



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

February 27, 2014

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

Re: Case No. PU-14-____
Application for an Electric Generation
Resource Recovery Rider Tariff and
Rates

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., herewith files an original and seven (7) copies of its Application for approval of an electric Generation Resource Recovery Rider tariff and for rate adjustments under the tariff to recover generation investments for the Heskett III Generator as approved by the Commission by an Advance Determination of Prudence and issuance of a Certificate of Public Convenience and Necessity. The Generation Resource Recovery Rider tariff (Generation Rider) is analogous to the Renewable Rider Tracking Adjustments previously authorized by this Commission for the recovery of renewable investments made by Otter Tail Power Company. Montana-Dakota requests approval of a similar mechanism to recover the costs of generation resource additions that are brought into service between rate cases. Montana-Dakota also requests rate adjustments under the mechanism to provide recovery of North Dakota's allocation of the Heskett III 88 MW simple cycle combustion turbine (Heskett III), the necessary transmission interconnection facilities for the turbine, and the natural gas pipeline to supply the turbine deemed prudent by the Commission in Case No. PU-11-395 and for which a Certificate of Public Convenience and Necessity was issued in Case No. PU-11-396. Heskett III, located near Mandan, North Dakota is required to meet the capacity requirements of Montana-Dakota's electric service customers served by its integrated electric system and to replace an expiring capacity purchase agreement, the cost of which is recovered under Montana-Dakota's Fuel and Purchased Power Adjustment tariff (Rate 58).

As Montana-Dakota continues to assess generation resources necessary to adequately serve the growing needs of its integrated system, a Generation Rider provides the means to phase in the generation additions and minimize the rate shock that may be

- 1 PU-14-109 Filed 02/27/2014 Pages: 77
Application for generation resource recovery rider
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
- 1 PU-14-108 Filed 02/27/2014 Pages: 77
Application for generation resource recovery rider
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
Garret Senger, VP President Reg. & CAO

associated with a rate case designed to potentially recover a number of new investments.

As more fully described in the attached Application, the Heskett III project is nearing completion at an estimated cost of \$76.1 million, approximately 11 percent less than the projected costs included in the ADP in Case No. PU-11-395. Heskett III is expected to be in-service in July 2014.

Montana-Dakota respectfully requests approval of the Generation Rider with an initial tracking adjustment effective on or after the in-service date of Heskett III as to provide a recovery on the Heskett III investment and associated operating costs. As supported by the attached Application and testimonies of Mr. Alan Welte and Ms. Tamie Aberle, the tracking adjustment is supported by the need to recover the costs of the Heskett III project and will result in a monthly increase of \$3.62 for a typical residential customer using 894 Kwh per month. The proposed rate adjustments under the Generation Rider, by rate class, reflecting estimated costs for the period July 2014 through June 2015 with an expected Resource Rider effective date of August 1, 2014 are as shown below and set forth on the proposed Rate Schedule 56.

Residential and Small General	\$0.00405 per Kwh
Large General	\$0.00324 per Kwh
Lighting	\$0.00195 per Kwh

Montana-Dakota proposes to file an updated Generation Rider annually with the Company ceasing recovery of the resource through the rider when the investment is included in rate base in a general rate proceeding.

Please refer all inquiries regarding this filing to:

Tamie A. Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650

Montana-Dakota submitted a check in the amount of \$500.00 on February 5, 2014 for filing fees. The \$50.00 filing fee required in accordance with N.D.C.C. §49-05-05 is covered by that submittal. In the event the Commission incurs additional expenses in processing this Application, Montana-Dakota will submit the fees required by N.D.C.C. §49-02-02 (6).

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,



Garret Senger
Vice President Regulatory & CAO

Attachments

cc: Daniel S. Kuntz

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

In the Matter of the Application of)
MONTANA-DAKOTA UTILITIES CO., a)
Division of MDU Resources Group, Inc.)
for approval of an Electric Generation) Case No. PU-14-____
Resource Recovery Rider and an Initial)
Adjustment to be Effective August 1,)
2014)

I. Summary of Application

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (Montana-Dakota or Applicant), makes this Application pursuant to North Dakota Century Code 49-05-05 for Public Service Commission approval of a Generation Resource Recovery Rider (Generation Rider). The Company is also proposing rate adjustments under the Generation Rider to recover North Dakota's share of the investment in the Heskett III 88 MW Simple Cycle Combustion Turbine Station (Heskett III) expected to be operational in July 2014. The Commission issued an Advance Determination of Prudence for Heskett III in Case No. PU-11-395 and a Certificate of Public Convenience and Necessity in Case No. PU-11-396.

II. Description of Applicant

Montana-Dakota is a Division of MDU Resources Group, Inc., a Delaware corporation duly authorized to do business in the State of North Dakota as a foreign corporation, and doing business in the State of North Dakota as a public utility subject to the jurisdiction of and regulation by the North Dakota Public Service Commission (Commission) under NDCC Title 49. Montana-Dakota's Certificate of Incorporation and

amendments thereto have been previously filed with the Commission and such Certificate and Amendments are hereby incorporated by reference as though fully set forth herein. Montana-Dakota provides electric service to approximately 120,000 in its integrated electric system within North Dakota, Montana and South Dakota with approximately 86,000 of those customers in North Dakota.

III. Proposed Tariffs

Montana-Dakota respectfully submits herewith the following tariff sheets as more fully described below and provided as Exhibit 1, to be effective August 1, 2014:

- Table of Contents 3rd Revised Sheet No. 1
- Residential Electric Service 5th Revised Sheet No. 3
- Optional Residential Thermal Energy Storage 3rd Revised Sheet No. 4.1
- Optional Time-of-Day Residential Electric Service 7th Revised Sheet No. 7
- Small General Electric Service 5th Revised Sheet No. 10
- Irrigation Power Service 4th Revised Sheet No. 14.1
- Optional Time-of-Day Small General Electric Service 7th Revised Sheet No. 15
- General Electric Service 4th Revised Sheet No. 18.1
- Optional Time-of-Day General Electric Service 7th Revised Sheet No. 19.1
- General Electric Space Heating Service 6th Revised Sheet No. 20.1
- Firm Service Economic Development 4th Revised Sheet No. 22.1
- Interruptible Large Power Demand Response 4th Revised Sheet No. 23.1
- Small Municipal Electric Service 5th Revised Sheet No. 25.1
- Municipal Lighting Service 5th Revised Sheet No. 26
- Municipal Pumping Service 5th Revised Sheet No. 32.1
- Outdoor Lighting Service 5th Revised Sheet No. 36
- Generation Tracking Adjustment Original Sheet Nos. 40-40.1.
- Fuel & Purchased Power Tracking Adjustment 4th Revised Sheet No. 42.1

IV. Description of the Project

Montana-Dakota seeks rate adjustments under the proposed Generation Rider to recover the investment costs of Heskett III and associated facilities necessary to interconnect with Montana-Dakota's existing electric system. The Heskett III project

also includes a 10-inch natural gas pipeline, approximately 24 miles in length, interconnecting with Northern Border Pipeline Company (Northern Border) to supply the gas requirements for the turbine.

Heskett III is located near Mandan, North Dakota adjacent to Montana-Dakota's existing coal-fired Heskett Station. The 10-inch natural gas pipeline constructed, owned and operated by Montana-Dakota is interconnected with the Northern Border Pipeline with a tap near St. Anthony, North Dakota and traverses approximately 24 miles in a northerly and easterly direction to the turbine site. The pipeline was sized to meet the needs of the proposed turbine along with the capacity to serve possible future needs. The pipeline was issued a Certificate of Site Compatibility by the Commission in Case No. PU-11-680 and construction began on September 9, 2013. The pipeline construction is largely complete between the interconnection with Northern Border and the Heskett III Plant Site. Construction is approximately 85 percent complete at the interconnection point and approximately 70 percent complete at the terminus of the plant site.

V. Need and Justification for the Project

Heskett III was provided an Advance Determination of Prudence in Case No. PU-11-395 and a Certificate of Public Convenience and Necessity in Case No. PU-11-396. As noted in the 2013 Integrated Resource Plan submitted to the Commission on July 1, 2013, the Heskett III unit was considered a committed resource as part of the supply resource analysis for requirements starting in 2014. Heskett III will supplant an expiring capacity purchase agreement the cost of which is being recovered under Montana-Dakota's Fuel and Purchased Power Adjustment tariff (Rate 58).

VI. Generation Resource Recovery Rider

Montana-Dakota is proposing the Generation Rider to recover a return on North Dakota's share of the Heskett III project including associated operation and maintenance, depreciation and tax expenses.

The revenue requirement for the Heskett III project, provided in Exhibit No. ___(TAA-2) of Ms. Aberle's testimony, reflects actual capital expenditures; including allowance for funds used during construction, through December 31, 2013 and estimated capital costs through completion of the project in July 2014. The total amount requested to be recovered through the Generation Rider for this initial period is \$7,390,494. This amount represents the revenue requirement associated with the Heskett III project consisting of the following components:

<u>Cost of Service</u>	
O&M	\$531,804
Depreciation	1,161,351
Taxes Other than Income	299,232
Return	3,793,110
Income Taxes	1,604,997
Total	<u>\$7,390,494</u>

The revenue requirement was allocated to the rate classes using a class demand factor based on projected 2014 requirements. A separate Generation Rider rate adjustment is being proposed for each of the classes shown below, similar to Montana-Dakota's currently effective Environmental Cost Recovery Rider (Rate 57) and Transmission Cost Adjustment (Rate 59), and will be shown as a separate line item on customers' bills denoted as "Generation Resource Rider".

