

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

July 11, 2014

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

Re: Fuel and Purchased Power Adjustment
Case No. PU-14-__

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith respectfully files an original and two (2) 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 | 0.00103 | 0.00145 |
| Total Adjustment billed under Rate 58 | <u>\$0.02127</u> | <u>\$0.02232</u> |

Exhibit A is the 27th Revised Sheet No. 42.2 showing the proposed Fuel and Purchased Power Adjustment to be effective with service rendered on and after August 1, 2014.

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 August 2014. Pages 2-4 show the calculation of the adjustment for August 2014.

The net effect of this F&PP adjustment is a decrease of 0.193 cents per Kwh for primary service customers and a decrease of 0.182 cents per Kwh for secondary service customers for service rendered in the month of August 2014. All of North Dakota's electric customers will be affected by this proposal. There were 87,167 electric customers in North Dakota as of June 30, 2014.

The decrease in the F&PP for August is caused by the fact that the higher cost month of February, used in the July calculation, was replaced by the lower cost month of June.

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 for \$600.00 on December 13, 2013. 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,



Tamie A. Aberle
Director of Regulatory Affairs

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

27th Revised Sheet No. 42.2

Canceling 26th Revised Sheet No. 42.2

FUEL AND PURCHASED POWER ADJUSTMENT Rate 58

Page 3 of 3

2. Refunds from supplier(s) and market operators with respect to fuel and purchased power costs.
3. Carrying charges or credits at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.
4. The balance in the Deferred Fuel Cost Account shall be decreased each month by the amount of the Surcharge Adjustment multiplied by the Kwh sales for the month. The amount amortized shall be applied pro rata between the Deferred Fuel Cost Account and the interest balance.

5. Manner of Filing:

The Company shall file a monthly statement showing the calculation of the Fuel and Purchased Power Adjustment with the Commission prior to implementing the monthly adjustment. The adjustment in rates shall be effective with service rendered on and after the first day of each month, unless the Commission shall otherwise order.

6. Fuel and Purchased Power Adjustment:

| | Primary | Secondary |
|-------------------------------------|---------|-----------|
| Base Fuel | 2.024¢ | 2.087¢ |
| Fuel and Purchased Power Adjustment | 0.103 | 0.145 |
| Total FPPA | 2.127¢ | 2.232¢ |

Date Filed: July 11, 2014

Effective Date:

Issued By: Tamie A. Aberle
Director- Regulatory Affairs

Case No.:

**MONTANA-DAKOTA UTILITIES CO.
FUEL COST ADJUSTMENT - NORTH DAKOTA
AUGUST 2014 BILLING ADJUSTMENT SUMMARY**

| | <u>Primary</u> | <u>Secondary</u> |
|--|-------------------------------|-------------------------------|
| Current Adjustment (Page 2) | \$0.00174 | \$0.00229 |
| Prior Adjustment | 0.00367 | 0.00411 |
| Change in Current Adjustment | <u>(\$0.00193)</u> | <u>(\$0.00182)</u> |
| <u>Surcharge Adjustment:</u> | | |
| Current Adjustment (Exhibit 3) | (0.00071) | (0.00084) |
| Prior Adjustment | <u>(0.00071)</u> | <u>(0.00084)</u> |
| Change in Surcharge Adjustment | 0.00000 | 0.00000 |
| Total Change in Fuel and Purchased Power | <u><u>(\$0.00193)</u></u> | <u><u>(\$0.00182)</u></u> |
| | | |
| Base Cost of Fuel 1/ | \$0.02024 | \$0.02087 |
| Current Adjustment | 0.00174 | 0.00229 |
| Surcharge Adjustment | <u>(0.00071)</u> | <u>(0.00084)</u> |
| Total Adjustment billed under Rate 58 | <u><u>\$0.02127</u></u> | <u><u>\$0.02232</u></u> |

