



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

January 15, 2016

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

Re: Fuel and Purchased Power Adjustment  
Case No. PU-16-011

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith respectfully files an original and two (2) copies of its fuel and purchased power adjustment (F&PP) pursuant to its Rate 58.

|                                     | <u>Primary</u>   | <u>Secondary</u> |
|-------------------------------------|------------------|------------------|
| Base Fuel                           | \$0.02024        | \$0.02087        |
| Fuel and Purchased Power Adjustment | 0.00344          | 0.00411          |
| Subtotal                            | <u>\$0.02368</u> | <u>\$0.02498</u> |

Exhibit A is the 46<sup>th</sup> Revised Sheet No. 42.2 showing the proposed Fuel and Purchased Power Adjustment to be effective with service rendered on and after February 1, 2016.

Exhibit B, page 1 summarizes the fuel and purchase power adjustment calculated pursuant to the terms of Rate 58 that will apply during the month of February 2016. Pages 2-4 show the calculation of the adjustment for February 2016. The cost of fuel and purchased power reflects a four month historical average.

Montana-Dakota began taking service from the Southwest Power Pool (SPP) on October 1, 2015 upon Western Area Power Administration (WAPA) joining SPP to replace WAPA Network Integrated Transmission Service agreement. As such, Montana-Dakota will be responsible for additional energy related cost components, including marginal congestion and losses, for certain energy deliveries which rely on SPP transmission.

The net effect of this F&PP adjustment is a decrease of 0.066 cents per Kwh for primary service customers and a decrease of 0.074 cents per Kwh for secondary service customers for service rendered in the month of February 2016. The decrease was largely the result of lower MISO market prices reflecting seasonal demand.

All of North Dakota's electric customers will be affected by this proposal. There were 92,606 electric customers in North Dakota as of December 31, 2015.

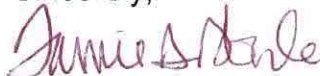
In response to Paragraph No. 11 of NDAC Section 69-09-02-39, Montana-Dakota purchases natural gas used for electric generation from its own gas operations or transports natural gas purchased from others under the applicable gas tariff approved and on file with the Commission in the state where the purchase is made or the transportation occurs. Montana-Dakota also has an agreement with its own gas operations associated with the pipeline utilized to transport firm natural gas service to the Heskett III Station pursuant to the order in Case Nos. PU-14-108 and PU-14-109.

Montana-Dakota submitted a check for \$600.00 on January 15, 2016. This payment will cover the filing fee associated with the Fuel and Purchased Power adjustment filings for February 2016 through January 2017 in accordance with North Dakota Century Code Section 49-05-05.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this filing, please contact me at (701) 222-7856 or [tamie.aberle@mdu.com](mailto:tamie.aberle@mdu.com).

Sincerely,



Tamie A. Aberle

Director of Regulatory Affairs

Attachment

# Proposed Fuel and Purchased Power Adjustment



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

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

## State of North Dakota Electric Rate Schedule

NDPSC Volume 4

46<sup>th</sup> Revised Sheet No. 42.2

Canceling 45<sup>th</sup> Revised Sheet No. 42.2

### FUEL AND PURCHASED POWER ADJUSTMENT Rate 58

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iii. The resulting difference (positive or negative) shall be multiplied by the Kwh's sold that month under each rate schedule.

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

#### 5. Manner of Filing:

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

#### 6. Fuel and Purchased Power Adjustment:

|                                     | Primary | Secondary |
|-------------------------------------|---------|-----------|
| Base Fuel                           | 2.024¢  | 2.087¢    |
| Fuel and Purchased Power Adjustment | 0.344   | 0.411     |
| Total FPPA                          | 2.368¢  | 2.498¢    |