Residential and Small General	\$0.00405 per Kwh
Large General	\$0.00324 per Kwh
Lighting	\$0.00195 per Kwh

A typical residential customer using 894 Kwh would see an increase of \$3.62 per month under the proposed Generation Rider. This increase will be partially offset by a future reduction in the Fuel and Purchased Power Adjustment of approximately \$.00145 per Kwh in association with the expiration of the capacity purchase agreement expiring in May 2015.

Montana-Dakota proposes to track all costs recovered through the Generation Rider until the costs have been fully recovered for the Heskett III project, or future projects deemed recoverable under the Generation Rider, are included in rate base in a general rate proceeding. Montana-Dakota will file a true-up of the Generation Rider annually with the Commission to reflect the over/under recovery from the previous year and costs/revenues projected for the subsequent year. The first Generation Rider is proposed to be effective the monthly following the Heskett III in-service date or approximately August 1, 2014.

VII. Conclusion

Applicant respectfully requests that the Commission:

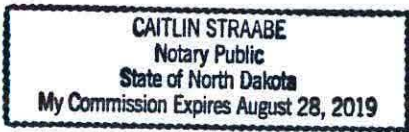
1. Give Notice of Opportunity to request a hearing to interested parties and, if no hearing is requested within twenty days, to waive the hearing;
2. Enter an Order authorizing the implementation of a Generation Resource Recovery Rider, proposed tariff sheets and rate adjustments to be effective the month following the Heskett III in-service date or approximately August 1, 2014.
3. Grant such other relief as the Commission shall deem appropriate.


Dated this 27th day of February, 2014.



Garret Senger
Vice President Regulatory & CAO

Subscribed and sworn to before me this 27th day of February, 2014.





Caitlin Straabe, Notary Public
Burleigh County
State of North Dakota
My Commission Expires: 08/28/2019

Of Counsel:

Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650

Exhibit 1

Exhibit 1



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. 1
Canceling 2nd Revised Sheet No. 1

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Date Filed: February 26, 2014

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 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
5th Revised Sheet No. 3
Canceling 4th Revised Sheet No. 3

RESIDENTIAL ELECTRIC SERVICE Rate 10

Page 1 of 1

Availability:

In all communities served for single-phase residential electric service for domestic purposes only.

Rate:

Basic Service Charge:	\$0.35 per day
Energy Charge:	
October – May:	
First 750 Kwh per month	5.304¢ per Kwh
Over 750 Kwh per month	2.304¢ per Kwh
June – September:	5.304¢ per Kwh
Base Fuel and Purchased Power:	2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: February 26, 2014

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 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
3rd Revised Sheet No. 4.1
Canceling 2nd Revised Sheet No. 4.1

OPTIONAL RESIDENTIAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 13

Page 2 of 2

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Thermal storage space heating facilities can include the thermal storage device(s), air-source heat pumps, and associated air handling units.
2. Unless approved by the Company the maximum thermal storage facilities that may be connected under this rate schedule is 50 Kw.
3. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Case No.:



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
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State of North Dakota Electric Rate Schedule

NDPSC Volume 4
7th Revised Sheet No. 7
Canceling 6th Revised Sheet No. 7

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

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Availability:

In all communities served for single-phase residential electric service. The customer's wiring must be so arranged that all service can be measured through one meter.

Rate:

Basic Service Charge: \$0.45 per day

On-Peak Energy:

For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday.

October – May 7.398¢ per Kwh

June – September 10.398¢ per Kwh

Off-Peak Energy:

For all energy not covered by the On-Peak rating period. 2.304¢ per Kwh

Base Fuel and Purchased Power: 2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

Date Filed: February 26, 2014

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 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
5th Revised Sheet No. 10
Canceling 4th Revised Sheet No. 10

SMALL GENERAL ELECTRIC SERVICE Rate 20

Page 1 of 2

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be so arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

Basic Service Charge:	\$0.70 per day
Energy Charge:	
October – May:	
First 750 Kwh per month	6.147¢ per Kwh
Over 750 Kwh per month	2.304¢ per Kwh
June – September:	6.147¢ per Kwh
Base Fuel and Purchased Power:	2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

Date Filed: February 26, 2014

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Director - Regulatory Affairs

Case No.:



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
4th Revised Sheet No. 14.1
Canceling 3rd Revised Sheet No. 14.1

IRRIGATION POWER SERVICE Rate 25

Page 2 of 2

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: February 26, 2014

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 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
7th Revised Sheet No. 15
Canceling 6th Revised Sheet No. 15

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Page 1 of 2

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

Basic Service Charge: \$0.80 per day

On-Peak Energy:

For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday.

October – May 7.385¢ per Kwh
June – September 11.385¢ per Kwh

Off-Peak Energy:

For all energy not covered by the On-Peak rating period. 2.304¢ per Kwh

Base Fuel and Purchased Power: 2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

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Director - Regulatory Affairs

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Montana-Dakota Utilities Co.

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Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
4th Revised Sheet No. 18.1
Canceling 3rd Revised Sheet No. 18.1

GENERAL ELECTRIC SERVICE Rate 30

Page 2 of 2

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.
2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.
3. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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State of North Dakota Electric Rate Schedule

NDPSC Volume 4
7th Revised Sheet No. 19.1
Canceling 6th Revised Sheet No. 19.1

OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31

Page 2 of 3

On-Peak Energy:

For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday.

October – May 2.793¢ per Kwh
June – September 3.793¢ per Kwh

Off-Peak Energy:

For all energy not covered by
the On-Peak rating period. 0.793¢ per Kwh

Base Fuel and Purchased Power: 2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

Determination of On-Peak Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
6th Revised Sheet No. 20.1
Canceling 5th Revised Sheet No. 20.1

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

Page 2 of 2

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.
2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.
3. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Case No.:



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

4th Revised Sheet No. 22.1

Canceling 3rd Revised Sheet No. 22.1

FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Page 2 of 3

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

Right to Discontinue Service:

The Company reserves the right to refuse applicants who have not previously signed a contract for service under this rate if it determines either system capacity or system energy supply is projected to be insufficient, or if service reliability is expected to be at jeopardy.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

General Terms and Conditions:

1. The customer and the Company shall execute a contract for service to be effective under this rate for a period of five years from the date of service commencement.

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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 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4

4th Revised Sheet No. 23.1

Canceling 3rd Revised Sheet No. 23.1

INTERRUPTIBLE LARGE POWER DEMAND RESPONSE

Rate 38

Page 2 of 3

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 500 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. The customer shall execute an electric service agreement with the Company which will include, among other provisions, a minimum term of service and monthly Basic Service Charge payments to the Company. The monthly Basic Service Charge payments are determined on a customer by customer basis and shall include, but are not limited to, any additional costs incurred by Company for facilities, such as substations, electric lines, meters, switching devices, and circuit breakers that are necessary to provide service under this rate.
2. All equipment associated with the interruptible load must be of such voltage and electrical characteristics that it can be separately metered and served

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State of North Dakota Electric Rate Schedule

NDPSC Volume 4

5th Revised Sheet No. 25.1

Canceling 4th Revised Sheet No. 25.1

SMALL MUNICIPAL ELECTRIC SERVICE Rate 40 (CLOSED)

Page 2 of 3

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

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State of North Dakota Electric Rate Schedule

NDPSC Volume 4
5th Revised Sheet No. 26
Canceling 4th Revised Sheet No. 26

MUNICIPAL LIGHTING SERVICE Rate 41

Page 1 of 2

Availability:

For municipal lighting purposes including streets, alleys and other public grounds. Service will be provided all night, every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

Rate:

Primary Service:
Energy Charge: 5.008¢ per Kwh
Base Fuel and Purchased Power: 2.024¢ per Kwh
Secondary Service:
Energy Charge: 5.508¢ per Kwh
Base Fuel and Purchased Power: 2.087¢ per Kwh

Discount: For contracts of ten years or more 10%

Kwh shall be computed according to the total rated capacity of lamps in use.

Minimum Bill:

As provided in contract.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

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Montana-Dakota Utilities Co.

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State of North Dakota Electric Rate Schedule

NDPSC Volume 4
5th Revised Sheet No. 32.1
Canceling 4th Revised Sheet No. 32.1

MUNICIPAL PUMPING SERVICE Rate 48

Page 2 of 2

Base Fuel and Purchased Power: 2.087¢ per Kwh

Discount: For contracts of ten years or more 10%

Minimum Bill:

Basic Service Charge plus Demand Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.
2. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Case No.:



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
5th Revised Sheet No. 36
Canceling 4th Revised Sheet No. 36

OUTDOOR LIGHTING SERVICE Rate 52

Page 1 of 2

Availability:

For all outdoor lighting including flood lights, billboard lighting, metallic vapor yard lights, and Christmas lights in all communities served. Lighting equipment may be Company-owned or customer-owned.

Rate:

Primary Service:

Energy Charge: 6.288¢ per Kwh

Base Fuel and Purchased Power: 2.024¢ per Kwh

Secondary Service:

Energy Charge: 6.694¢ per Kwh

Base Fuel and Purchased Power: 2.087¢ per Kwh

Discount: For contracts of ten years or more 10%

Kwh shall be computed according to the total rated capacity of the units in use.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
2. Environmental Cost Recovery Rider Rate 57
3. Fuel and Purchased Power Adjustment Rate 58
4. Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Applicable to Company-owned Facilities:
 - a. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dusk to dawn.

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Montana-Dakota Utilities Co.

