



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

June 6, 2017

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

Re: Case No. PU-16-666

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. ("Montana-Dakota" or the "Company") herewith submits its response to the outstanding Commission data request dated June 1, 2017 in the above referenced case. The workpapers supporting the rider accounts were separately submitted on June 1, 2017.

The Company was requested to further explain and provide additional information regarding the exclusion of the proposed reagent and sand expense under the Company's Rate 58 Fuel and Purchased Power Adjustment (FPPA) from the interim refund. Following is the Company's explanation.

As set forth in Paragraph 11 of the Settlement Agreement, the Settling Parties agreed to the tariff changes proposed by the Company, with the exception of those changes identified in Paragraph 11 that were modified or rejected as part of the Settlement. The recovery of reagent and sand expense through the FPPA, as proposed by the Company, was accepted by the Settling Parties. The emissions controls costs are associated with the use of reagents to reduce mercury emissions. Sand, along with limestone, is used to reduce sulfur dioxide emissions at Heskett Unit 2. Reagent expenses are being incurred at the Big Stone Station subsequent to the completion of the AQCS project and are also required at the Lewis & Clark Station and the RICE units, both located near Sidney, Montana as well as the Coyote Station, located near Beulah, North Dakota. Montana-Dakota's other generating facilities do not currently require the use of reagents to comply with the MATS rule.

The quantity of reagents and sand at the generating facilities fluctuates directly in relation to the operation of the facilities, similar to fuel costs. The majority of these charges are relatively new costs to the Company and the incurrence of these costs is necessary to meet newly implemented emissions rules. As part of the Settlement Agreement the existing reagent costs were reclassified from production expense to

fuel and purchased power. As the interim increase included the reagent and sand costs, the approved costs are removed when calculating the interim credit.

Please see attached workpapers which support the cost of reagent and sand costs through retail rates in interim rates and through the FPPA as part of the Settlement Agreement. Attachment A contains select pages from Statement K of the Company's application for final rates. Statement K, Pages 9 and 10 show the recovery of fuel in revenue and Statement K, Page 22 shows the total expense to be recovered through the FPPA of \$53,528,720. Attachment B contains select pages from Appendix B of the Company's interim rate filing. Appendix B, Pages 7 and 8 show the recovery of fuel in revenue in the amount of \$51,548,210 and Appendix B, Page 18 shows the total FPPA expenses of \$53,528,720. The difference of \$1,980,510 represents the Account 502 – reagents and sand expense recovered through interim rates that will be recovered through the FPPA pursuant to the Settlement Agreement and therefore appropriately removed from Interim Revenue in determining the amount to be refunded.

Please contact me at 701.222.7856 or [tamie.aberle@mdu.com](mailto:tamie.aberle@mdu.com) with any further questions.

Sincerely,



Tamie A. Aberle  
Director of Regulatory Affairs

Cc: Service List

**Case No. PU-16-666**

**Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Electric Rate Increase Application**

Service List

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Attachment A

# Attachment A

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA

Summary of Projected Revenues and Billing Determinants  
Twelve Months Ended December 31, 2015  
TOTAL REVENUE EXCLUDING RENEWABLE AND TRANSMISSION RIDERS

