

EXHIBIT 17  
DATE 2.4.05  
HB 455

MONTANA-DAKOTA UTILITIES CO.  
COST AND RATE IMPACT EXAMPLES  
FOR  
HOUSE BILL 455

The Lewis and Clark Station is a 44 megawatt coal fired power plant at Sidney, Montana. It has been in continuous operation since 1958, providing low cost power to MDU's electric customers. Lewis and Clark uses lignite coal, which has a low mercury content. However, because the coal is low in sodium, it is also harder to remove the mercury from the stack emissions. Annual stack emissions of mercury at the Lewis and Clark Station are a little over 600 ounces a year.

Montana-Dakota has estimated the following costs for removing mercury from the stack emissions at the Lewis and Clark Station:

40% (253 ounces)

Capital cost of approximately \$600,000.  
Annual O & M cost of approximately \$250,000

80% (506 ounces)

Capital cost of approximately \$10,000,000  
Annual O & M cost of approximately \$650,000

For rate making purposes, a good rule of thumb is that the annual revenue requirement associated with capital investment (return, taxes, depreciation) is 15%. Trying to remove 80% of the mercury emissions at the Lewis and Clark Station translates into a \$2.15 million dollar a year increase in electric rates.

$$(\$10,000,000 \times .15) + \$650,000 = \$2,150,000$$