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400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 40

Generation Resource Recovery Rider Rate 56

Page 1 of 2

1. Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates. Costs to be recovered may include capital expenditures, depreciation, taxes, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

2. Generation Resource Recovery Rider:

- a. An adjustment per Kwh will be calculated using the projected capital costs and related expenses, along with the forecasted Kwh sales, to determine a North Dakota jurisdictional revenue requirement to be recovered through the GRRR. The return component of the revenue requirement calculation will be the authorized rate of return from the Company's most recent general rate case.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under special contracts, and are allocated amongst the rate classes based on the an applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery 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 the Filing:

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

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Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
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State of North Dakota Electric Rate Schedule

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Original Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

4. Generation Resource Recovery Rider:

Residential and Small General	0.405¢ per Kwh
Large General	0.324¢ per Kwh
Lighting	0.195¢ per Kwh

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Montana-Dakota Utilities Co.

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State of North Dakota Electric Rate Schedule

NDPSC Volume 4
4th Revised Sheet No. 42.1
Canceling 3rd Revised Sheet No. 42.1

FUEL AND PURCHASED POWER ADJUSTMENT Rate 58

Page 2 of 3

2. Natural gas and pipeline reservation charges recorded in Account No. 547
 3. The net cost of purchases and costs linked to the utility's load serving obligation associated with participation in the wholesale electric energy markets as recorded in Account No. 555
 4. Capacity purchases as recorded in Account No. 555.
 5. Regional Market Administration expenses recorded in Account No. 575.
 6. Less the cost of fuel and purchased power recovered from electric wholesale sales.
 7. Less 100 percent of the wholesale sales margin.
 8. Less the revenue from the sales of Renewable Energy Credits (RECs).
- c. The cost per Kwh for the month is the sum of 3(b) above divided by retail sales volumes for the most recent four month period for the primary and secondary service classes.

4. Surcharge Adjustment:

All sales rate schedules shall be subject to a Surcharge Adjustment to be effective on April 1 each year. The Surcharge Adjustment per Kwh sold shall reflect the amortization of the applicable balance in the Deferred Fuel Cost Account calculated by dividing the applicable balance by the estimated Kwh sales for the twelve months following the effective date of the adjustment.

- a. The balance in the Deferred Fuel Cost Account (Account 182.3) includes:
 1. The current month over or under recovery, determined as follows:
 - i. Montana-Dakota shall determine each month the cost for that month's fuel and purchased power.
 - ii. Montana-Dakota shall subtract from the month's unit cost the unit cost reflected in rates for that month.

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Case No.:

Tariffs Reflecting Proposed Changes



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
2nd Revised Sheet No. 1
Canceling 1st Revised Sheet No. 1

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A Division of MDU Resources Group, Inc.

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Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
4th Revised Sheet No. 3
Canceling 3rd Revised Sheet No. 3

RESIDENTIAL ELECTRIC SERVICE Rate 10

Page 1 of 1

Availability:

In all communities served for single-phase residential electric service for domestic purposes only.

Rate:

Basic Service Charge:	\$0.35 per day
Energy Charge:	
October – May:	
First 750 Kwh per month	5.304¢ per Kwh
Over 750 Kwh per month	2.304¢ per Kwh
June – September:	5.304¢ per Kwh
Base Fuel and Purchased Power:	2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1.2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2.3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3.4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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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
2nd Revised Sheet No. 4.1
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OPTIONAL RESIDENTIAL ELECTRIC THERMAL ENERGY STORAGE SERVICE Rate 13

Page 2 of 2

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1-2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2-3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3-4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Thermal storage space heating facilities can include the thermal storage device(s), air-source heat pumps, and associated air handling units.
2. Unless approved by the Company the maximum thermal storage facilities that may be connected under this rate schedule is 50 Kw.
3. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
6th Revised Sheet No. 7
Canceling 5th Revised Sheet No. 7

OPTIONAL TIME-OF-DAY RESIDENTIAL ELECTRIC SERVICE Rate 16

Page 1 of 2

Availability:

In all communities served for single-phase residential electric service. The customer's wiring must be so arranged that all service can be measured through one meter.

Rate:

Basic Service Charge: \$0.45 per day

On-Peak Energy:

For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday.

October – May 7.398¢ per Kwh

June – September 10.398¢ per Kwh

Off-Peak Energy:

For all energy not covered by the On-Peak rating period. 2.304¢ per Kwh

Base Fuel and Purchased Power: 2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1-2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2-3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3-4.~~ Transmission Cost Adjustment Rate 59

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Montana-Dakota Utilities Co.

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400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
4th Revised Sheet No. 10
Canceling 3rd Revised Sheet No. 10

SMALL GENERAL ELECTRIC SERVICE Rate 20

Page 1 of 2

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter except outside lighting, standby, resale or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be so arranged so that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

Basic Service Charge:	\$0.70 per day
Energy Charge:	
October – May:	
First 750 Kwh per month	6.147¢ per Kwh
Over 750 Kwh per month	2.304¢ per Kwh
June – September:	6.147¢ per Kwh
Base Fuel and Purchased Power:	2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- 1.2. Environmental Cost Recovery Rider Rate 57
- 2.3. Fuel and Purchased Power Adjustment Rate 58
- 3.4. Transmission Cost Adjustment Rate 59

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Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
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State of North Dakota Electric Rate Schedule

NDPSC Volume 4

3rd Revised Sheet No. 14.1

Canceling 2nd Revised Sheet No. 14.1

IRRIGATION POWER SERVICE Rate 25

Page 2 of 2

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1-2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2-3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3-4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

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Canceling 5th Revised Sheet No. 15

OPTIONAL TIME-OF-DAY SMALL GENERAL ELECTRIC SERVICE Rate 26

Page 1 of 2

Availability:

In all communities served for all types of general electric service with billing demands that do not warrant the installation of a demand meter except outside lighting, standby, resale, or other customers covered by special contracts or rate schedules applicable to specific services. The customer's wiring must be arranged so that all service can be measured through one meter.

Rate:

Basic Service Charge: \$0.80 per day

On-Peak Energy:

For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday.

October – May 7.385¢ per Kwh

June – September 11.385¢ per Kwh

Off-Peak Energy:

For all energy not covered by the On-Peak rating period.

2.304¢ per Kwh

Base Fuel and Purchased Power:

2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1.2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2.3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3.4.~~ Transmission Cost Adjustment Rate 59

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Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
3rd Revised Sheet No. 18.1
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GENERAL ELECTRIC SERVICE Rate 30

Page 2 of 2

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1.2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2.3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3.4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.
2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.
3. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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6th Revised Sheet No. 19.1
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OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31

Page 2 of 3

On-Peak Energy:

For all Kwh's used during peak hours designated as 12 p.m. to 8 p.m. local time, Monday through Friday.

October – May 2.793¢ per Kwh
June – September 3.793¢ per Kwh

Off-Peak Energy:

For all energy not covered by the On-Peak rating period. 0.793¢ per Kwh

Base Fuel and Purchased Power: 2.087¢ per Kwh

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- 1.2. Environmental Cost Recovery Rider Rate 57
- 2.3. Fuel and Purchased Power Adjustment Rate 58
- 3.4. Transmission Cost Adjustment Rate 59

Determination of On-Peak Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand for the on-peak period in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

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Bismarck, ND 58501

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Canceling 4th Revised Sheet No. 20.1

GENERAL ELECTRIC SPACE HEATING SERVICE Rate 32

Page 2 of 2

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1.2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2.3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3.4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.
2. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.
3. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed:	February 11, 2013	Effective Date:	Service rendered on and after January 15, 2014
Issued By:	Tamie A. Aberle Director - Regulatory Affairs	Case No.:	PU-13-83 & PU-13-85



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. 22.1

Canceling 2nd Revised Sheet No. 22.1

FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34

Page 2 of 3

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1-2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2-3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3-4.~~ Transmission Cost Adjustment Rate 59

Right to Discontinue Service:

The Company reserves the right to refuse applicants who have not previously signed a contract for service under this rate if it determines either system capacity or system energy supply is projected to be insufficient, or if service reliability is expected to be at jeopardy.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 200 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

General Terms and Conditions:

1. The customer and the Company shall execute a contract for service to be effective under this rate for a period of five years from the date of service commencement.

Date Filed: February 11, 2013

Effective Date: Service rendered on and after January 15, 2014

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.: PU-13-83 & PU-13-85



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. 23.1
Canceling 2nd Revised Sheet No. 23.1

INTERRUPTIBLE LARGE POWER DEMAND RESPONSE Rate 38

Page 2 of 3

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15 minute measured demand in the current month or 500 Kw. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1.2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2.3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3.4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. The customer shall execute an electric service agreement with the Company which will include, among other provisions, a minimum term of service and monthly Basic Service Charge payments to the Company. The monthly Basic Service Charge payments are determined on a customer by customer basis and shall include, but are not limited to, any additional costs incurred by Company for facilities, such as substations, electric lines, meters, switching devices, and circuit breakers that are necessary to provide service under this rate.
2. All equipment associated with the interruptible load must be of such voltage and electrical characteristics that it can be separately metered and served

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after January 15, 2014

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.: PU-13-83 & PU-13-85



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
4th Revised Sheet No. 25.1
Canceling 3rd Revised Sheet No. 25.1

SMALL MUNICIPAL ELECTRIC SERVICE Rate 40 (CLOSED)

Page 2 of 3

Minimum Bill:

Basic Service Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Determination of Billing Demand:

The demand in kilowatts for billing purposes shall be the maximum 15 minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

- 1. Generation Resource Recovery Rider Rate 56
- ~~1.2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2.3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3.4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

- 1. Customers or their architects, contractors and electricians should consult with the Company before proceeding to design or erect installations in which there will be a substantial electric load, to make sure their equipment will meet requirements and receive adequate service.