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

**MONTANA-DAKOTA UTILITIES CO.
FUEL AND PURCHASED POWER ADJUSTMENT - NORTH DAKOTA
AUGUST 2014**

| | Total 1/ | Allocation to 2/ North Dakota | Allocation to 3/ | |
|---|---------------------|----------------------------------|--------------------|---------------------|
| | | | Primary | Secondary |
| Fuel & Purchased Power Costs | | | | |
| Account 501 and 547 | \$14,906,006 | \$10,191,265 | \$1,397,714 | \$8,793,551 |
| Account 555 Energy | 6,247,951 | 4,271,736 | 585,861 | 3,685,875 |
| Account 555 Demand 4/ | 1,501,023 | 1,084,158 | 75,349 | 1,008,809 |
| Account 575 Market Admin. 4/ | 135,731 | 92,800 | 12,727 | 80,073 |
| Total Fuel & Purchased Power | \$22,790,711 | \$15,639,959 | \$2,071,651 | \$13,568,308 |
| Fuel Costs - Wholesale sales | 311,920 | 213,260 | 29,248 | 184,012 |
| System Costs | \$22,478,791 | \$15,426,699 | \$2,042,403 | \$13,384,296 |
| Wholesale sales Margin 4/ | (120,322) | (82,264) | (11,282) | (70,982) |
| Revenue from Sale of RECs 5/ | (67,492) | (61,853) | (8,483) | (53,370) |
| Total Costs - net of margin | \$22,290,977 | \$15,282,582 | \$2,022,638 | \$13,259,944 |
| Kwh Retail Sales | 971,999,351 | 664,557,849 | 92,033,945 | 572,523,904 |
| Cost Per Kwh | | \$0.02300 | \$0.02198 | \$0.02316 |
| Base Cost of Fuel | | | 0.02024 | 0.02087 |
| Current Adjustment | | | \$0.00174 | \$0.00229 |

1/ Page 3.

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
AUGUST 2014

| | 2014 | | | | Total |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| | March | April | May | June | |
| Fuel & Purchased Power Costs | | | | | |
| Account 151 and 547 | \$4,281,448 | \$3,639,237 | \$3,669,611 | \$3,315,710 | \$14,906,006 |
| Account 555 Energy 1/ | 2,522,525 | 1,142,627 | 1,262,251 | 1,320,548 | 6,247,951 |
| Account 555 Demand 2/ | 357,042 | 385,852 | 371,346 | 386,783 | 1,501,023 |
| Account 575 Market Admin. 2/ | 39,996 | 36,438 | 30,335 | 28,962 | 135,731 |
| Total Fuel & Purchased Power | \$7,201,011 | \$5,204,154 | \$5,333,543 | \$5,052,003 | \$22,790,711 |
| Fuel Costs - Sales for Resale | 6,547 | 46,822 | 220,497 | 38,054 | 311,920 |
| System Costs | \$7,194,464 | \$5,157,332 | \$5,113,046 | \$5,013,949 | \$22,478,791 |
| Sales for Resale - Margin 2/ | (3,296) | (18,440) | (88,617) | (9,969) | (120,322) |
| Total Costs - net of margin | \$7,191,168 | \$5,138,892 | \$5,024,429 | \$5,003,980 | \$22,358,469 |
| Kwh Retail Sales | 285,242,889 | 254,207,514 | 215,405,687 | 217,143,261 | 971,999,351 |
| Cost Per Kwh | \$0.02521 | \$0.02022 | \$0.02333 | \$0.02304 | \$0.02300 |

1/ Page 4.