Date Filed: January 15, 2016

Effective Date: Service rendered on and after February 1, 2016

Issued By: Tamie A. Aberle  
Director- Regulatory Affairs

Case No.: PU-16-011

**MONTANA-DAKOTA UTILITIES CO.  
FUEL COST ADJUSTMENT - NORTH DAKOTA  
FEBRUARY 2016 BILLING ADJUSTMENT SUMMARY**

|                                              | <u>Primary</u>                | <u>Secondary</u>              |
|----------------------------------------------|-------------------------------|-------------------------------|
| Current Adjustment (Page 2)                  | \$0.00330                     | \$0.00388                     |
| Prior Filed Adjustment                       | 0.00396                       | 0.00462                       |
| Change in Current Adjustment                 | <u>(\$0.00066)</u>            | <u>(\$0.00074)</u>            |
| <br><u>Surcharge Adjustment:</u>             |                               |                               |
| Current Adjustment                           | 0.00014                       | 0.00023                       |
| Prior Filed Adjustment                       | 0.00014                       | 0.00023                       |
| Change in Surcharge Adjustment               | <u>0.00000</u>                | <u>0.00000</u>                |
| <br>Total Change in Fuel and Purchased Power | <br><u><u>(\$0.00066)</u></u> | <br><u><u>(\$0.00074)</u></u> |
| <br>Base Cost of Fuel 1/                     | <br>\$0.02024                 | <br>\$0.02087                 |
| Current Adjustment                           | 0.00330                       | 0.00388                       |
| Surcharge Adjustment                         | 0.00014                       | 0.00023                       |
| Total Adjustment billed under Rate 58        | <u><u>\$0.02368</u></u>       | <u><u>\$0.02498</u></u>       |

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

**MONTANA-DAKOTA UTILITIES CO.  
FUEL AND PURCHASED POWER ADJUSTMENT - NORTH DAKOTA  
FEBRUARY 2016**

|                                                | <u>Total 1/</u>     | <u>Allocation to 2/<br/>North Dakota</u> | <u>Allocation to 3/<br/>Primary</u> | <u>Secondary</u>    |
|------------------------------------------------|---------------------|------------------------------------------|-------------------------------------|---------------------|
| Fuel & Purchased Power Costs                   |                     |                                          |                                     |                     |
| Account 501 and 547                            | \$12,077,068        | \$8,170,727                              | \$1,383,354                         | \$6,787,373         |
| Account 555 Energy                             | 10,331,076          | 6,989,478                                | 1,183,361                           | 5,806,117           |
| Account 555 Demand and<br>547 Pipeline Charges | 1,209,946           | 873,539                                  | 60,711                              | 812,828             |
| Account 575 Market Admin.                      | 127,429             | 86,212                                   | 14,596                              | 71,616              |
| <b>Total Fuel &amp; Purchased Power</b>        | <b>\$23,745,519</b> | <b>\$16,119,956</b>                      | <b>\$2,642,022</b>                  | <b>\$13,477,934</b> |
| Fuel Costs - Wholesale sales                   | 281                 | 190                                      | 32                                  | 158                 |
| System Costs                                   | \$23,745,238        | \$16,119,766                             | \$2,641,990                         | \$13,477,776        |
| Wholesale sales Margin                         | 113                 | 76                                       | 13                                  | 63                  |
| Revenue from Sale of RECs 4/                   | 0                   | 0                                        | 0                                   | 0                   |
| <b>Total Costs - net of margin</b>             | <b>\$23,745,351</b> | <b>\$16,119,842</b>                      | <b>\$2,642,003</b>                  | <b>\$13,477,839</b> |
| Kwh Retail Sales                               | 970,746,630         | 656,757,580                              | 112,239,193                         | 544,518,387         |
| Cost Per Kwh                                   |                     | \$0.02454                                | \$0.02354                           | \$0.02475           |
| Base Cost of Fuel                              |                     |                                          | 0.02024                             | 0.02087             |
| Current Adjustment                             |                     |                                          | \$0.00330                           | \$0.00388           |

1/ Page 3.

2/ Energy allocated on Kwh sales and demand is allocated on Allocation Factor No. 15, 2014 Integrated System peak demand.