Date Filed: February 11, 2013

Effective Date: Service rendered on and after January 15, 2014

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.: PU-13-83 & PU-13-85



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
4th Revised Sheet No. 26
Canceling 3rd Revised Sheet No. 26

MUNICIPAL LIGHTING SERVICE Rate 41

Page 1 of 2

Availability:

For municipal lighting purposes including streets, alleys and other public grounds. Service will be provided all night, every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

Rate:

Primary Service:

Energy Charge: 5.008¢ per Kwh

Base Fuel and Purchased Power: 2.024¢ per Kwh

Secondary Service:

Energy Charge: 5.508¢ per Kwh

Base Fuel and Purchased Power: 2.087¢ per Kwh

Discount: For contracts of ten years or more 10%

Kwh shall be computed according to the total rated capacity of lamps in use.

Minimum Bill:

As provided in contract.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1-2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2-3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3-4.~~ Transmission Cost Adjustment Rate 59

Date Filed: February 11, 2013

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Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.: PU-13-83 & PU-13-85



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
4th Revised Sheet No. 32.1
Canceling 3rd Revised Sheet No. 32.1

MUNICIPAL PUMPING SERVICE Rate 48

Page 2 of 2

Base Fuel and Purchased Power: 2.087¢ per Kwh

Discount: For contracts of ten years or more 10%

Minimum Bill:

Basic Service Charge plus Demand Charge.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Power Factor Clause:

The Company reserves the right to require the customer to install adequate equipment so that at all times it can operate its facilities to maintain a power factor between 90% lagging and 90% leading. If the customer operates outside this range, the maximum 15 minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15 minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such excess demand.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1.2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2.3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3.4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Primary service rate is applicable to customers that own their own transformers, related equipment and distribution facilities downstream of the meter, satisfactory to the Company so customer can receive service and be metered at primary voltages of 2,400 volts or greater.
2. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: February 11, 2013

Effective Date: Service rendered on and
after January 15, 2014

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.: PU-13-83 & PU-13-85



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
4th Revised Sheet No. 36
Canceling 3rd Revised Sheet No. 36

OUTDOOR LIGHTING SERVICE Rate 52

Page 1 of 2

Availability:

For all outdoor lighting including flood lights, billboard lighting, metallic vapor yard lights, and Christmas lights in all communities served. Lighting equipment may be Company-owned or customer-owned.

Rate:

Primary Service:

Energy Charge: 6.288¢ per Kwh

Base Fuel and Purchased Power: 2.024¢ per Kwh

Secondary Service:

Energy Charge: 6.694¢ per Kwh

Base Fuel and Purchased Power: 2.087¢ per Kwh

Discount: For contracts of ten years or more 10%

Kwh shall be computed according to the total rated capacity of the units in use.

Payment:

Bills will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100 or any amendments or alterations thereto.

Adjustment Clauses:

Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Generation Resource Recovery Rider Rate 56
- ~~1-2.~~ Environmental Cost Recovery Rider Rate 57
- ~~2-3.~~ Fuel and Purchased Power Adjustment Rate 58
- ~~3-4.~~ Transmission Cost Adjustment Rate 59

General Terms and Conditions:

1. Applicable to Company-owned Facilities:
 - a. The Company will install, own and operate the flood light(s), and yard light(s) including a suitable reflector, bracket for mounting and automatic device to control operating hours set to operate from dusk to dawn.

Date Filed: February 11, 2013

Effective Date: Service rendered on and after January 15, 2014

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.: PU-13-83 & PU-13-85



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
Original Sheet No. 40

Generation Resource Recovery Rider Rate 56

Page 1 of 2

1. Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates. Costs to be recovered may include capital expenditures, depreciation, taxes, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

2. Generation Resource Recovery Rider:

- a. An adjustment per Kwh will be calculated using the projected capital costs and related expenses, along with the forecasted Kwh sales, to determine a North Dakota jurisdictional revenue requirement to be recovered through the GRRR. The return component of the revenue requirement calculation will be the authorized rate of return from the Company's most recent general rate case.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under special contracts, and are allocated amongst the rate classes based on the an applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery 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 the Filing:

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

Date Filed:

Effective Date:

Issued By:

Case No.:



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
Original Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

4. Generation Resource Recovery Rider:

Residential and Small General	0.405¢ per Kwh
Large General	0.324¢ per Kwh
Lighting	0.195¢ per Kwh

Date Filed:

Effective Date:

Issued By:

Case No.:



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. 42.1

Canceling 2nd Revised Sheet No. 42.1

FUEL AND PURCHASED POWER ADJUSTMENT Rate 58

Page 2 of 3

2. Natural gas and pipeline reservation charges recorded in Account No. 547

2-3. The net cost of purchases and costs linked to the utility's load serving obligation associated with participation in the wholesale electric energy and capacity markets and as recorded in Account No. 555

3-4. Capacity purchases as recorded in Account No. 555.

4-5. Regional Market Administration expenses recorded in Account No. 575.

5-6. Less the cost of fuel and purchased power recovered from electric wholesale sales.

6-7. Less 100 percent of the wholesale sales margin.

7-8. Less the revenue from the sales of Renewable Energy Credits (RECs).

- c. The cost per Kwh for the month is the sum of 3(b) above divided by retail sales volumes for the most recent four month period for the primary and secondary service classes.

4. Surcharge Adjustment:

All sales rate schedules shall be subject to a Surcharge Adjustment to be effective on April 1 each year. The Surcharge Adjustment per Kwh sold shall reflect the amortization of the applicable balance in the Deferred Fuel Cost Account calculated by dividing the applicable balance by the estimated Kwh sales for the twelve months following the effective date of the adjustment.

- a. The balance in the Deferred Fuel Cost Account (Account 182.3) includes:

1. The current month over or under recovery, determined as follows:

- i. Montana-Dakota shall determine each month the unit cost for that month's fuel and purchased power.
- ii. Montana-Dakota shall subtract from the month's unit cost the unit cost reflected in rates for that month.
- iii. ~~The resulting difference (positive or negative) shall be multiplied by the Kwh's sold that month under each rate schedule.~~

Date Filed: July 16, 2012

Effective Date: Service rendered on and after August 1, 2012

Issued By: Tamie A. Aberle
Regulatory Affairs Manager

Case No.: PU-12-011

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.

Before the Public Service Commission of North Dakota

Case Nos. PU-14-____

Direct Testimony
of
Alan L. Welte

1 **Q. Please state your name and business address.**

2 A. My name is Alan L. Welte and my business address is 400 North
3 Fourth Street, Bismarck, North Dakota 58501.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the Director of Generation in the power production department
6 of Montana-Dakota Utilities Co. ("Montana-Dakota"), a Division of MDU
7 Resources Group, Inc.

8 **Q. Please describe your duties and responsibilities with Montana-**
9 **Dakota.**

10 A. I have overall responsibility for the day-to-day operation of
11 Montana-Dakota's electric generation facilities, represent Montana-
12 Dakota's interests in joint owned generation facilities operated by other
13 companies, and I am also responsible for new generation development.

14 **Q. Please outline your educational and professional background.**

15 A. I hold a Bachelor's Degree in Mechanical Engineering from North
16 Dakota State University. My work experience includes eight years of
17 experience as a plant engineer, twelve years of experience as a plant

1 manager, and nine years of generation development and operational
2 responsibilities in my current position which includes coal-fired, gas-fired,
3 and renewable generation.

4 **Q. What is the purpose of your testimony in this proceeding?**

5 A. The purpose of my testimony is to describe the Heskett III
6 combustion turbine project ("Project") and to provide an update on the
7 Project construction activities, schedule and cost estimate.

8 **Q. Please describe Montana-Dakota's Heskett III Project.**

9 A. The Project includes a natural gas-fired, 88 MW, simple cycle
10 combustion turbine ("Combustion Turbine") and the facilities to
11 interconnect with Montana-Dakota's existing electric system
12 ("Interconnect"). The Project is located near Mandan, North Dakota
13 adjacent to Montana-Dakota's R.M. Heskett Station. The Project also
14 includes a 10-inch natural gas pipeline ("Pipeline"), approximately 24 miles
15 in length, interconnecting with the Northern Border Pipeline Company near
16 St. Anthony, North Dakota to supply the natural gas requirements for the
17 Combustion Turbine. The Heskett III Project will be integrated into the
18 Heskett Station operations.

19 **Q. What is a simple cycle combustion turbine?**

20 A. Simple cycle combustion turbines ("SCCT") are generally built to
21 start up quickly to serve peak capacity needs. They usually supply a
22 limited amount of energy because they are fueled by natural gas or liquid
23 fuels which results in a higher fuel cost than with coal base load

1 generation facilities. In the SCCT, air is drawn in at the front of the unit
2 and is compressed using rows of rotating blades. The compressed air is
3 then sent to a combustion chamber where it is mixed with fuel and the
4 mixture is ignited. The hot combustion gas is then expanded through
5 rotating turbine blades delivering power through a shaft connected to the
6 generator where electricity is produced.

