

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

December 15, 2017

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

Re: Fuel and Purchased Power Adjustment
Case No. PU-18-011
January 2018

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 (F&PP) adjustment pursuant to its Rate 58.

Exhibit A, page 1 summarizes the fuel and purchase power adjustment calculated pursuant to the terms of Rate 58 that will apply during the month of January 2018. Pages 2 through 4 show the calculation of the adjustment which is based on a four month historical average cost of fuel and purchased power.

The net effect of this F&PP adjustment is a decrease of 0.086 cents per Kwh for primary service customers and a decrease of 0.087 cents per Kwh for secondary service customers for service rendered in the month of January 2018 from current effective rates as shown below. The decrease was largely the result of an increase of wind generation as a percentage of total generation and lower MISO market prices resulting in an overall lower per unit cost of generation.

	<u>Primary</u>	<u>Secondary</u>
F&PP Effective January 1, 2018	\$0.02207	\$0.02285
F&PP Effective December 1, 2017	0.02293	0.02372
Change	(\$0.00086)	(\$0.00087)

The current and historical Fuel and Purchased Power Adjustment for primary and secondary service customers can be found at www.montana-dakota.com/rates-and-services.

All of Montana-Dakota's retail electric customers in North Dakota will be affected by this proposal. There were 92,901 electric customers in North Dakota as of November 30, 2017.

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 18, 2017. This payment will cover the filing fee associated with the Fuel and Purchased Power adjustment filings for February 2017 through January 2018 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.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachment

**MONTANA-DAKOTA UTILITIES CO.
FUEL COST ADJUSTMENT - NORTH DAKOTA
JANUARY 2018 BILLING ADJUSTMENT SUMMARY**

	<u>Primary</u>	<u>Secondary</u>
Current Cost of Fuel (Page 2)	\$0.02228	\$0.02337
Prior Cost of Fuel	0.02314	0.02424
Change in Cost of Fuel	<u>(\$0.00086)</u>	<u>(\$0.00087)</u>
 <u>Surcharge Adjustment</u>		
Current Adjustment	(\$0.00021)	(\$0.00052)
Prior Adjustment	<u>(0.00021)</u>	<u>(0.00052)</u>
Change in Surcharge Adjustment	\$0.00000	\$0.00000
Cost of Fuel	\$0.02228	\$0.02337
Surcharge Adjustment	<u>(0.00021)</u>	<u>(0.00052)</u>
Total	<u><u>\$0.02207</u></u>	<u><u>\$0.02285</u></u>

MONTANA-DAKOTA UTILITIES CO.
FUEL AND PURCHASED POWER COST TRACKING ADJUSTMENT - NORTH DAKOTA
JANUARY 2018

	Total 1/	Allocation to 2/ North Dakota	Allocation to 3/	
			Primary	Secondary
Fuel & Purchased Power Costs				
Account 501 and 547	\$15,983,468	\$10,865,987	\$2,111,794	\$8,754,193
Account 502 Reagent and Sand	972,751	661,302	128,523	532,779
Account 555 Energy	4,369,548	2,970,535	577,321	2,393,214
Account 555 Demand and 547 Pipeline Charges	1,260,869	900,402	88,329	812,073
Account 575 Market Admin.	155,984	106,042	20,609	85,433
Total Fuel & Purchased Power	\$22,742,620	\$15,504,268	\$2,926,576	\$12,577,692
Less:				
Wholesale Sales Revenue	487,304	331,282	64,384	266,898
Revenue from Sale of RECs 4/	63,224	58,245	11,320	46,925
Net System Costs	\$22,192,092	\$15,114,741	\$2,850,872	\$12,263,869
Kwh Retail Sales	959,981,358	652,620,879	127,958,213	524,662,666
Cost Per Kwh	\$0.02312	\$0.02316	\$0.02228	\$0.02337

1/ Page 3.

2/ Energy is allocated on Kwh sales and demand and pipeline are allocated on Allocation Factor No. 15, Integrated System 12 Month Peak Demand.

3/ Energy is allocated on Kwh sales at generation and demand and pipeline are allocated on class Allocation Factor No. 2, Coincident Peak Demand from PU-16-666.

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

Factor No. 15 ND	71.411233%
Factor No. 2 Primary	9.810000%
Factor No. 2 Secondary	90.190000%

MONTANA-DAKOTA UTILITIES CO.
FUEL AND PURCHASED POWER COST TRACKING ADJUSTMENT - INTEGRATED SYSTEM
JANUARY 2018

	2017				Total
	August	September	October	November	
Fuel & Purchased Power Costs					
Account 501 and 547	\$4,234,221	\$4,434,680	\$3,129,999	\$4,184,568	\$15,983,468
Account 502 Reagent and Sand	255,429	289,645	208,934	218,743	972,751
Account 555 Energy 1/ Account 555 Demand and 547 Pipeline Charges	1,385,131	407,369	1,036,268	1,540,780	4,369,548
Account 575 Market Admin.	319,555	315,058	315,201	311,055	1,260,869
	<u>32,777</u>	<u>34,114</u>	<u>48,673</u>	<u>40,420</u>	<u>155,984</u>
 Total Fuel & Purchased Power	 \$6,227,113	 \$5,480,866	 \$4,739,075	 \$6,295,566	 \$22,742,620
Less:					
Wholesale Sales Revenue	73,623	193,756	119,416	100,509	487,304
Revenue from Sale of RECs	<u>0</u>	<u>3,724</u>	<u>44,800</u>	<u>14,700</u>	<u>63,224</u>
 Net System Costs	 \$6,153,490	 \$5,283,386	 \$4,574,859	 \$6,180,357	 \$22,192,092
 Kwh Retail Sales	 281,502,031	 231,524,358	 224,914,990	 222,039,979	 <u>959,981,358</u>
 Cost Per Kwh	 \$0.02186	 \$0.02282	 \$0.02034	 \$0.02783	 <u><u>\$0.02312</u></u>