Rate Reporting Class	Billing Units	Kwh	Billed KW	Basic Service Charge Revenue	Energy Revenue	Demand Revenue	Fuel	Riders Revenue	Total	Exclude			Total Revenue
										Renewable Rider	Transmission Rider	Total	
<b>Projected 2017</b>													
<b>Residential Service</b>													
Rate 10	79,991	770,685,000		\$10,218,868	\$34,762,266		\$19,544,572	\$14,928,169	\$79,453,875	\$5,487,277	\$2,535,554	\$8,022,831	\$71,431,044
Rate 13	4	127,000		657	2,976		3,221	2,460	9,314	904	418	1,322	7,992
Rate 16	8	127,000		1,314	4,523		3,221	2,460	11,518	904	418	1,322	10,196
<b>Total Residential</b>	<b>80,003</b>	<b>770,939,000</b>		<b>10,220,839</b>	<b>34,769,765</b>		<b>19,551,014</b>	<b>14,933,089</b>	<b>79,474,707</b>	<b>5,489,085</b>	<b>2,536,390</b>	<b>8,025,475</b>	<b>71,449,232</b>
<b>Small General Service</b>													
Rate 20	11,272	111,247,327		\$2,880,033	\$5,267,773		\$2,821,232	\$1,824,456	\$12,793,494	\$629,660	\$366,004	\$995,664	\$11,797,830
Rate 25	46	1,267,000	8,084.6	10,914	15,316	\$16,573	32,131	20,778	95,714	7,171	4,168	11,339	84,375
Rate 26	240	1,278,673		70,080	49,810		32,427	20,971	173,288	7,237	4,207	11,444	161,844
Rate 40	309	4,076,000	9,468.1	74,734	95,178	49,107	103,367	66,847	389,233	23,071	13,410	36,481	352,752
<b>Total Small General</b>	<b>11,867</b>	<b>117,869,000</b>	<b>17,552.7</b>	<b>3,035,761</b>	<b>5,428,079</b>	<b>65,680</b>	<b>2,989,157</b>	<b>1,933,052</b>	<b>13,451,729</b>	<b>667,139</b>	<b>387,789</b>	<b>1,054,928</b>	<b>12,396,801</b>
<b>General Service</b>													
Rate 30 Secondary 1/	4,587	755,983,226	2,281,943.8	\$2,477,440	\$17,962,161	\$21,170,949	\$19,171,735	\$13,159,140	\$73,941,425	\$5,216,284	\$2,215,031	\$7,431,315	\$66,510,110
Rate 30 Primary	43	195,765,000	468,864.3	49,020	4,494,764	3,429,564	4,804,073	3,231,856	16,009,277	1,350,779	573,591	1,924,370	14,084,907
<b>Rate 30 Contract Rates</b>													
Rates 302, 303 Tesoro	2	75,560,000	138,211.0	2,280	1,295,201	902,874	1,854,242		4,054,597				4,054,597
Rate 304 Sabin	1	26,681,000	65,685.4	180	522,414	354,554	654,752		1,541,900				1,541,900
Rate 31 Primary	1	2,081,000	7,835.7	1,164	30,023	34,226	51,068	32,872	149,353	14,359	6,097	20,456	128,897
Rate 31 Secondary	68	17,694,774	96,323.7	38,352	255,413	508,864	448,739	297,976	1,549,344	122,094	51,846	173,940	1,375,404
Rate 32 Secondary	623	55,941,000	273,550.0	112,140	1,608,863	493,460	1,418,664	793,752	4,426,879	385,993	163,907	549,900	3,876,979
Rate 32 Primary	0	0	0.0	0	0	0	0	0	0	0	0	0	0
Rate 38													
Rate 380	2	17,711,000	53,405.0	5,797	376,536	228,620	434,628	308,209	1,353,790	122,206	51,893	174,099	1,179,691
Rate 381 Capitol 2/	1	14,200,000	32,163.4	11,892	188,975	235,163	348,468	231,767	1,016,255	88,183	37,445	125,628	890,627
Rate 39	1	5,107,000	11,502.0	3,600	46,933	66,137	125,326		241,996				241,996
<b>Total General</b>	<b>5,329</b>	<b>1,166,724,000</b>	<b>3,429,484.3</b>	<b>2,701,865</b>	<b>26,781,283</b>	<b>27,434,401</b>	<b>29,311,695</b>	<b>18,055,572</b>	<b>104,284,816</b>	<b>7,299,898</b>	<b>3,099,810</b>	<b>10,399,708</b>	<b>93,885,108</b>
<b>Municipal Lighting Service</b>													
Rate 41 Secondary	512	18,127,000			\$908,014		\$459,701	\$219,842	\$1,587,557	\$142,522	\$35,363	\$177,885	\$1,409,672
Rate 41 Primary	49	1,719,000			77,475		42,184	20,629	140,288	13,374	3,318	16,692	123,596
<b>Total Municipal Lighting</b>	<b>561</b>	<b>19,846,000</b>			<b>985,489</b>		<b>501,885</b>	<b>240,471</b>	<b>1,727,845</b>	<b>155,896</b>	<b>38,681</b>	<b>194,577</b>	<b>1,533,268</b>
<b>Municipal Pumping Service</b>													
Rate 48 Secondary 1/	319	25,168,000	91,118.4	\$37,418	\$503,637	\$475,748	\$638,260	424,618	\$2,079,681	\$160,463	\$68,196	\$228,659	\$1,851,022
Rate 48 Primary	4	13,894,000	35,805.3	518	257,734	130,541	340,959	209,798	939,550	86,282	36,680	122,962	816,588
<b>Total Municipal Pumping</b>	<b>323</b>	<b>39,062,000</b>	<b>126,923.7</b>	<b>37,936</b>	<b>761,371</b>	<b>606,289</b>	<b>979,219</b>	<b>634,416</b>	<b>3,019,231</b>	<b>246,745</b>	<b>104,876</b>	<b>351,621</b>	<b>2,667,610</b>