7 **Q. Please describe the Combustion Turbine equipment chosen for**
8 **Montana-Dakota's Project.**

9 A. The equipment includes a General Electric PG7121 ("7EA") heavy
10 duty ("Frame") combustion turbine which is natural gas-fired, has a dry low
11 NOx combustion system, evaporative inlet air cooling for power
12 augmentation, a totally enclosed water-to-air cooled (TEWAC) generator,
13 and a closed cooling water system for cooling the generator heat
14 exchangers, turbine supports, flame detectors, and lubrication oil. Other
15 auxiliary equipment includes natural gas heating and filtration, fire
16 detection and suppression, turbine water wash, turbine and balance-of-
17 plant control systems, starting means, exhaust system, a continuous
18 emissions monitoring system, as well as a service building, a high-voltage
19 substation, transformers, power load center and distribution equipment.
20 The Frame Combustion Turbine was selected due to its lower capital cost,
21 lower operation and maintenance cost, better emissions control, ability to
22 perform on-site maintenance, lower natural gas inlet pressure
23 requirement, less susceptibility to cold weather operational issues, and

1 Montana-Dakota's operating experience associated with the Frame
2 SCCTs.

3 **Q. Please describe the status of the Combustion Turbine construction**
4 **activities.**

5 A. The site preparation, service building, foundations and underground
6 construction commenced on April 29, 2013, and were substantially
7 completed on November 15, 2013. The mechanical and electrical ("M/E")
8 construction activities commenced on August 19, 2013, and are well
9 underway with approximately 70 percent of the work completed. The
10 mechanical portion of the M/E activities include heavy haul and setting the
11 turbine and generator, receiving and handling all other equipment and
12 materials, erection of all above ground mechanical equipment and piping,
13 as well as modification and tie-ins to existing Heskett Station systems.
14 The electrical portion of the M/E activities include the installation of all
15 above ground electrical equipment, enclosures, fixtures, and panels; as
16 well as grounding, cabling, and wiring of all equipment. All of the Project
17 equipment except for the continuous emissions monitoring system building
18 has been installed; piping and wiring activities are in progress. The on-
19 site construction was suspended for a winter break beginning December
20 20, 2013. Contractors will resume construction in March of 2014 following
21 the cold weather.

22 **Q. Please describe the status of the Pipeline construction activities.**

1 A. Construction of the natural gas Pipeline commenced on September
2 9, 2013, and progressed very well up to the scheduled suspension of
3 construction activities due to cold weather in early December of 2013.
4 The installation of the pipeline from the interconnect to the Heskett III site
5 is complete. Remaining construction of the facilities including pressure
6 regulation, metering, filtering, and natural gas heating equipment at the
7 interconnection and at the Heskett III sites, as well as clean-up, pressure
8 testing, and commissioning activities will resume in March of 2014
9 following the cold weather.

10 **Q. Please describe the status of the electric transmission Interconnect**
11 **construction activities.**

12 A. All of the Interconnect equipment and the transmission line
13 installation were completed by November 22, 2013. Remaining activities
14 include substation wiring, checkout, and protective relay configuration.

15 **Q. Please provide a breakdown of the original Project capital cost**
16 **estimate identified in the advance determination of prudence (ADP).**

17 A. The original capital cost estimate before adding allowance for funds
18 used during construction ("AFUDC") was \$75.0 million. Of the total, the
19 Combustion Turbine cost was estimated at \$54.4 million, the transmission
20 Interconnection cost was estimated at \$2.2 million, and the natural gas
21 Pipeline was estimated at \$18.4 million. The total estimated project cost
22 including AFUDC was \$85.6 million.

1 **Q. Please provide the current breakdown of the Project capital cost**
2 **estimate.**

3 A. The current capital cost estimate before adding AFUDC is \$71.7
4 million. Of the total, the Combustion Turbine cost is estimated at \$50.4
5 million, the transmission Interconnection cost is estimated at \$1.2 million,
6 and the natural gas Pipeline is estimated at \$20.1 million. The current
7 total project cost estimate including AFUDC is \$76.1 million.

8 **Q. Please explain the difference between the current and original**
9 **Project capital cost estimates.**

10 A. The reduction in the Project capital cost estimate of \$9.5 million is
11 the result of several factors. The majority of the contracted costs for
12 equipment came in at or below the original estimates, the Project
13 contingencies have been reduced as the procurement and construction
14 contracts have been executed and the costs have become more certain,
15 and a shortening of the construction schedule has reduced the estimated
16 AFUDC amount. These reductions have been partially offset by an
17 increase in the natural gas Pipeline cost estimate. The Pipeline costs are
18 projected to exceed the original estimate by about \$1.7 million primarily
19 due to challenges with the route terrain and the unusually wet weather
20 encountered during the fall of 2013.

21 **Q. What is the anticipated schedule for commercial operation of the**
22 **Project?**

1 A. The Project is anticipated to be ready for commercial operation
2 approximately July 1, 2014.

3 **Q. Does this conclude your direct testimony?**

4 A. Yes, it does.

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.

Before the Public Service Commission of North Dakota
Case No. PU-14-____

Direct Testimony
of
Tamie A. Aberle

1 **Q. Would you please state your name and business address?**

2 A. Yes. My name is Tamie A. Aberle, and my business address is 400
3 North Fourth Street, Bismarck, North Dakota 58501.

4 **Q. What is your position with Montana-Dakota Utilities Co.?**

5 A. I am the Director of Regulatory Affairs for Montana-Dakota Utilities
6 Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

7 **Q. What are your responsibilities as the Director of Regulatory Affairs?**

8 A. I am responsible for the development and implementation of
9 company objectives and policies with respect to rate structure, pricing
10 policies, cost of service studies, fuel cost adjustments, purchased gas cost
11 adjustments, and gas tracking adjustments in each of the jurisdictions in
12 which Montana-Dakota operates.

13 **Q. Would you please outline your educational and professional
14 background?**

15 A. I graduated from Moorhead State University, Moorhead, Minnesota
16 in 1982 with a Bachelor of Science degree in Accounting. I began my
17 career with Montana-Dakota in 1983 in the Regulatory Affairs Department,
18 holding several positions within the Department before attaining my

1 current position in 2014.

2 **Q. Have you testified in other proceedings before regulatory bodies?**

3 A. Yes. I have previously presented testimony before this
4 Commission, the Public Service Commissions of Montana and Wyoming,
5 and the Public Utilities Commissions of Minnesota and South Dakota.

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. The purpose of my testimony is to present the results of the 2013
8 results of electric operations for North Dakota, to describe the proposed
9 Generation Resource Recovery Rider (Generation Rider) and changes
10 requested in the Fuel and Purchased Power Adjustment Rate 58. Finally I
11 will provide support for the Heskett III revenue requirement Montana-
12 Dakota is proposing to recover through the new Generation Rider.

13 **Q. What statements and exhibits are you sponsoring in this**
14 **proceeding?**

15 A. I am sponsoring Exhibit No. __ (TAA-1) through and Exhibit No.
16 __ (TAA-3) and the rate schedules appended to the Application marked
17 as Exhibit 1.

18 **Q. Would you please summarize the results of electric operations in**
19 **North Dakota for 2013?**

20 A. Yes. Exhibit No. __ (TAA-1), Page 1 provides the rate of return on
21 average rate base and the resulting return on equity for the total Company
22 and North Dakota electric operations for 2012 and 2013. As shown, the
23 return on average rate base was 8.989 percent for North Dakota (currently

1 approved return on rate base is 8.791 percent) producing a return on
2 equity of 12.641 percent. Exhibit No.__(TAA-1), Page 1 is identical to
3 Page 2 of "Section I. Intrastate Return on Equity" that will be submitted
4 with the Company's Annual Report to the Commission. Pages 2 through 5
5 show the per books income statement and rate base statement for total
6 Company electric and for the North Dakota electric operations for 2013, as
7 also will be submitted with the Company's Annual Report. The average
8 capital structure for 2013 is provided as Page 6.

9 **Q. What is the North Dakota electric return expected to be in 2014?**

10 A. As shown on Page 7 of Exhibit No. ____ (TAA-1), the return on
11 average rate base is expected to drop to 6.71 percent resulting in a return
12 on equity of 7.67 percent based on the projected 2014 capital structure
13 provided on Page 9.

14 **Q. Would you please explain the reasons for the changes in in financial**
15 **results expected in 2014 and why the implementation of a Generation**
16 **Rider is appropriate at this time?**

17 A. Yes. The primary driver of the lower return is an increase in
18 average North Dakota electric plant investment of approximately \$128
19 million. The investments underlying the increase include the Heskett III
20 generating turbine planned to be operational in July 2014 representing an
21 investment of \$54.5 million as allocated to North Dakota. Based on a
22 detailed review of the Projected 2014 return and the required increase in
23 revenues to provide an adequate return on rate base, the Heskett III

1 investment and associated expenses would represent the majority of the
2 total increase that would be requested through a general rate increase.
3 Given the Heskett III turbine has been determined to be a prudent and
4 necessary investment for North Dakota electric customers by the
5 Commission in prior Advance Determination of Prudence and Certificate
6 of Public Convenience proceedings (Case Nos. PU-11-395 and PU-11-
7 396), the Company proposes that a tracker mechanism similar to
8 Montana-Dakota's Transmission Cost Adjustment, Rate 57 and
9 Renewable Riders approved by the Commission to recover investments in
10 wind facilities for other utilities, is appropriate and in the public interest
11 given the recent rate case (2010) and the ability to avoid the time and
12 expense associated with a rate case proceeding. At this time, given
13 projections for required rate relief based on anticipated future investments
14 and expenditures over the next several years, rate cases will be a more
15 frequent occurrence. Also, the cost of purchased power agreements for
16 capacity both current and in the future, would be recovered through the
17 Company's Fuel and Purchased Power Adjustment Rate 58. The Heskett
18 III investment, determined to be the least cost option over the long term,
19 should be afforded similar rate treatment until the project is included in
20 rate base in a general rate case proceeding.

