



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

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

November 25, 2015

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

Re: Case No. PU-15-____
 Application for Approval of its Annual
 Update to Transmission Cost
 Adjustment Rate 59

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., herewith submits for Commission approval an original and seven (7) copies of the Company's Application to update its Transmission Cost Adjustment (TCA) Rate 59 tariff, pursuant to N.D.C.C. §49-05-04.3 and §49-05-06 and Paragraph 2c of its Rate 59 tariff. Montana-Dakota requests approval of Transmission Cost Adjustment Rate 59 4th Revised Sheet No. 43.1 provided herein as Exhibit 1 to be effective with service rendered on and after January 1, 2016.

Montana-Dakota is requesting to update its TCA rates to reflect actual costs incurred through August 31, 2015 and projected costs through December 31, 2016. The projected 2016 transmission costs as allocated to North Dakota are \$6,813,908. The projected costs include: \$4,564,924 for MISO-related transmission charges, offset by \$1,568,356 of MISO-related credits, in addition to the \$3,240,248 projected 2016 revenue requirement specific to two large North Dakota transmission projects and an under-recovery of \$577,091, which includes \$265,530 related to one major transmission project going into service the last quarter of 2015. The projected costs are to be recovered through the TCA rates January 1, 2016 through December 31, 2016. A typical residential customer using 894 Kwh would see an increase of \$1.85 per month under the proposed TCA rate. The TCA rates per Kwh as proposed, with the change from the current TCAs implemented on January 1, 2015, are shown in the table below:

		Proposed \$/Kwh	Current \$/Kwh	Change
Res & Small General	(Rates 10, 13, 20 & 25)	\$0.00332	\$0.00125	\$0.00207
Large General	(Rates 30, 31, 32, 38, 40 & 48)	\$0.00296	\$0.00104	\$0.00192
Lighting	(Rates 41 & 52)	\$0.00217	\$0.00079	\$0.00138

This tariff change is necessary to reflect the currently effective charges assessed to Montana-Dakota under the Midcontinent Independent System Operator's (MISO) Schedule 26 – Network Upgrade Charges from the Transmission Expansion Plan and Schedule 26A – Charges Associated with Multi-Value Transmission Projects. The TCA also reflects costs related to the projected revenue requirement associated with two large transmission facility installations with in-service dates in late 2015 and early 2016. All costs proposed to be recovered through the TCA rates are not currently being recovered through retail electric rates in North Dakota.

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 herewith submits a check for \$10,000 in accordance with North Dakota Century Code Section 49-05-04.3 and respectfully requests the Commission reduce the required \$100,000 filing fee pursuant to N.D.C.C. §49-05-04.3.2.d which states the North Dakota Public Service Commission may waive or reduce the fee.

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission. Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: Daniel S. Kuntz
Garret Senger

**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.) Case No. PU-15-____
for approval of its Annual Update to)
Transmission Cost Adjustment Rate 59)

I. Summary of Application

Montana-Dakota Utilities Co. (Montana-Dakota or Applicant) herewith submits this Application for approval of its annual update to the Transmission Cost Adjustment (TCA) Rate 59 tariff, pursuant to N.D.C.C. §49-05-04.3 and Paragraph 2c of its Rate 59 tariff as approved in Case Nos. Case Nos. PU-11-672 and PU-11-681 on May 16, 2012. The Company is requesting approval of its Transmission Cost Adjustment Rate 59 tariff, 4th Revised Sheet No. 43.1 to be effective with service rendered on and after January 1, 2016. In support of this application, Montana-Dakota is providing the following exhibits:

- Exhibit 1 – Transmission Cost Adjustment Rate 59 4th Revised Sheet No. 43.1
- Exhibit 2 – Transmission Cost Adjustment Allocation by Class
- Exhibit 3 – Transmission Cost Adjustment Summary
- Exhibit 4 – Transmission Cost Adjustment Balancing Account
- Exhibit 5 – Projected MISO Schedule 26 and 26A Summary Sheet
- Exhibit 6 – Projected Schedule 26 Charges and Revenue
- Exhibit 7 – Projected Schedule 26A Charges and Revenue
- Exhibit 8 – Projected Revenue Requirement for Large Transmission Projects
- Exhibit 9 – Customer Notice

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 Title 49, NDCC, as amended. Montana-Dakota's Certificate of Incorporation and amendments thereto have been previously filed with the Commission under Case No. PU-08-710 and such Certificate and Amendments are hereby incorporated by reference as though fully set forth herein. Montana-Dakota provides electric service to approximately 91,000 customers in North Dakota as of September 30, 2015.