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

**MONTANA-DAKOTA UTILITIES CO.
ACCOUNT 555
AUGUST 2014 BILLING ADJUSTMENT**

| Account No. | Account Description | 2014 | | | |
|----------------------------------|---|--------------------|--------------------|--------------------|--------------------|
| | | March | April | May | June |
| 555.1 | Purchased Power | | | \$2,704 | \$0 |
| 555.111 | Day-Ahead Asset Energy | \$3,835,331 | \$2,422,085 | \$1,335,665 | 2,538,775 |
| 555.114 | Real-Time Asset Energy | 321,472 | (190,660) | 117,438 | 25,081 |
| 555.117 | Real-Time Excessive Energy | (124) | 266 | 3 | (821) |
| 555.118 | Real-Time Non-Excessive Energy | (636,639) | (440,332) | (43,945) | (331,175) |
| 555.1211 | Day-Ahead Asset Congestion | (976,491) | (918,032) | (141,942) | (496,904) |
| 555.1215 | Real-Time Asset Congestion | (78,012) | 141,308 | (22,087) | 2,073 |
| 555.1219 | Real-Time Non-Excessive Congestion | 63,203 | 12,699 | (65,880) | 24,258 |
| 555.1230 | Revenue Rights Transaction | (79,662) | (79,662) | (79,662) | (276,881) |
| 555.1232 | Revenue Rights Infeasible Uplift | 12,544 | 12,544 | 12,544 | 11,460 |
| 555.1233 | Revenue Rights Stage 2 Distribution | (72,196) | (72,458) | (72,528) | (55,628) |
| 555.1234 | Auction Revenue Rights Real-Time MVP Distribution | 0 | 0 | 0 | (2,034) |
| 555.130 | Real-Time Non-Excessive Loss | 50,541 | 33,657 | (7,267) | 34,301 |
| 555.131 | Day-Ahead Asset Loss | (11,279) | (30,857) | 85,589 | (28,914) |
| 555.135 | Real-Time Asset Loss | (2,985) | 136,440 | 66,018 | (18,686) |
| 555.136 | Real-Time Distribution of Loss | (30,228) | (13,217) | (19,607) | (49,174) |
| 555.151 | Day-Ahead Rev Suff Guarantee Distribution | 55,429 | 16,564 | 20,061 | 13,468 |
| 555.152 | Day-Ahead Rev Suff Guarantee Make Whole Pmt | (5,902) | 0 | (1,342) | 0 |
| 555.153 | Real-Time Miscellaneous | (15,383) | 175 | (25,683) | (28,824) |
| 555.154 | Real-Time Net Inadvertent Distribution | 9,753 | (4,223) | (8,969) | 19,682 |
| 555.155 | Real-Time Revenue Neutrality Uplift | 65,217 | 109,462 | 30,279 | 35,364 |
| 555.156 | R-T Rev Suff Guarantee First Pass Distribution | 83,348 | 12,723 | 5,414 | 6,689 |
| 555.157 | R-T Rev Suff Guarantee Make Whole Payment | (72,567) | 0 | 0 | 0 |
| 555.159 | Day Ahead Schedule 24 | 5,215 | 4,512 | 4,236 | 3,315 |
| 555.160 | Real Time Schedule 24 | 551 | 621 | 374 | 300 |
| 555.162 | Real Time Price Volume Make Whole Payment | (15,976) | (15,156) | (7,836) | (9,038) |
| 555.163 | Real Time Resource Adequacy Auction Amount | 0 | 0 | 0 | (54,546) |
| 555.1700 | Day-Ahead Regulation Amount | (4,012) | (7,383) | (3,952) | (503) |
| 555.1701 | Day-Ahead Spinning Reserve Amount | (9,048) | (13,358) | (6,078) | (2,519) |
| 555.1710 | Real-Time Net Regulation Adjustment | 111 | (40) | (10) | (13) |
| 555.1711 | Real-Time Excessive Deficient Energy Deployment | 34 | (12) | 23 | 18 |
| 555.1712 | Real-Time Contingency Reserve Deployment | | | 223 | 0 |
| 555.1713 | Real-Time Regulation Amount | 1,662 | 6,875 | (139) | 83 |
| 555.1714 | Real-Time Spinning Reserve Amount | (2,673) | (4,779) | 6,219 | (450) |
| 555.1716 | Real-Time Regulation Cost Distribution | 10,570 | 7,884 | 11,385 | 7,182 |
| 555.1717 | Real-Time Spinning Reserve Cost Distribution Amount | 13,741 | 9,590 | 9,641 | 6,802 |
| 555.1718 | Real-Time Supplemental Reserve Cost Distribution | 6,980 | 5,390 | 6,095 | 2,997 |
| 555.5 | Purchased Power Cogeneration | 0 | 1 | 55,267 | (55,190) |
| Total Account 555 Charges | | \$2,522,525 | \$1,142,627 | \$1,262,251 | \$1,320,548 |