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA

Summary of Projected Revenues and Billing Determinants  
Twelve Months Ended December 31, 2015  
TOTAL REVENUE EXCLUDING RENEWABLE AND TRANSMISSION RIDERS

Rate Reporting Class	Projected 2017									Exclude			Total Revenue
	Billing Units	Kwh	Billed KW	Basic Service Charge Revenue	Energy Revenue	Demand Revenue	Fuel	Riders Revenue	Total	Renewable Rider	Transmission Rider	Total	
Outdoor Lighting Service													
Rate 52 Secondary	2,602	7,424,000			\$496,963		\$188,273	\$99,111	\$784,347	\$64,218	\$15,962	\$80,180	\$704,167
Rate 52 Primary	2	13,000			817		319	173	1,309	112	28	140	1,169
Total Outdoor Lighting	<u>2,604</u>	<u>7,437,000</u>			<u>497,780</u>		<u>188,592</u>	<u>99,284</u>	<u>785,656</u>	<u>64,330</u>	<u>15,990</u>	<u>80,320</u>	<u>705,336</u>
Total North Dakota	<u>100,687</u>	<u>2,121,877,000</u>	<u>3,573,960.7</u>	<u>\$15,996,401</u>	<u>\$69,223,767</u>	<u>\$28,106,370</u>	<u>\$53,521,562</u>	<u>\$35,895,884</u>	<u>\$202,743,984</u>	<u>\$13,923,093</u>	<u>\$6,183,536</u>	<u>\$20,106,629</u>	<u>\$182,637,355</u>

1/ Includes 1 customer's excess facilities charges.

2/ Discount to energy revenue applicable to the renewable and transmission riders is also in that rider's excluded revenues column.

**MONTANA-DAKOTA UTILITIES CO.  
FUEL & PURCHASED POWER  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

	Per Books	Projected	
	2015	2016	2017
Fuel & Purchased Power	\$51,542,484	\$50,290,596	\$53,528,720
Production	1,063,177	0	0
Transmission	263,993	0	0
<b>Total</b>	<b>\$52,869,654</b>	<b>\$50,290,596</b>	<b>\$53,528,720</b>

Projected costs recovered via the Fuel and Purchased Power Adjustment, by account:

	Per Books	Projected	
	2015	2016	2017
<u>Fuel Expense:</u>			
Acct. 501 - Coal	\$23,637,134	\$33,683,874	\$34,102,795
Acct. 502 - Reagents & Sand 1/	1,063,177	2,110,135	1,980,510
Acct. 547 - Natural Gas	468,073	293,793	507,289
	<u>\$25,168,384</u>	<u>\$36,087,802</u>	<u>\$36,590,594</u>
<u>Purchased Power / Pipeline Charges:</u>			
Acct. 555 - Energy	\$23,256,381	\$12,998,608	\$14,868,822
Acct. 555 - Demand	1,622,477	455,696	454,532
Acct. 575 - Market Administration 1/	263,993	264,413	265,428
Acct. 547 - Pipeline Reservation Charges	2,001,274	1,975,353	1,975,353
Total Purchased Power	<u>\$27,144,125</u>	<u>\$15,694,070</u>	<u>\$17,564,135</u>
<u>Other</u>			
Deferred F&PP	\$557,145	\$0	\$0
Subtotal	<u>\$52,869,654</u>	<u>\$51,781,872</u>	<u>\$54,154,729</u>
Less:			
Fuel & PP - Sales for Resale 2/	<u>\$790</u>	<u>\$1,491,276</u>	<u>\$626,009</u>
<b>Total Fuel &amp; Purchased Power</b>	<b><u>\$52,868,864</u></b>	<b><u>\$50,290,596</u></b>	<b><u>\$53,528,720</u></b>

1/ Per books Acct. 502 is recorded as production expense and Acct. 575 is recorded as transmission expense.