III. Background

On October 11, 2011, Montana-Dakota filed a Transmission Cost Adjustment Rate 59 tariff and proposed TCA rates in Case Nos. PU-11-672 and PU-11-681, pursuant to N.D.C.C. §49-05-04.3, to recover the North Dakota allocation of transmission related expenses assessed by the Midwest Independent System Operator (MISO), Western Area Power Administration (WAPA), and the revenue requirement for transmission facilities not currently recovered through electric service rates. On May 16, 2012 the Commission approved Montana-Dakota's Transmission Cost Adjustment Rate 59 tariff. The Company implemented its first TCA rates effective June 1, 2012.

Pursuant to Montana-Dakota's Rate 59 tariff, Paragraph 2.c., the adjustment per Kwh will be revised annually to reflect the current level of costs to be recovered. The Company has updated its TCA rates each January 1 since implementation to reflect the actual and projected costs through December 31 of the coming year. In this Application, Montana-Dakota submits its annual update under the Rate 59 tariff to reflect actual transmission-related costs for the twelve months ended August 31, 2015 and projected costs through December 31, 2016.

IV. Large Transmission Projects' Revenue Requirement

Montana-Dakota is proposing to include in the 2016 TCA rates the revenue requirement for two large transmission projects with expected in-service dates of year-end 2015 and early 2016. The two select transmission projects are the Kenmare to Lignite and Little Muddy transmission facilities located in western North Dakota.

The Kenmare to Lignite project is a 115 kV transmission line built for reliability purposes and to serve load growth in Burke and Divide counties. Additional and upgraded facilities were required to connect the line to the Company's existing facilities near Lignite and Kenmare, North Dakota. Total projected cost of the project is \$11,763,607 with the 115 kV line and the facilities at the Kenmare substation placed into service on October 28, 2015 and the facilities at the Lignite substation coming online in mid-December 2015.

The Little Muddy project is a 60 kV double circuit line built to create a looped transmission system around Williston, North Dakota to increase reliability and load

serving capability. A substation was also built to connect the double circuit line to the 115 kV transmission system northeast of Williston. Total projected cost of the project is \$13,358,101 with the project expected to be placed into service in early 2016.

As shown on Exhibit 8 page 2, the projected 2016 revenue requirement for the two projects is \$3,240,248. The revenue requirement is comprised of:

- Average 2016 rate base of \$24,239,959
- Return: reflective of Company's projected 2016 capital structure and return on equity as authorized in the Company's last electric rate case, Case No. PU-10-124.
- Depreciation Expense: effective depreciation rates for FERC Account 353 – Station Equipment and FERC Account 355 – Poles and Fixtures.
- Income Taxes: current federal and state income tax rates.

V. Expiration of the WAPA TSA and Southwest Power Pool

On October 1, 2015, WAPA along with Basin Electric Power Cooperative (Basin) joined the Southwest Power Pool (SPP) as a transmission owing member. On December 31, 2015, the Transmission Services Agreement (TSA) with Western Area Power Administration (WAPA) will expire. In addition, Montana-Dakota's interconnection and common use agreement with Basin will terminate on December 31, 2015. As a result of these events, Montana-Dakota will be required to take Network Integrated Transmission Service (NITS) in 2016 under the SPP tariff for transmission service that the Company is currently receiving under the WAPA TSA and Basin will be required to take service from MISO to be offset by MISO Section