21 **Q. Have you prepared the North Dakota revenue requirement for the**
22 **Heskett III turbine?**

23 **A.** Yes. The monthly revenue requirement for Heskett III is provided

1 on page 2 of Exhibit No. ____ (TAA-2). The monthly plant investment,
2 accumulated reserve, deferred income taxes, operating and maintenance
3 expenses, ad valorem taxes, payroll taxes and the accumulated funds
4 used during construction are shown by month. A summary of the revenue
5 requirement including the associated income taxes is provided on page 1
6 of Exhibit No. ____ (TAA-2). As shown, the annual revenue requirement
7 associated with the Heskett III turbine equates to \$7,390,494 as allocated
8 to North Dakota electric operations. The plant investment and associated
9 expenses were allocated to North Dakota electric operations based on the
10 2013 integrated system demand factor with 71.6 percent of the demand
11 requirements associated with serving North Dakota electric customers.
12 The return requirement reflects the return on equity of 10.75 percent
13 authorized in Case No. PU-10-124 and the Projected 2014-2015 capital
14 structure. The rate base amount for the Heskett III turbine includes the
15 generating facility, electric interconnection costs and the approximate 24
16 miles of ten-inch pipeline required to supply natural gas to the turbine. As
17 described in more detail by Mr. Alan Welte, the Heskett III project is
18 coming in approximately 11 percent under the budgeted amount used for
19 resource modeling and the advance determination of prudence application
20 approved by the Commission. As a further benefit to customers, the 50
21 percent bonus tax depreciation incentive was applicable to the Heskett III
22 project resulting in a further reduction in the amount necessary to be
23 recovered under the Generation Rider.

1 **Q. What effect does the implementation of the Generation Tracker have**
2 **on the Projected 2014 return?**

3 A. As shown on Exhibit No. ___(TAA-1), page 7, the return on average
4 rate base, including annual revenues collected under the Generation
5 Tracker, would increase to 7.85 percent or 9.94 percent return on equity,
6 still below the currently approved returns.

7 **Q. How is the Company proposing to recover costs approved for**
8 **recovery under the Generation Tracker from customers?**

9 A. As shown on Exhibit No. ___(TAA-3), the revenue requirement of
10 \$7,390,494 has been allocated to the rate classes in the same way the
11 Transmission Cost Adjustment and Environmental Cost Recovery Rider
12 expenses are allocated based on the class demand factor. The 12 CP
13 demand factor for the classes based on projected 2014 requirements has
14 been used to allocate cost responsibility among the customer classes. As
15 with the other two referenced adjustment mechanisms, the Generation
16 Rider will be shown as a separate line item on customer bills and applied
17 to the energy used in each billing period. The resulting charge and
18 average increase for each customer class is shown below:

	\$/KWh	Avg Use	Monthly Increase
Res & Small General (Rates 10, 13, 20 & 25)	\$0.00405	894	\$3.62
Large General (Rates 30, 31, 32, 38, 40, 48)	0.00324	20,827	\$67.48
Lighting (Rates 41 & 52)	0.00195	617	\$1.20

19
20 The monthly increase shown above will be offset by a reduction in the
21 Fuel and Purchased Power Adjustment as a result of the expiration of the

1 capacity purchase contract expiring in May 2015. This cost reduction will
2 be approximately \$.00145 per Kwh or \$1.30 per month for a residential
3 customer using 894 Kwh per month.

4 **Q. Do you expect to request additional generation resources to be**
5 **recovered through the proposed Generation Rider?**

6 A. The Company does not have plans to do so at this time. However,
7 as incremental resources continue to be analyzed, the Generation Rider
8 would provide the opportunity to recover such costs.

9 **Q. Please describe the Generation Resource Recovery Rider rate**
10 **schedule?**

11 A. A new rate schedule designated as Generation Resource Recovery
12 Rider Rate 56 is proposed to be added to the electric tariff. As noted in
13 the proposed Rate 56 rate schedule provided as Exhibit 1 to the
14 Application, the Generation Rider will be applicable to electric service
15 provided under all rate schedules. The adjustment factor will be updated
16 annually along with a true up to reflect any over or under recovery of
17 revenue based on actual expenditures and actual amounts recovered on
18 an annual basis. Carrying charges or credits will be accrued at a rate
19 equal to the three-month Treasury Bill rate as published monthly by the
20 Federal Reserve Board which is consistent with the practice applied under
21 the Company's other tracking mechanisms authorized by the Commission.

22 **Q. What other tariff changes is the Company proposing at this time?**

23 A. Montana-Dakota is proposing to modify its Fuel and Purchased

1 Power Adjustment Rate 58 schedule to include natural gas used and
2 pipeline reservation and gas management charges recorded in Account
3 547 as costs recoverable under this rate schedule. Account 547 is used
4 to record fuel related costs associated with other power production. The
5 gas supplied to the Heskett III turbine will be contracted through a third
6 party with reservation charges and a monthly management fee associated
7 with the ability to call on the use of natural gas as required to supply the
8 turbine.

9 **Q. Does this conclude your direct testimony?**

10 A. Yes, it does.

**MONTANA-DAKOTA UTILITIES CO.
 ANNUAL REPORT
 TO THE
 NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(A)	(B)	(C)	(D)	(E)
		2013 Total Company	2013 North Dakota	ND % (B/A)	2012 North Dakota	Variance (B-D/D)
<u>Rate Base:</u>						
1	Plant in Service	\$1,123,669,686	\$716,524,936	63.77%	\$656,641,879	9.12%
2	Less: Accumulated Depreciation	522,747,529	334,553,830	64.00%	319,880,355	4.59%
3	Add: Construct. Work in Prog. 1/	0	0	0.00%	3,639,920	-100.00%
4	Net Plant in Service	<u>\$600,922,157</u>	<u>\$381,971,106</u>	<u>63.56%</u>	<u>\$340,401,444</u>	<u>12.21%</u>
<u>Additions:</u>						
5	Materials and Supplies 2/	\$15,461,429	\$11,233,513	72.66%	\$10,445,893	7.54%
6	Fuel Stocks 2/	4,633,675	3,072,273	66.30%	3,426,542	-10.34%
7	Prepayments 2/	655,623	422,042	64.37%	395,319	6.76%
8	Unamortized Loss on Debt	5,822,303	3,582,093	61.52%	3,883,269	-7.76%
9	Decommissioning of Retired Plants	(495,560)	(317,074)	63.98%	(356,299)	-11.01%
10	Total Additions	<u>\$26,077,470</u>	<u>\$17,992,847</u>	<u>69.00%</u>	<u>\$17,794,724</u>	<u>1.11%</u>
<u>Deductions:</u>						
11	Accum. Deferred Income Taxes	\$155,344,704	\$100,252,531	64.54%	\$87,658,598	14.37%
12	Accumulated Deferred ITCs	790,584	790,584	100.00%	839,254	-5.80%
13	Cust. Advances for Construct. 2/	5,972,015	2,735,081	45.80%	1,253,781	118.15%
14	Total Deductions	<u>\$162,107,303</u>	<u>\$103,778,196</u>	<u>64.02%</u>	<u>\$89,751,633</u>	<u>15.63%</u>
15	Average Rate Base	<u><u>\$464,892,324</u></u>	<u><u>\$296,185,757</u></u>	<u>63.71%</u>	<u><u>\$268,444,535</u></u>	<u>10.33%</u>
16	Rate of Return on Avg. Rate Base	8.762%	8.989%		8.916%	
17	Less: Weighted Cost of Debt	2.509%	2.509%		2.832%	
18	Weighted Cost of Pref. Stock	<u>0.088%</u>	<u>0.088%</u>		<u>0.102%</u>	
19	Weighted Return on Equity	6.165%	6.392%		5.982%	
20	% of Equity to Capital Structure	<u>50.566%</u>	<u>50.566%</u>		<u>53.382%</u>	
21	Return on Equity	<u><u>12.192%</u></u>	<u><u>12.641%</u></u>		<u><u>11.206%</u></u>	

1/ Completed construction at December 31, 2013 not yet classified.

2/ Thirteen month average.

**MONTANA-DAKOTA UTILITIES CO.
 ANNUAL REPORT
 TO THE
 NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(A)	(B)	(C)	(D)	(E)
		2013 Total Company	2013 North Dakota	ND % (B/A)	2012 North Dakota	Variance (B-D/D)
<u>Operating Revenues:</u>						
1	Residential	\$99,366,177	\$62,210,540	62.61%	\$56,643,322	9.83%
2	Small General	30,163,594	12,033,642	39.89%	10,803,157	11.39%
3	Large General 1/	105,927,005	72,299,300	68.25%	67,447,484	7.19%
4	Lighting Service	3,453,060	2,115,268	61.26%	2,089,765	1.22%
5	Municipal Pumping Service	2,770,634	2,220,959	80.16%	2,153,976	3.11%
6	Sales for Resale	569,325	377,803	66.36%	193,589	95.16%
7	Margin Sharing Adjustment	64,855	0	0.00%	0	0.00%
8	Other Operating Revenues	10,701,537	6,925,701	64.72%	6,287,535	10.15%
9	Unbilled Revenue	2,510,700	1,693,948	67.47%	2,256,937	-24.94%
10	Reserve for Refunds	335,789	335,789	100.00%	(3,724,439)	-109.02%
11	Total Operating Revenues	\$255,862,676	\$160,212,949	62.62%	\$144,151,326	11.14%
<u>Operating Expenses:</u>						
12	Production Expense	\$109,781,939	\$66,445,447	60.52%	\$58,997,751	12.62%
13	Transmission Expense	11,237,634	7,992,967	71.13%	6,155,382	29.85%
14	Distribution Expense	15,581,110	9,739,521	62.51%	8,211,688	18.61%
15	Customer Accounts Expense	3,900,460	2,320,980	59.51%	1,997,917	16.17%
16	Customer Service & Info. Exp.	255,046	169,910	66.62%	152,516	11.40%
17	Sales Expense	139,376	95,970	68.86%	123,398	-22.23%
18	Administration & General Exp.	20,292,935	13,039,009	64.25%	11,875,764	9.80%
19	Depreciation Expense	32,586,492	21,147,489	64.90%	21,480,091	-1.55%
20	Taxes Other than Income	10,159,529	5,281,771	51.99%	5,265,257	0.31%
21	Total Operating Expenses	\$203,934,521	\$126,233,064	61.90%	\$114,259,764	10.48%
23	Net Operating Income					
24	before Income Taxes	\$51,928,155	\$33,979,885	65.44%	\$29,891,562	13.68%
<u>Income Tax Expense:</u>						
25	Investment Tax Credits					
26	Deferred Income Taxes	\$19,604,645	\$12,458,191	63.55%	\$9,787,339	27.29%
27	Income Taxes	(8,411,184)	(5,101,996)	60.66%	(3,829,477)	33.23%
28	Total Income Tax Expense	\$11,193,461	\$7,356,195	65.72%	\$5,957,862	23.47%
29	Net Regulated Earnings	\$40,734,694	\$26,623,690	65.36%	\$23,933,700	11.24%