MONTANA-DAKOTA UTILITIES CO.
ACCOUNT 555
JANUARY 2018 BILLING ADJUSTMENT

Account No.	Account Description	2017			
		August	September	October	November
	<u>Midcontinent Independent System Operator (MISO)</u>				
555.111	Day-Ahead Asset Energy	\$2,337,730	\$1,356,443	\$2,538,061	\$2,351,084
555.114	Real-Time Asset Energy	(69,845)	(256,524)	(34,409)	126,245
555.117	Real-Time Excessive Energy	1,675	1,160	720	433
555.118	Real-Time Non-Excessive Energy	(359,826)	(635,901)	(985,412)	(818,643)
555.1211	Day-Ahead Asset Congestion	(233,187)	(119,250)	(540,598)	(346,636)
555.1215	Real-Time Asset Congestion	12,332	100,108	3,018	2,503
555.1219	Real-Time Non-Excessive Congestion	137,703	161,907	202,341	119,528
555.1230	Revenue Rights Transaction	(65,499)	(161,065)	(161,065)	(161,065)
555.1232	Revenue Rights Infeasible Uplift	6,187	1,940	1,940	1,940
555.1233	Revenue Rights Stage 2 Distribution	(25,761)	(2,400)	(2,400)	(2,400)
555.1234	Auction Revenue Rights Real-Time MVP Distribution	(1,625)	(134)	(368)	(417)
555.130	Real-Time Non-Excessive Loss	41,812	72,921	116,930	78,971
555.131	Day-Ahead Asset Loss	(162,520)	(41,454)	(223,824)	(117,207)
555.135	Real-Time Asset Loss	49,436	142,403	126,555	703
555.136	Real-Time Distribution of Loss	(1,910)	(4,298)	(6,211)	(11,910)
555.151	Day-Ahead Rev Suff Guarantee Distribution	2,726	7,319	6,023	6,925
555.152	Day-Ahead Rev Suff Guarantee Make Whole Pmt	(2,753)	(9,543)	(122)	0
555.153	Real-Time Miscellaneous	(2,882)	12,524	8,374	8,911
555.154	Real-Time Net Inadvertent Distribution	4,366	(2,271)	(1,474)	3,512
555.155	Real-Time Revenue Neutrality Uplift	11,690	59,137	73,237	34,296
555.156	Real-Time Rev Suff Guarantee First Pass Distribution	8,307	11,909	10,618	8,154
555.157	Real-Time Rev Suff Guarantee Make Whole Payment	(18,022)	(23,443)	(2,088)	(2,056)
555.159	Day-Ahead Schedule 24	4,694	4,460	4,876	6,004
555.160	Real-Time Schedule 24	681	790	923	872
555.161	Real Time Schedule 24 Distribution	0	0	0	28
555.162	Real-Time Price Volatility Make Whole Payment	(3,270)	(4,830)	(2,887)	(3,082)
555.1700	Day-Ahead Regulation Amount	0	(1,335)	(99)	0
555.1701	Day-Ahead Spinning Reserve Amount	(33,301)	(33,846)	(23,937)	(11,257)
555.1703	Day-Ahead Ramp Capability	(8,292)	(11,065)	(4,780)	(2,580)
555.1710	Real-Time Net Regulation Adjustment	0	(12)	0	0
555.1711	Real-Time Excessive Deficient Energy Deployment	198	341	387	290
555.1712	Real-Time Contingency Reserve Deployment	0	220	0	183
555.1713	Real-Time Regulation Amount	0	985	36	(5)
555.1714	Real-Time Spinning Reserve Amount	4,073	3,902	4,763	357
555.1716	Real-Time Regulation Cost Distribution	9,908	9,557	11,959	10,228
555.1717	Real-Time Spinning Reserve Cost Distribution Amount	10,876	9,892	11,244	10,322
555.1718	Real-Time Supplemental Reserve Cost Distribution	2,310	3,063	1,896	1,816
555.1720	Real-Time Ramp Capability	7	397	15	(327)
	<u>Southwest Power Pool (SPP)</u>				
555.185	Real-Time Asset Losses	(\$222,061)	(\$169,060)	(\$128,751)	(\$54,073)
555.186	Real-Time Over Collected Losses	(88,829)	(53,137)	(75,893)	(86,735)
555.1915	Real-Time Asset Congestion	41,813	(20,922)	110,227	390,503
555.1920	Auction Revenue Rights-Daily	(4,659)	(3,532)	(3,559)	(4,636)
	<u>Other</u>				
555.1	Purchased Power	\$833	\$0	\$0	\$0
555.5	Purchased Power Cogeneration	16	13	2	1
	Total Account 555 Charges	\$1,385,131	\$407,369	\$1,036,268	\$1,540,780