30.9 credits. At this time, Montana-Dakota is projecting the NITS charges under the SPP tariff for 2016 to be approximately \$13 million dollars, of which \$9.4 million is allocated to North Dakota. The SPP NITS charges will be offset by Section 30.9 Facility Credits Montana-Dakota receives under the SPP tariff for Company facilities integrated and used for transmission service by WAPA and Basin. The Section 30.9 Facility Credits for 2016 is expected to be approximately \$10 million, of which \$7.2 million is allocated to North Dakota. This equates to net SPP charges of approximately \$2.2 million as allocated to North Dakota. However, the final amount of transmission service required on the SPP system, the 30.9 credits and the amount of service Basin will be required to take in Montana-Dakota's MISO zone is not known with certainty. Therefore, Montana-Dakota is not including an estimate in this TCA filing but will propose to include the actual amounts in the next true-up adjustment.

VI. Calculation of the Proposed TCA Rates

Pursuant to the provisions of the Transmission Cost Adjustment Rate 59 tariff, the following exhibits show the derivation of the proposed TCA rates:

- *Exhibit 2* shows the proposed TCA rates and the allocation of the transmission-related costs to each of the rate classes, excluding customers served under special contracts (per Paragraph 2b of Rate 59). Total transmission-related costs include the projected TCA balance remaining as of December 31, 2015 and the projected costs for the twelve months ending December 31, 2016. The total transmission-related costs are then allocated to

the rate classes based on the Company's AED Factor No. 2 from the Company's most recent general rate case (PU-10-124) and divided by the forecasted sales for the same time period.

- *Exhibit 3* is a summary of the projected 2016 expenses, MISO revenues and credits, and the transmission projects' revenue requirement as well as the estimated balance of the TCA balancing account through December 2015, resulting in a total cost to be recovered of \$6,813,908.
- *Exhibit 4* shows the TCA Balancing Account (per Paragraph 2d of Rate 59) through December 2015. As shown, Montana-Dakota maintains a balancing account where the actual monthly expenses are tracked against the revenue received through the TCA. Any over or under recovery is assessed a carrying charge at the three month Treasury Bill rate as published monthly by the Federal Reserve Board.
- *Exhibit 5* shows the projected monthly transmission-related expenses for the twelve months ended December 31, 2016.
- *Exhibit 6* shows the projected Schedule 26 charges and revenue. The Schedule 26 charges, included on Exhibit 6 as allocated to North Dakota, reflect the indicative charges posted by MISO on August 3, 2015 by Pricing Zone for Approved Baseline Reliability Projects, Generation Interconnection Projects, and Market Efficiency Projects. Schedule 26 charges reflect Montana-Dakota's share of costs from projects that qualify for regional cost allocation under the MISO tariff.

The Schedule 26 revenue, included on Exhibit 6 as allocated to North Dakota, reflects the Company's Projected 2016 MISO Attachment GG revenue requirement for MISO Transmission Expansion Plant (MTEP) project 1355 (Heskett Substation). The Heskett Substation was deemed a reliability project under MISO's 2009 Transmission Expansion Plan.

- *Exhibit 7* shows the projected Schedule 26A charges and credits. Schedule 26A charges and credits, included on Exhibit 7 as allocated to North Dakota, reflect:
 - Montana-Dakota's Projected 2016 MISO Attachment MM revenue requirement for MTEP project 2220 (Big Stone South to Ellendale MVP project), including only Montana-Dakota's retail revenue requirement of the Big Stone South to Ellendale project based on the Company's load ratio share within the MISO footprint, and
 - Schedule 26A charges, as allocated to North Dakota, based on the indicative charges posted by MISO on August 31, 2015, excluding Montana-Dakota's share of the Big Stone South to Ellendale retail revenue requirement, and the Company's projected 2016 load requirements. The Big Stone South to Ellendale MVP is one of seventeen MVPs approved by MISO as part of the MTEP 2011 report. Schedule 26A is charged equally to all MISO load for recovery of MISO's MVP portfolio.
 - The Schedule 26A revenue and credits, as shown on Exhibit 7 and allocated to North Dakota, reflect a credit for the administrative and

general (A&G) expenses recovered from all MISO load under Attachment MM. The credit provides reimbursement to North Dakota retail customers for such costs being recovered through the Company's retail rates today.

