2014**

	Projected							
	August	September	October	November	December	January	February	March
<b>Rate Base</b>								
Plant Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	0	0	0	0	0	0	0	0
Net Plant in Service	0	0	0	0	0	0	0	0
CWIP (Allocated to ND) 1/	17,051,047	19,315,349	21,543,075	24,686,132	26,585,419	29,022,114	31,340,125	33,234,139
Total Plant in Service	17,051,047	19,315,349	21,543,075	24,686,132	26,585,419	29,022,114	31,340,125	33,234,139
<b>Average Rate Base</b>								
Return on Rate Base 2/	\$130,120	\$130,120	\$130,120	\$130,120	\$130,120	\$130,120	\$130,120	\$130,120
<b>Expenses</b>								
Income before Taxes	0	0	0	0	0	0	0	0
Interest Expense	44,425	44,425	44,425	44,425	44,425	44,425	44,425	44,425
Taxable income	(44,425)	(44,425)	(44,425)	(44,425)	(44,425)	(44,425)	(44,425)	(44,425)
Income Taxes 3/	(17,036)	(17,036)	(17,036)	(17,036)	(17,036)	(17,036)	(17,036)	(17,036)
Operating Income	\$17,036	\$17,036	\$17,036	\$17,036	\$17,036	\$17,036	\$17,036	\$17,036
Revenue Requirement	\$183,422	\$183,422	\$183,422	\$183,422	\$183,422	\$183,422	\$183,422	\$183,422
Total AQCS CWIP	23,928,946	27,106,602	30,232,929	34,643,804	37,309,208	40,728,796	43,981,825	46,639,830

1/ Allocated on Factor No. 15  
Integrated System 12 Month Peak Demand.  
71.256990%

2/ Capital structure authorized in  
Case No. PU-10-124

3/ Tax Rate 38.3475%  
1- tax rate 61.6525%