2/ Projected costs associated with Fuel & PP - Sales for Resale have been excluded from total Fuel & PP expense along with the revenues as they are an equal offset in the Fuel and Purchased Power adjustment.

Attachment B

# Attachment B

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
INTERIM  
Summary of Projected Revenues and Billing Determinants  
Twelve Months Ended December 31, 2015

Rate Reporting Class	Projected 2017								
	Billing Units	Kwh	Billed KW	Basic Service Charge Revenue	Energy Revenue	Demand Revenue	Fuel	Riders Revenue 1/	Total Revenue
<b>Residential Service</b>									
Rate 10	79,991	770,685,000		\$10,218,868	\$34,762,266		\$18,827,835	\$14,928,169	\$78,737,138
Rate 13	4	127,000		657	2,976		3,103	2,460	9,196
Rate 16	8	127,000		1,314	4,523		3,103	2,460	11,400
<b>Total Residential</b>	<b>80,003</b>	<b>770,939,000</b>		<b>10,220,839</b>	<b>34,769,765</b>		<b>18,834,041</b>	<b>14,933,089</b>	<b>78,757,734</b>
<b>Small General Service</b>									
Rate 20	11,272	111,247,327		\$2,880,033	\$5,267,773		\$2,717,772	\$1,824,456	\$12,690,034
Rate 25	46	1,267,000	8,084.6	10,914	15,318	\$16,573	30,953	20,778	94,536
Rate 26	240	1,278,673		70,080	49,810		31,238	20,971	172,099
Rate 40	309	4,076,000	9,468.1	74,734	95,178	49,107	99,577	66,847	385,443
<b>Total Small General</b>	<b>11,867</b>	<b>117,869,000</b>	<b>17,552.7</b>	<b>3,035,761</b>	<b>5,428,079</b>	<b>65,680</b>	<b>2,879,540</b>	<b>1,933,052</b>	<b>13,342,112</b>
<b>General Service</b>									
Rate 30 Secondary 2/	4,587	755,983,226	2,281,943.8	\$2,477,440	\$17,962,161	\$21,170,949	\$18,468,670	\$13,159,140	\$73,238,360
Rate 30 Primary	43	195,765,000	468,864.3	49,020	4,494,764	3,429,564	4,622,012	3,231,856	15,827,216
<b>Rate 30 Contract Rates</b>									
Rates 302 & 303 Tesoro	2	75,560,000	138,211.0	2,280	1,295,201	902,874	1,783,972		3,984,327
Rate 304 Sabin	1	26,681,000	65,685.4	180	522,414	364,554	629,938		1,517,086
Rate 31 Primary	1	2,081,000	7,835.7	1,164	30,023	34,226	49,132	32,872	147,417
Rate 31 Secondary	68	17,694,774	96,323.7	38,352	255,413	508,864	432,283	297,976	1,532,888
Rate 32 Secondary	623	55,941,000	273,550.0	112,140	1,608,863	493,460	1,366,639	793,752	4,374,854
Rate 32 Primary	0	0	0.0	0	0	0	0	0	0
Rate 38									
Rate 380	2	17,711,000	53,405.0	5,797	376,536	228,620	418,157	308,209	1,337,319
Rate 381 Capitol	1	14,200,000	32,163.4	11,892	190,295	235,153	335,262	231,767	1,004,369
Rate 39	1	5,107,000	11,502.0	3,600	46,933	66,137	120,576		237,246
<b>Total General</b>	<b>5,329</b>	<b>1,166,724,000</b>	<b>3,429,484.3</b>	<b>2,701,865</b>	<b>26,782,603</b>	<b>27,434,401</b>	<b>28,226,641</b>	<b>18,055,572</b>	<b>103,201,082</b>
<b>Municipal Lighting Service</b>									
Rate 41 Secondary	512	18,127,000			\$908,014		\$442,843	\$219,842	\$1,570,699
Rate 41 Primary	49	1,719,000			77,475		40,586	20,629	138,690
<b>Total Municipal Lighting</b>	<b>561</b>	<b>19,846,000</b>			<b>985,489</b>		<b>483,429</b>	<b>240,471</b>	<b>1,709,389</b>
<b>Municipal Pumping Service</b>									