- *Exhibit 8* shows the projected revenue requirements for the two large transmission projects.

VII. True-up and Estimated Impact by Customer Class

As shown on Exhibit 3, Montana-Dakota's projected 2016 transmission cost as allocated to North Dakota is \$96,813,908 which includes an estimated under recovery of \$577,091 as of December 31, 2015, to be recovered through the TCA rates January 1, 2016 through December 31, 2016. A typical residential customer using 894 KWh would see an increase of \$1.85 per month under the proposed TCA rates. Montana-Dakota requests approval of the following TCA rates per KWh to be effective January 1, 2016:

		Proposed \$/Kwh	Current \$/Kwh	Change
Res & Small General	(Rates 10, 13, 20 & 25)	\$0.00332	\$0.00125	\$0.00207
Large General	(Rates 30, 31, 32, 38, 40 & 48)	\$0.00296	\$0.00104	\$0.00192
Lighting	(Rates 41 & 52)	\$0.00217	\$0.00079	\$0.00138

Montana-Dakota has included as Exhibit 9 a Customer Notice to be included with customer's bills starting thirty days from date of filing in accordance with N.D.C.C. § 69-09-02-02.1, requiring a notice be provided to customers, within thirty days after filing, informing customers of the Company's request to update rates.

Montana-Dakota is submitting a check in the amount of \$10,000. Montana-Dakota respectfully requests the Commission reduce the required \$100,000 filing fee pursuant to N.D.C.C. §49-05-04.3.2d which states the North Dakota Public Service Commission may waive or reduce the fee.

VIII. Conclusion

Montana-Dakota respectfully requests that the Commission:

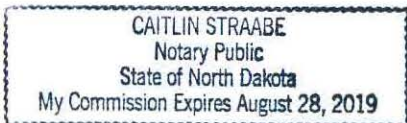
1. Give Notice of Opportunity to request a hearing to interested parties, and if no hearing is requested within twenty days, to waive the hearing in accordance with NDC §49-03.1-05, and
2. Approve the Company's updated TCA rates to be effective with service rendered on and after January 1, 2016 for the recovery of transmission-related expenditures.

Dated this 25th day of November, 2015.



Tamie A. Aberle
Director of Regulatory Affairs

Subscribed and sworn to before me this 25th day of November, 2015.



Caitlin Straabe, Notary Public
Burleigh County, 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



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. 43.1
3rd Revised Sheet No. 43.1

TRANSMISSION COST ADJUSTMENT Rate 59

Page 2 of 2

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

3. Time and Manner of Filing:

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

4. Transmission Cost Adjustment Rate by class:

Residential & Small General	\$0.00332
Large General	\$0.00296
Lighting	\$0.00217

Date Filed: November 25, 2015

Effective Date:

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

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
3rd Revised Sheet No. 43.1
2nd Revised Sheet No. 43.1

TRANSMISSION COST ADJUSTMENT Rate 59

Page 2 of 2

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

3. Time and Manner of Filing:

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

4. Transmission Cost Adjustment Rate by class:

Residential & Small General	0.125¢ <u>\$0.00332</u>
Large General	0.104¢ <u>\$0.00296</u>
Lighting	0.079¢ <u>\$0.00217</u>

Date Filed: October 2, 2014

Effective Date: Service rendered on and after January 1, 2015

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.: PU-14-734

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Transmission Cost Adjustment Allocation by Class
Projected 2016**

	<u>Total 1/</u>	<u>Residential & Small General</u>	<u>Large General</u>	<u>Lighting</u>
ND Transmission Costs 2/	\$6,813,907	\$3,458,722	3,289,750	65,435
Projected Kwh 3/	2,185,617,701	1,042,976,689	1,112,472,409	30,168,603
Projected \$/Kwh		\$0.00332	\$0.00296	\$0.00217
Current \$/Kwh 4/		0.00125	0.00104	0.00079
\$ Change		0.00207	0.00192	0.00138

1/ Exhibit 3.