3/ Energy is allocated on Kwh sales at generation and demand is allocated on class Allocation Factor No. 2, Average and Excess Demand from PU-10-124.

4/ North Dakota's portion is allocated between primary and secondary based on Kwh sales at generation.

|                        |            |
|------------------------|------------|
| Factor No. 15 ND       | 72.196505% |
| Factor No. 2 Primary   | 6.950000%  |
| Factor No. 2 Secondary | 93.050000% |

**MONTANA-DAKOTA UTILITIES CO.**  
**FUEL AND PURCHASED POWER TRACKING ADJUSTMENT - INTEGRATED SYSTEM**  
**FEBRUARY 2016**

|                                                | 2015               |                    |                    |                    | Total                   |
|------------------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|
|                                                | September          | October            | November           | December           |                         |
| Fuel & Purchased Power Costs                   |                    |                    |                    |                    |                         |
| Account 501 and 547                            | \$2,743,968        | \$3,296,991        | \$2,727,480        | \$3,308,629        | \$12,077,068            |
| Account 555 Energy 1/                          | 2,218,189          | 1,764,612          | 3,070,011          | 3,278,264          | 10,331,076              |
| Account 555 Demand and<br>547 Pipeline Charges | 284,688            | 326,170            | 299,605            | 299,483            | 1,209,946               |
| Account 575 Market Admin.                      | 26,694             | 30,353             | 33,388             | 36,994             | 127,429                 |
| <b>Total Fuel &amp; Purchased Power</b>        | <b>\$5,273,539</b> | <b>\$5,418,126</b> | <b>\$6,130,484</b> | <b>\$6,923,370</b> | <b>\$23,745,519</b>     |
| Fuel Costs - Sales for Resale                  | 281                | 0                  | 0                  | 0                  | 281                     |
| System Costs                                   | \$5,273,258        | \$5,418,126        | \$6,130,484        | \$6,923,370        | \$23,745,238            |
| Sales for Resale - Margin                      | 113                | 0                  | 0                  | 0                  | 113                     |
| <b>Total Costs - net of margin</b>             | <b>\$5,273,371</b> | <b>\$5,418,126</b> | <b>\$6,130,484</b> | <b>\$6,923,370</b> | <b>\$23,745,351</b>     |
| <br>Kwh Retail Sales                           | <br>250,139,397    | <br>232,446,643    | <br>204,502,455    | <br>283,658,135    | <br><u>970,746,630</u>  |
| Cost Per Kwh                                   | \$0.02108          | \$0.02331          | \$0.02998          | \$0.02441          | <u><u>\$0.02446</u></u> |