1/ The North Dakota contract revenue delta associated with this class is shown below. The contract revenue delta is the difference between the revenue collected under all contract rates and the revenue that would have been collected had these loads been charged the standard rate.

	2013	2012
Large General	\$621,790	\$600,617

MONTANA-DAKOTA UTILITIES CO.
INCOME STATEMENT
ELECTRIC UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2013

	<u>Total Company</u>	<u>North Dakota</u>	<u>Others</u>
<u>Operating Revenues</u>			
Sales Revenues			
Residential	\$99,366,177	\$62,210,540	\$37,155,637
Small General	30,163,594	12,033,642	18,129,952
Large General	105,927,005	72,299,300	33,627,705
Lighting Service	3,453,060	2,115,268	1,337,792
Municipal Pumping Service	2,770,634	2,220,959	549,675
Sales for Resale	569,325	377,803	191,522
Margin Sharing Adjustment	64,855	0	64,855
Unbilled Revenue	2,510,700	1,693,948	816,752
Reserve for Refunds	335,789	335,789	0
Total Sales Revenues	<u>245,161,139</u>	<u>153,287,248</u>	<u>91,873,891</u>
Other Operating Revenues	<u>10,701,537</u>	<u>6,925,701</u>	<u>3,775,836</u>
Total Operating Revenues	<u>\$255,862,676</u>	<u>\$160,212,949</u>	<u>\$95,649,727</u>
<u>Operating Expenses</u>			
Operation and Maintenance			
Cost of Fuel & Purchased Power	\$83,527,776	\$49,647,554	\$33,880,222
Production	26,254,163	16,797,893	9,456,270
Transmission	11,237,634	7,992,967	3,244,667
Distribution	15,581,110	9,739,521	5,841,589
Customer Accounts	3,900,460	2,320,980	1,579,480
Customer Service & Information	255,046	169,910	85,136
Sales	139,376	95,970	43,406
Administrative & General	20,292,935	13,039,009	7,253,926
Total O&M Expenses	<u>161,188,500</u>	<u>99,803,804</u>	<u>61,384,696</u>
Depreciation			
Production	16,562,770	10,444,668	6,118,102
Transmission	3,397,043	2,519,728	877,315
Distribution	7,956,921	4,985,874	2,971,047
General	715,728	470,249	245,479
Common	1,262,123	810,118	452,005
Amort. of Intangible Plant - General	312,631	196,663	115,968
Amort. of Intangible Plant - Common	995,699	627,457	368,242
Amort. of Acquisition Adjustment	228,242	162,640	65,602
Amort. of Retired Power Plants	(56,210)	(39,226)	(16,984)
Amort. of Unrecovered Plant - Electric	1,211,546	969,318	242,228
Total Depreciation Expense	<u>32,586,493</u>	<u>21,147,489</u>	<u>11,439,004</u>

MONTANA-DAKOTA UTILITIES CO.
INCOME STATEMENT
ELECTRIC UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2013

	<u>Total Company</u>	<u>North Dakota</u>	<u>Others</u>
<u>Operating Expenses Con't.</u>			
Taxes Other Than Income Taxes			
Ad Valorem Taxes			
Production	1,715,619	1,150,260	565,359
Transmission	1,296,605	701,649	594,956
Distribution	2,893,933	902,032	1,991,901
General	236,902	73,737	163,165
Common	295,853	138,426	157,427
Intangible	52,098	32,895	19,203
Total Ad Valorem Taxes	<u>6,491,010</u>	<u>2,998,999</u>	<u>3,492,011</u>
Other Taxes	<u>3,668,519</u>	<u>2,282,772</u>	<u>1,385,747</u>
Total Taxes Other Than Income Taxes	<u>10,159,529</u>	<u>5,281,771</u>	<u>4,877,758</u>
Current Income Taxes	(8,411,184)	(5,101,996)	(3,309,188)
Deferred Income Taxes	<u>19,604,645</u>	<u>12,458,191</u>	<u>7,146,454</u>
Total Operating Expenses	<u>\$215,127,983</u>	<u>\$133,589,259</u>	<u>\$81,538,724</u>
Operating Income	<u><u>\$40,734,693</u></u>	<u><u>\$26,623,690</u></u>	<u><u>\$14,111,003</u></u>
Year End Rate Base	<u><u>\$482,219,201</u></u>	<u><u>\$312,549,994</u></u>	<u><u>\$169,669,207</u></u>
Rate of Return	<u><u>8.45%</u></u>	<u><u>8.52%</u></u>	<u><u>8.32%</u></u>

MONTANA-DAKOTA UTILITIES CO.
YEAR END RATE BASE
ELECTRIC UTILITY
TWELVE MONTHS ENDED DECEMBER 31, 2013

	<u>Total Company</u>	<u>North Dakota</u>	<u>Others</u>
<u>Plant in Service</u>			
Electric Plant in Service			
Steam Production	\$402,716,934	\$240,889,670	\$161,827,264
Other Production	153,769,656	105,468,063	48,301,593
Total Production	<u>556,486,590</u>	<u>346,357,733</u>	<u>210,128,857</u>
Transmission	196,822,845	140,947,259	55,875,586
Distribution	308,162,308	192,942,582	115,219,726
General	25,590,390	15,849,718	9,740,672
Common	35,082,487	23,181,360	11,901,127
Intangible Plant - General	9,141,165	6,236,075	2,905,090
Intangible Plant - Common	24,500,530	15,450,869	9,049,661
Acquisition Adjustment	10,387,642	7,401,921	2,985,721
Total Electric Plant in Service	<u>1,166,173,957</u>	<u>748,367,517</u>	<u>417,806,440</u>
Accumulated Reserve for Depreciation			
Steam Production	221,603,422	146,203,040	75,400,382
Other Production	36,709,312	25,326,060	11,383,252
Total Production	<u>258,312,734</u>	<u>171,529,100</u>	<u>86,783,634</u>
Transmission	91,945,096	60,723,712	31,221,384
Distribution	130,676,177	74,041,213	56,634,964
General	10,990,489	6,654,082	4,336,407
Common	15,603,195	10,279,539	5,323,656
Intangible Plant - General	6,774,890	4,742,909	2,031,981
Intangible Plant - Common	12,169,449	7,689,692	4,479,757
Acquisition Adjustment	10,375,809	7,393,489	2,982,320
Total Accum. Reserve for Depreciation	<u>536,847,839</u>	<u>343,053,736</u>	<u>193,794,103</u>
Net Electric Plant in Service	629,326,118	405,313,781	224,012,337
CWIP in Service Pending Reclas.	0	0	0
Total Electric Plant in Service	<u>\$629,326,118</u>	<u>\$405,313,781</u>	<u>\$224,012,337</u>
<u>Additions</u>			
Materials and Supplies	14,944,377	10,869,960	4,074,417
Fuel Stocks	4,697,770	3,117,435	1,580,335
Prepayments	172,731	108,928	63,803
Unamortized Loss on Debt	5,498,793	3,444,063	2,054,730
Decommissioning of Retired Plants	(467,455)	(297,461)	(169,994)
Total Additions	<u>24,846,216</u>	<u>17,242,925</u>	<u>7,603,291</u>
Total Before Deductions	\$654,172,334	\$422,556,706	\$231,615,628
<u>Deductions</u>			
Accumulated Deferred Income Taxes	164,850,280	106,049,371	58,800,909
Accumulated Investment Tax Credits	767,331	767,331	0
Customer Advances	6,335,522	3,190,010	3,145,512
Total Deductions	<u>171,953,133</u>	<u>110,006,712</u>	<u>61,946,421</u>

**MONTANA-DAKOTA UTILITIES CO.
 ANNUAL REPORT
 TO THE
 NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(A) 2013 Average Average (000's)	(B) Ratio	(C) Cost	(D) Weighted Cost
1	Long-Term Debt 1/	\$317,977	39.834%	6.149%	2.449%
2	Short Term Debt 2/	61,280	7.677%	0.788%	0.060%
3	Preferred Equity	15,347	1.923%	4.583%	0.088%
4	Common Equity	<u>403,646</u>	<u>50.566%</u>	3/	<u>3/</u>
5	Total	<u><u>\$798,250</u></u>	<u><u>100.000%</u></u>		<u><u>3/</u></u>