2/ Class demand allocation from Case No. PU-10-124 (Embedded CCOS Factor No. 2).

Residential & Small General	50.759749%	(Rates 10, 13, 20 & 25)
Large General	48.279940%	(Rates 30, 31, 32, 38, 40 & 48)
Lighting	0.960311%	(Rates 41 & 52)
	<u>100.000000%</u>	

3/ 2016 projected sales (KWh) excluding contract sales.

4/ Transmission Cost Adjustment Rate 59 effective January 1, 2015.

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Transmission Cost Adjustment Summary
Projected 2016**

	<u>Projected 2016 Net Expense</u>
Charges 1/ MISO Schedule 26 and 26A	\$4,564,924 ✓
Credits 1/ MISO Schedule 26	1,305,882 ✓
A&G Retail Rate Credit (Schedule 26A)	<u>262,474</u> ✓
Total Credits	1,568,356 ✓
Transmission Projects' Revenue Requirement	3,240,248 ✓
Total Projected 2016 Net Expense	6,236,816 ✓
Estimated Balance as of December 31, 2015 2/	577,091 ✓
Total to be Recovered through TCA	<u><u>\$6,813,907</u></u>

1/ Exhibit 5.

2/ Exhibit 4.

Montana-Dakota Utilities, Co.
Electric Utility - North Dakota
Transmission Cost Adjustment Balancing Account
September 2014 - estimated December 31, 2015

Month	Beginning Balance	Carrying Charge 1/	MISO Net Expenses	WAPA NITS Expense 2/	Transmission Projects' Rev. Req. 3/	TCA Recovery	Ending Balance
August 2014							(\$710,354)
September	(\$710,354)	(\$12)	\$100,222	\$67,878		\$248,185	(790,451)
October	(790,451)	(13)	123,347	58,390		251,785	(860,512)
November	(860,512)	(14)	153,443	63,949		219,445	(862,579)
December	(862,579)	(22)	155,057	66,129		339,750	(981,165)
January 2015	(981,165)	(25)	261,980	67,236		306,529	(958,503)
February	(958,503)	(16)	228,440	77,901		201,580	(853,758)
March	(853,758)	(21)	232,365	77,845		222,930	(766,499)
April	(766,499)	(13)	161,946	79,710		177,823	(702,679)
May	(702,679)	(12)	168,935	73,943		144,951	(604,764)
June	(604,764)	(10)	213,302	77,265		165,616	(479,823)
July	(479,823)	(12)	243,104	90,361		188,653	(335,023)
August	(335,023)	(20)	239,617	95,103		193,609	(193,932)
September - <i>estimated</i>	(193,932)	(11)	239,617	95,103		198,217	(57,440)
October - <i>estimated</i>	(57,440)	(3)	239,617	95,103	66,662	184,806	159,133
November - <i>estimated</i>	159,133	9	239,617	95,103	77,769	211,340	360,291
December - <i>estimated</i>	360,291	21	239,617	95,103	121,099	239,040	577,091
Total		<u>(\$174)</u>	<u>\$3,240,226</u>	<u>\$1,276,122</u>	<u>\$265,530</u>	<u>\$3,494,259</u>	

1/ Carrying charges calculated based on the three-month Treasury Bill rate pursuant to Rate 59. September through December 2015 estimated carrying charge based on August 2015's rate.

2/ Excludes charges recovered through base rates.

3/ Exhibit 9.

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Summary of Expenses and Revenues
Projected 2016**

	MISO Expenses			Total Charges
	Schedule 26 1/	Schedule 26A 2/	Total	
January	\$190,629	\$207,149	\$397,778	\$397,778
February	190,629	203,137	393,766	393,766
March	190,629	184,938	375,567	375,567
April	190,629	171,539	362,168	362,168
May	190,629	170,322	360,951	360,951
June	190,629	170,145	360,774	360,774
July	190,629	209,922	400,551	400,551
August	190,629	190,001	380,630	380,630
September	190,629	185,076	375,705	375,705
October	190,629	173,002	363,631	363,631
November	190,629	194,497	385,126	385,126
December	190,627	217,650	408,277	408,277
Total	<u>\$2,287,546</u>	<u>\$2,277,378</u>	<u>\$4,564,924</u>	<u>\$4,564,924</u>