**MONTANA-DAKOTA UTILITIES CO.**  
**ACCOUNT 555**  
**FEBRUARY 2016 BILLING ADJUSTMENT**

| Account No. | Account Description                                    | 2015               |                    |                    |                    |
|-------------|--------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|             |                                                        | September          | October            | November           | December           |
|             | <u>Midcontinent Independent System Operator (MISO)</u> |                    |                    |                    |                    |
| 555.111     | Day-Ahead Asset Energy                                 | \$2,971,808        | \$2,391,866        | \$3,489,279        | \$3,737,658        |
| 555.114     | Real-Time Asset Energy                                 | 89,879             | 17,840             | (47,848)           | (35,788)           |
| 555.117     | Real-Time Excessive Energy                             | (234)              | 345                | 0                  | (347)              |
| 555.118     | Real-Time Non-Excessive Energy                         | (258,249)          | (293,092)          | (485,996)          | (305,873)          |
| 555.1211    | Day-Ahead Asset Congestion                             | (454,392)          | (245,364)          | 233,702            | (87,518)           |
| 555.1215    | Real-Time Asset Congestion                             | (4,915)            | (4,832)            | 7,438              | 7,089              |
| 555.1219    | Real-Time Non-Excessive Congestion                     | 58,609             | 78,241             | 83,628             | 35,047             |
| 555.1230    | Revenue Rights Transaction                             | (83,057)           | (83,057)           | (83,057)           | (42,633)           |
| 555.1232    | Revenue Rights Infeasible Uplift                       | 6,361              | 6,387              | 6,387              | 4,154              |
| 555.1233    | Revenue Rights Stage 2 Distribution                    | (40,669)           | (41,716)           | (41,716)           | (33,621)           |
| 555.1234    | Auction Revenue Rights Real-Time MVP Distribution      | 0                  | (673)              | (767)              | (5,313)            |
| 555.130     | Real-Time Non-Excessive Loss                           | 30,082             | 34,501             | 54,224             | 35,561             |
| 555.131     | Day-Ahead Asset Loss                                   | (153,396)          | (155,437)          | (281,480)          | (159,120)          |
| 555.135     | Real-Time Asset Loss                                   | 19,048             | 17,820             | 23,062             | 50,286             |
| 555.136     | Real-Time Distribution of Loss                         | (4,650)            | (8,498)            | (6,217)            | (14,051)           |
| 555.151     | Day-Ahead Rev Suff Guarantee Distribution              | 7,011              | 8,571              | 3,835              | 5,124              |
| 555.152     | Day-Ahead Rev Suff Guarantee Make Whole Pmt            | (1,360)            | (2)                | 0                  | 0                  |
| 555.153     | Real-Time Miscellaneous                                | (3,286)            | 224                | 2,296              | (622)              |
| 555.154     | Real-Time Net Inadvertent Distribution                 | 1,477              | (3,011)            | (3,708)            | (2,961)            |
| 555.155     | Real-Time Revenue Neutrality Uplift                    | 34,993             | 23,003             | 54,553             | 45,642             |
| 555.156     | R-T Rev Suff Guarantee First Pass Distribution         | 23,132             | 12,479             | 6,854              | 3,928              |
| 555.157     | R-T Rev Suff Guarantee Make Whole Payment              | (35,457)           | (2,562)            | 474                | 0                  |
| 555.158     | Real-Time Uninstructed Deviation                       | 0                  | 0                  | 0                  | (2)                |
| 555.159     | Day Ahead Schedule 24                                  | 3,872              | 4,113              | 4,587              | 4,968              |
| 555.160     | Real Time Schedule 24                                  | 455                | 553                | 253                | 522                |
| 555.162     | RT Price Volatility Make Whole Payment                 | (1,717)            | (6,066)            | (5,455)            | (6,205)            |
| 555.1701    | Day-Ahead Spinning Reserve Amount                      | (2,632)            | (6,283)            | (7,642)            | (6,047)            |
| 555.1711    | Real-Time Excessive Deficient Energy Deployment        | 27                 | (1)                | 0                  | 20                 |
| 555.1714    | Real-Time Spinning Reserve Amount                      | (1,842)            | (16)               | 1,679              | 82                 |
| 555.1716    | Real-Time Regulation Cost Distribution                 | 5,397              | 6,259              | 6,099              | 6,308              |
| 555.1717    | Real-Time Spinning Reserve Cost Distribution Amount    | 7,243              | 7,462              | 6,279              | 7,006              |
| 555.1718    | Real-Time Supplemental Reserve Cost Distribution       | 4,634              | 5,556              | 3,434              | 3,830              |
|             | <u>Southwest Power Pool (SPP)</u>                      |                    |                    |                    |                    |
| 555.185     | RT Asset Losses                                        | 0                  | 0                  | 2,663              | (13,867)           |
| 555.186     | RT Over Collected Losses                               | 0                  | 0                  | (3,891)            | (21,353)           |
| 555.1915    | RT Asset Congestion                                    | 0                  | 0                  | 47,061             | 66,359             |
|             | <u>Other</u>                                           |                    |                    |                    |                    |
| 555.5       | Purchased Power Cogeneration                           | 17                 | 2                  | 1                  | 1                  |
|             | <b>Total Account 555 Charges</b>                       | <b>\$2,218,189</b> | <b>\$1,764,612</b> | <b>\$3,070,011</b> | <b>\$3,278,264</b> |