- 1/ Includes additional other long term debt.
- 2/ Reflects monthly average short term debt.
- 3/ Return on equity is calculated in Section I, page 2 of 2

**MONTANA-DAKOTA UTILITIES CO.
 NORTH DAKOTA ELECTRIC RETURNS
 NORTH DAKOTA
 2013 AND PROJECTED 2014**

	(000's)	Projected	Projected 2014
	2013	2014 1/	Incl. GRRR
Operating Revenues			
Sales	\$152,910	\$162,166	\$169,556
Sales for Resale	378	0	0
Other	6,925	5,995	5,995
Total Revenues	<u>160,213</u>	<u>168,161</u>	<u>175,551</u>
Operating Expenses			
Operation and Maintenance			
Cost of Fuel & Purchased Power	49,648	53,416	53,416
Other O&M	50,156	51,054	51,054
Total O&M	<u>99,804</u>	<u>104,470</u>	<u>104,470</u>
Depreciation	21,147	25,742	25,742
Taxes Other Than Income	5,282	5,878	5,878
Current Income Taxes	(5,102)	5,396	8,267
Deferred Income Taxes	12,458	0	0
Total Expenses	<u>133,589</u>	<u>141,486</u>	<u>144,357</u>
Operating Income	\$26,624	\$26,675	\$31,194
Average Rate Base 2/	\$296,185	\$397,392	\$397,392
Return on Rate Base	8.99%	6.71%	7.85%
Return on Equity	12.64%	7.67%	9.94%

1/ Includes the Heskett CT investment and expenses. No incremental revenue included.

2/ Exhibit No. _____ (TAA-1), page 8.

**MONTANA-DAKOTA UTILITIES CO.
 NORTH DAKOTA ELECTRIC RETURNS
 NORTH DAKOTA
 2013 AND PROJECTED 2014**

	(000's)	Projected	Projected 2014
	2013	2014 1/	Incl. GRRR
Average Rate Base			
Electric Plant in Service	\$716,525	\$844,510	\$844,510
Accumulated Reserve	334,554	351,756	351,756
Net Electric Plant in Service	<u>381,971</u>	<u>492,754</u>	<u>492,754</u>
Additions			
Materials and Supplies	11,233	11,302	11,302
Fuel Stocks	3,072	3,571	3,571
Prepayments	422	504	504
Unamortized Loss on Debt	3,582	3,277	3,277
Decommission of Retired Plant	(317)	(278)	(278)
Total Additions	<u>17,992</u>	<u>18,376</u>	<u>18,376</u>
Deductions			
Accumulated DITs	100,252	109,351	109,351
Accumulated ITCs	791	1,361	1,361
Customer Advances	2,735	3,026	3,026
Total Deductions	<u>103,778</u>	<u>113,738</u>	<u>113,738</u>
Total Average Rate Base	<u>\$296,185</u>	<u>\$397,392</u>	<u>\$397,392</u>

1/ Includes the Heskett CT investment and expenses. No incremental revenue included.

**MONTANA-DAKOTA UTILITIES CO.
NORTH DAKOTA ELECTRIC RETURNS
NORTH DAKOTA
PROJECTED AVERAGE 2014**

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long Term Debt	44.257%	6.136%	2.715%
Short Term Debt	3.806%	1.616%	0.061%
Preferred Stock	1.663%	4.578%	0.076%
Common Equity	50.274%	10.750%	5.404%
Total	<u>100.000%</u>		<u>8.256%</u>

**MONTANA-DAKOTA UTILITIES CO.
REVENUE REQUIREMENT - HESKETT TURBINE
NORTH DAKOTA
JULY 1, 2014-JUNE 30, 2015**

<u>Revenue Requirement 1/</u>	
O&M	\$531,804
Depreciation	1,161,351
Taxes Other than Income	299,232
Return 2/	3,793,110
Income Taxes 2/	1,604,997
Total	<u>\$7,390,494</u>

Average Rate Base 1/ \$46,886,400

1/ Exhibit No. ____ (TAA-2), page 2.

2/ Exhibit No. ____ (TAA-2), page 3.

**MONTANA-DAKOTA UTILITIES CO.
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NORTH DAKOTA
JULY 1, 2014-JUNE 30, 2015**

	July-14	August-14	September-14	October-14	November-14	December-14	January-15	February-15	March-15	April-15	May-15	June-15	Average
Plant in Service	\$54,359,996	\$54,442,109	\$54,446,243	\$54,450,377	\$54,471,047	\$54,491,718	\$54,491,718	\$54,491,718	\$54,491,718	\$54,491,718	\$54,491,718	\$54,491,718	\$54,467,650
Accumulated Reserve	0	105,509	211,026	316,551	422,116	527,721	633,326	738,931	844,536	950,141	1,055,746	1,161,351	580,580
Net Plant	\$54,359,996	\$54,336,600	\$54,235,217	\$54,133,826	\$54,048,931	\$53,963,997	\$53,858,392	\$53,752,787	\$53,647,182	\$53,541,577	\$53,435,972	\$53,330,367	\$53,887,070
Accumulated DITs	0	1,841,726	3,683,452	5,525,178	7,366,904	9,208,630	9,262,457	9,316,284	9,370,111	9,423,938	9,477,765	9,531,592	7,000,670
Net Rate Base	\$54,359,996	\$52,494,874	\$50,551,765	\$48,608,648	\$46,682,027	\$44,755,367	\$44,595,935	\$44,436,503	\$44,277,071	\$44,117,639	\$43,958,207	\$43,798,775	\$46,886,400

	July-14	August-14	September-14	October-14	November-14	December-14	January-15	February-15	March-15	April-15	May-15	June-15	Total
<u>Operating Expenses</u>													
<u>O&M</u>													
Labor	\$9,484	\$9,484	\$9,484	\$9,484	\$9,484	\$9,484	\$9,484	\$9,484	\$9,484	\$9,484	\$9,484	\$9,484	\$113,808
Benefits	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	51,216
Other fixed costs	28,332	28,332	28,332	28,332	28,332	28,332	28,332	28,332	28,332	28,332	28,332	28,332	339,984
Variable costs	921	921	921	921	921	921	921	921	921	921	921	921	11,052
Pipeline expense	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	15,744
Total O&M	44,317	44,317	44,317	44,317	44,317	44,317	44,317	44,317	44,317	44,317	44,317	44,317	531,804
Depreciation Expense		105,509	105,517	105,525	105,565	105,605	105,605	105,605	105,605	105,605	105,605	105,605	1,161,351
<u>Taxes Other Than Income</u>													
Ad Valorem Taxes	24,276	24,276	24,276	24,276	24,276	24,276	24,276	24,276	24,276	24,276	24,276	24,276	291,312
Payroll Taxes	660	660	660	660	660	660	660	660	660	660	660	660	7,920
Total Taxes Other	24,936	24,936	24,936	24,936	24,936	24,936	24,936	24,936	24,936	24,936	24,936	24,936	299,232

**MONTANA-DAKOTA UTILITIES CO.
 REVENUE REQUIREMENT - HESKETT TURBINE
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Average 2015 Capital Structure

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long Term Debt	40.260%	6.093%	2.453%
Short Term Debt	7.671%	1.653%	0.127%
Preferred Stock	1.418%	4.574%	0.065%
Common Equity	50.651%	10.750%	5.445%
Total	<u>100.000%</u>		<u>8.090%</u>

Income Taxes

Return	\$3,793,110
Interest	(1,209,669)
Equity AFUDC	41,415
Net	<u>2,624,856</u>
 Tax component	 61.1461%
 Income Taxes	 <u>\$1,604,997</u>

**Montana-Dakota Utilities Co.
 Electric Utility - North Dakota
 Generation Resource Recover Rider
 Heskett III**

		Embedded Class COS Study Factor No. 2 1/	North Dakota Projected 2014 Generation Costs 2/	Projected KWh 3/	\$/KWh
Res & Small General	(Rates 10, 13, 20 & 25)	51.689993%	\$3,820,146	944,402,255	\$0.00405
Large General	(Rates 30, 31, 32, 38, 40, 48)	47.532750%	3,512,905	1,085,422,143	0.00324
Lighting	(Rates 41 & 52)	0.777257%	57,443	29,462,064	0.00195
		100.000000%	\$7,390,494	2,059,286,462	

1/ Projected 2014 Class demand allocation based on 12 CP.

2/ Exhibit No. TAA-2 page 1. Total Revenue Requirement \$7,390,494

3/ August 2014 -July 2015 projected sales (KWh) excluding contract sales.

	12-CP Factor 2 Projected 2014	
Residential Rate 10	165,090	44.554615%
Small General Rate 20	26,360	7.114057%
Irrigation Rate 25	79	0.021321%
Large General Primary Rate 30	24,401	6.585361%
Large General Secondary Rate 30	129,517	34.954147%
TOD Large General Rate 31	1,689	0.455829%
Space Heating Rate 32	8,682	2.343105%
Small Municipal Rate 40	701	0.189186%
Municipal Lighting Primary Rate 41	202	0.054516%
Municipal Lighting Secondary Rate 41	1,786	0.482007%
Municipal Pumping Secondary Rate 48	3,620	0.976968%
Municipal Pumping Primary Rate 48	1,760	0.474990%
Outdoor Lighting Rate 52	892	0.240734%
Interruptible Power Rate 39	0	0.000000%
Interruptible Demand Response Rate 38	5,755	1.553164%
	370,534	100.000000%