	MISO Revenue/Credits			Net North Dakota Charges
	Schedule 26 Revenue 1/	Schedule 26A A&G Credits 2/	Total	
January	\$108,823	\$21,873	\$130,696	\$267,082
February	108,823	21,873	130,696	263,070
March	108,823	21,873	130,696	244,871
April	108,823	21,873	130,696	231,472
May	108,823	21,873	130,696	230,255
June	108,823	21,873	130,696	230,078
July	108,823	21,873	130,696	269,855
August	108,823	21,873	130,696	249,934
September	108,823	21,873	130,696	245,009
October	108,823	21,873	130,696	232,935
November	108,823	21,873	130,696	254,430
December	108,829	21,871	130,700	277,577
Total	<u>\$1,305,882</u>	<u>\$262,474</u>	<u>\$1,568,356</u>	<u>\$2,996,568</u>

1/ Exhibit 6.

2/ Exhibit 7.

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
MISO Schedule 26 Expense and Revenue
Projected 2016**

	Schedule 26 Charges		Schedule 26 Revenue/Credits	
	Charges 1/	Allocated to ND 2/	Revenue 3/	Allocated to ND 2/
January	\$264,042	\$190,629	\$150,732	\$108,823
February	264,042	190,629	150,732	108,823
March	264,042	190,629	150,732	108,823
April	264,042	190,629	150,732	108,823
May	264,042	190,629	150,732	108,823
June	264,042	190,629	150,732	108,823
July	264,042	190,629	150,732	108,823
August	264,042	190,629	150,732	108,823
September	264,042	190,629	150,732	108,823
October	264,042	190,629	150,732	108,823
November	264,042	190,629	150,732	108,823
December	264,037	190,627	150,736	108,829
Total	\$3,168,499	\$2,287,546	\$1,808,788	\$1,305,882

- 1/ Schedule 26 indicative costs posted by MISO as of August 3, 2015: \$3,168,499
- 2/ Allocated to North Dakota based on the Integrated System 12 Month Peak Demand 72.196505%
- 3/ Montana-Dakota's projected 2016 revenue requirement for its MTEP project 1355 (Heskett Substation) recovered under Schedule 26 \$1,808,778

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
MISO Schedule 26A Expenses and Revenues
Projected 2016**

	BSSE MVP Project			All Other MPV Projects			Total MVP Charges - ND 6/	Retail Rate Credit		Net Schedule 26A Expense - ND
	Revenue Requirement 1/	Retail Revenue Requirement 2/	Allocated to ND 3/	Integrated Sales MWH 4/	Total MVP Charges (excl. BSSE Retail Rev. Req.) 5/	Allocated to ND 3/		A&G Revenue Credit 7/	Allocated to ND 3/	
January	\$313,106	\$1,566	\$1,131	298,878	\$285,357	\$206,018	\$207,149	\$30,296	\$21,873	\$185,276
February	313,106	1,566	1,131	293,090	279,800	202,006	203,137	30,296	21,873	181,264
March	313,106	1,566	1,131	266,832	254,593	183,807	184,938	30,296	21,873	163,065
April	313,106	1,566	1,131	247,499	236,033	170,408	171,539	30,296	21,873	149,666
May	313,106	1,566	1,131	245,744	234,348	169,191	170,322	30,296	21,873	148,449
June	313,106	1,566	1,131	245,489	234,103	169,014	170,145	30,296	21,873	148,272
July	313,106	1,566	1,131	302,879	289,198	208,791	209,922	30,296	21,873	188,049
August	313,106	1,566	1,131	274,138	261,606	188,870	190,001	30,296	21,873	168,128
September	313,106	1,566	1,131	267,031	254,784	183,945	185,076	30,296	21,873	163,203
October	313,106	1,566	1,131	249,610	238,060	171,871	173,002	30,296	21,873	151,129
November	313,106	1,566	1,131	280,624	267,833	193,366	194,497	30,296	21,873	172,624
December	313,107	1,560	1,122	314,036	299,915	216,528	217,650	30,299	21,871	195,779
Total	\$3,757,273	\$18,786	\$13,563	\$3,285,850	\$3,135,630	\$2,263,815	\$2,277,378	\$363,555	\$262,474	\$2,014,904

