

RE: MDU/ALKE TESTIMONY

The discussion of average, existing resource costs for NWE and for MDU as compared to SB415 renewable costs was seriously distorted—apples to oranges. The appropriate standard for comparing new SB415 renewable resource costs is to new conventional (coal, gas) resources to serve future customer needs. For example MDU has a need for additional resources. MDU's current plan is to participate in a new coal generation project and has provided the PSC its cost estimate in the attached letter. References to its alleged \$20/Mwh current average cost from existing plants is irrelevant and misleading.



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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15 MAR 20 AM 11:29
PUBLIC SERVICE
COMMISSION

March 23, 2005

Commissioner Tom Schneider
Montana Public Service Commission
1701 Prospect Ave.
P.O. Box 202601
Helena, MT 59620-2601

Dear Commissioner Schneider:

Thank you for taking the time on March 16 to listen to our presentation of the impacts of the Midwest Independent Transmission System Operator on Montana-Dakota Utilities Co. and our Montana customers. I thought the discussion was interesting, and appreciated the comments and questions about other aspects of our operations.

You requested more information about the cost of the 600 MW supercritical pulverized coal baseload plant proposed to be built adjacent to the Big Stone I plant in northeastern South Dakota. This plant is still under study, and has not been entirely designed, however, we expect that the busbar costs in 2010 dollars will be about \$47.00/ MWh. The capital portion of this project, which represents about 60 percent of the busbar cost may vary up to 20 percent. This price is based on traditional investor owned utility financing, without adjustments for the recent tax reductions passed in South Dakota that will benefit the plant, and without transmission costs (estimated to be \$100-150 million). Projected fuel price is \$1.28/MMBTU in 2010 dollars.

I hope this information is useful to you, however, it is very preliminary. If you have further questions, please feel free to contact me.

Sincerely,

Andrea L. Stomberg
Vice President, Electric Supply

Cc: Mr. Greg Jergenson- Chairman
Mr. Brad Molnar- Vice-Chairman
Mr. Doug Mood- Commissioner
Mr. Bob Raney- Commissioner