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
INTERIM  
Summary of Projected Revenues and Billing Determinants  
Twelve Months Ended December 31, 2015

Rate Reporting Class	Projected 2017								
	Billing Units	Kwh	Billed KW	Basic Service Charge Revenue	Energy Revenue	Demand Revenue	Fuel	Riders Revenue 1/	Total Revenue
Rate 48 Secondary 2/	319	25,168,000	91,118.4	\$37,418	\$503,637	\$475,748	\$614,854	424,618	\$2,056,275
Rate 48 Primary	4	13,894,000	35,805.3	518	257,734	130,541	328,037	209,798	926,628
<b>Total Municipal Pumping</b>	<b>323</b>	<b>39,062,000</b>	<b>126,923.7</b>	<b>37,936</b>	<b>761,371</b>	<b>606,289</b>	<b>942,891</b>	<b>634,416</b>	<b>2,982,903</b>
Outdoor Lighting Service									
Rate 52 Secondary	2,602	7,424,000			\$496,963		\$181,368	\$99,111	\$777,442
Rate 52 Primary	2	13,000			817		307	173	1,297
<b>Total Outdoor Lighting</b>	<b>2,604</b>	<b>7,437,000</b>			<b>497,780</b>		<b>181,675</b>	<b>99,284</b>	<b>778,739</b>
<b>Total North Dakota</b>	<b>100,687</b>	<b>2,121,877,000</b>	<b>3,573,960.7</b>	<b>\$15,996,401</b>	<b>\$69,225,087</b>	<b>\$28,106,370</b>	<b>\$51,548,217</b>	<b>\$35,895,884</b>	<b>\$200,771,959</b>

1/ Includes Renewable, Generation, Environmental, and Transmission riders.

2/ Includes 1 customer's excess facilities charges

**MONTANA-DAKOTA UTILITIES CO.  
FUEL & PURCHASED POWER  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017  
- INTERIM -**

	Per Books	Projected	
	2015	2016	2017
Fuel & Purchased Power	\$51,542,484	\$48,180,461	\$51,548,210
Production	1,063,177	2,110,135	1,980,510
Transmission	263,993	0	0
Total	<u>\$52,869,654</u>	<u>\$50,290,596</u>	<u>\$53,528,720</u>

Projected costs recovered via the Fuel and Purchased Power Adjustment, by account:

	Per Books	Projected	
	2015	2016	2017
<u>Fuel Expense:</u>			
Acct. 501 - Coal	\$23,637,134	\$33,683,874	\$34,102,795
Acct. 502 - Reagents & Sand 1/	1,063,177	2,110,135	1,980,510
Acct. 547 - Natural Gas	468,073	293,793	507,289
	<u>\$25,168,384</u>	<u>\$36,087,802</u>	<u>\$36,590,594</u>
<u>Purchased Power / Pipeline Charges:</u>			
Acct. 555 - Energy	\$23,256,381	\$12,998,608	\$14,868,822
Acct. 555 - Demand	1,622,477	455,696	454,532
Acct. 575 - Market Administration 1/	263,993	264,413	265,428
Acct. 547 - Pipeline Reservation Charges	2,001,274	1,975,353	1,975,353
Total Purchased Power	<u>\$27,144,125</u>	<u>\$15,694,070</u>	<u>\$17,564,135</u>
<u>Other</u>			
Deferred F&PP	\$557,145	\$0	\$0
Subtotal	<u>\$52,869,654</u>	<u>\$51,781,872</u>	<u>\$54,154,729</u>
Less:			
Fuel & PP - Sales for Resale 2/	\$790	\$1,491,276	\$626,009
Total Fuel & Purchased Power	<u>\$52,868,864</u>	<u>\$50,290,596</u>	<u>\$53,528,720</u>

1/ Per books Acct. 502 is recorded as production expense and Acct. 575 is recorded as transmission expense.

2/ Projected costs associated with Fuel & PP - Sales for Resale have been excluded from total Fuel & PP expense along with the revenues as they are an equal offset in the Fuel and Purchased Power adjustment.