1/ Montana-Dakota's Projected 2016 Revenue Requirement (Attachment MM) for the BSSE MVP project recovered under Schedule 26A

\$3,757,273

2/ Montana-Dakota's estimated retail portion of its BSSE project based on Montana-Dakota's load ratio share in the MISO footprint

0.50%

3/ Integrated System 12 Month Peak Demand 72.196505%

4/ Electric Load Forecast from 2016 Plan.

5/ Montana-Dakota's Indicative Annual MVP Charges for Approved MVPs: \$0.96

6/ Montana-Dakota's total MVP charges including the BSSE project.

7/ Revenue credit for administrative and general O&M expenses recovered through MISO Attachment MM.

Montana-Dakota's Projected 2016 Attachment MM CWIP. Other O&M Expense, Line 4b.

1.27%

Projected Gross Plant in Service (CWIP) from Attachment MM

\$28,626,407

Annual A&G Retail Credit

\$363,555

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Transmission Cost Adjustment - Large Transmission Projects
Projected Revenue Requirement
October through December 2015**

	Total 2015	October	November	December
Rate Base				
Plant Balance		\$7,098,078	\$7,098,078	\$11,763,607
Accumulated Depreciation			12,305	24,610
Net Plant in Service		7,098,078	7,085,773	11,738,997
Accum. Def. Income Taxes		113,355	226,710	340,064
Total Plant in Service		6,984,723	6,859,063	11,398,933
Average Rate Base 1/	\$8,414,240			
Return on Rate Base 2/	169,967	47,030	46,184	76,753
Expenses				
Operating Expenses				
Depreciation	24,610		12,305	12,305
Total Expenses	24,610	0	12,305	12,305
Income before Taxes	(24,610)	0	(12,305)	(12,305)
Interest Expense	53,220	14,726	14,461	24,033
Taxable income	(77,830)	(14,726)	(26,766)	(36,338)
Income Taxes 3/	(29,421)	(5,567)	(10,118)	(13,736)
Operating Income	\$4,811	\$5,567	(\$2,187)	\$1,431
Revenue Requirement	\$265,530	\$66,662	\$77,769	\$121,099

1/ Average rate base balance for 2015.

2/ Projected 2016 capital structure authorized in Case No. PU-10-124

	Ratio	Cost	
Long Term Debt	41.250%	5.777%	2.383%
Short Term Debt	6.483%	2.274%	0.147%
Preferred Equity	1.126%	4.574%	0.052%
Common Equity	51.141%	10.750%	5.498%
	100.000%		8.080%

2.530%

3/ Tax Rate
1- tax rate 37.8015% (Federal Tax Rate = 35%, Tax Rate = 4.31%)
62.1985%

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Transmission Cost Adjustment - Large Transmission Projects
Projected Revenue Requirement
Projected 2016

	Total 2016	Projected											
		January	February	March	April	May	June	July	August	September	October	November	December
Rate Base													
Plant Balance		\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708	\$25,121,708
Accumulated Depreciation		43,307	83,792	124,277	164,762	205,247	245,732	286,217	326,702	367,187	407,672	448,157	488,642
Net Plant in Service		25,078,401	25,037,916	24,997,431	24,956,946	24,916,461	24,875,976	24,835,491	24,795,006	24,754,521	24,714,036	24,673,551	24,633,066
Accum. Def. Income Taxes		382,481	424,898	467,315	509,732	552,149	594,566	636,983	679,400	721,817	764,234	806,651	849,069
Total Plant in Service		24,695,920	24,613,018	24,530,116	24,447,214	24,364,312	24,281,410	24,198,508	24,115,606	24,032,704	23,949,802	23,866,900	23,783,997
Average Rate Base 1/	\$24,239,959												
Return on Rate Base 2/	1,958,589	166,286	165,728	165,169	164,611	164,053	163,495	162,937	162,378	161,820	161,262	160,704	160,146
Expenses													
Operating Expenses													
Depreciation	464,032	18,697	40,485	40,485	40,485	40,485	40,485	40,485	40,485	40,485	40,485	40,485	40,485
Total Expenses	464,032	18,697	40,485	40,485	40,485	40,485	40,485	40,485	40,485	40,485	40,485	40,485	40,485
Income before Taxes	(464,032)	(18,697)	(40,485)	(40,485)	(40,485)	(40,485)	(40,485)	(40,485)	(40,485)	(40,485)	(40,485)	(40,485)	(40,485)
Interest Expense	613,271	52,067	51,892	51,718	51,543	51,368	51,193	51,019	50,844	50,669	50,494	50,319	50,145
Taxable income	(1,077,303)	(70,764)	(92,377)	(92,203)	(92,028)	(91,853)	(91,678)	(91,504)	(91,329)	(91,154)	(90,979)	(90,804)	(90,630)
Income Taxes 3/	(407,237)	(26,750)	(34,920)	(34,854)	(34,788)	(34,722)	(34,656)	(34,590)	(34,524)	(34,458)	(34,391)	(34,325)	(34,259)
Operating Income	(\$56,795)	\$8,053	(\$5,565)	(\$5,631)	(\$5,697)	(\$5,763)	(\$5,829)	(\$5,895)	(\$5,961)	(\$6,027)	(\$6,094)	(\$6,160)	(\$6,226)
Revenue Requirement	\$3,240,248	\$254,400	\$275,397	\$274,605	\$273,814	\$273,023	\$272,232	\$271,441	\$270,648	\$269,857	\$269,068	\$268,277	\$267,486

1/ Average rate base balance for 2016.

2/ Projected 2016 capital structure authorized in Case No. PU-10-124

	Ratio	Cost	
Long Term Debt	41.250%	5.777%	2.383%
Short Term Debt	6.483%	2.274%	0.147%
Preferred Equity	1.126%	4.574%	0.052%
Common Equity	51.141%	10.750%	5.498%
	100.000%		8.080%
			2.530%

3/ Tax Rate 37.8015% (Federal Tax Rate = 35%, Tax Rate = 4.31%)
1- tax rate 62.1985%

Transmission Cost Adjustment

On November 25, 2015, Montana-Dakota Utilities Co. (Montana-Dakota) filed its application with the North Dakota Public Service Commission (Commission) to update its Transmission Cost Adjustment (TCA) rates in accordance with the Company's Transmission Cost Adjustment Rate 59 tariff that states the rates will be revised annually to reflect the current level of costs to be recovered.

The proposed TCA rates include North Dakota's allocation of transmission related expenses assessed by both the Midwest Independent System Operator (MISO) for transmission service, in addition to new and upgraded transmission facilities, not currently recovered through electric service rates and a true-up amount from the current TCA rates.

Montana-Dakota has requested the proposed TCA rates be effective with service rendered on and after February 1, 2016, subject to Commission review and approval. This change is being proposed at this time and, if rates are suspended by the Commission, the new rates will not be effective until Commission action has been taken.

If approved, a typical residential customer using 894 Kwh will see an increase of \$1.85 per month. The TCA is shown as a separate line item on your bill.

	Residential & Small General
Applicable Rates	10, 13, 20 & 25
Current Rate	\$0.00125 per Kwh
Proposed Rate	\$0.00332 per Kwh
Change	\$0.00207 per Kwh
	Large General
Applicable Rates	30, 31, 32, 38, 40 & 48
Current Rate	\$0.00104 per Kwh
Proposed Rate	\$0.00296 per Kwh
Change	\$0.00192 per Kwh
	Lighting
Applicable Rates	41 & 52
Current Rate	\$0.00079 per Kwh
Proposed Rate	\$0.00217 per Kwh
Change	\$0.00138 per Kwh

For more information, please contact a Montana-Dakota representative at 1-800-638-3278.