

MONTANA-DAKOTA UTILITIES CO.
Analysis of
Ratepayer Impacts
of
Senate Bill 415

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. owns its own generating facilities, which are located in Montana, North Dakota, and South Dakota. Its generating facilities in Montana have a peak generating capability of 150 megawatts. The peak demand of its Montana customers is 113 megawatts, and its average Montana load runs between 65 and 70 megawatts.

Senate Bill 415 would force Montana-Dakota to buy about 30 megawatts of new generating resources which it doesn't really need in Montana, at additional expense to its Montana ratepayers. To comply with Senate Bill 415, Montana-Dakota would have to acquire renewable energy, and generate less energy at its existing generating stations. Since its existing facilities can generate power much more cheaply than the power that will be provided by the new generating resources required by Senate Bill 415, the result would be a rate increase to the Montana-Dakota ratepayer. If it is assumed that wind is the most likely renewable resource in the Montana-Dakota service territory, and that the current tax credit for wind developers is either not extended by Congress, or is captured by the developer, the rate increase caused by Senate Bill 415 could be in the range of 10% to 12%. I have attached a work sheet which shows how we estimated the size of the rate increase, and the assumptions we used in doing the calculations.

WORK SHEET

Assumptions;

1. Current cost of power from a 30 megawatt wind farm is about \$53 per megawatt hour. [Tax credit equates to about \$18 per megawatt hour. If developer had to pass on tax credit to make resource more cost effective, cost to utility would be about \$35]
2. Wind power requires the purchase of ancillary services, at an approximate cost of \$4.60 per megawatt hour. [Total cost of wind power is \$57.60 per megawatt, if developer keeps tax credit.]
2. Wind power is not firm power, so utility will still have to acquire firm generating capacity to meet customer requirements.
3. The net cost of wind power to the utility and its ratepayers is the cost paid for the wind power less avoided fuel costs from traditional generation.
4. Annual avoided fuel costs, wind purchases, and wind revenue requirements will be:

									Annual Revenue Requirement
2008	\$	20.57	32,000	\$	1,184,969.65				
2009	\$	21.07	32,320	\$	1,180,659.22				
2010	\$	21.79	65,287	\$	2,337,925.03				
2011	\$	17.83	65,940	\$	2,622,425.89				
2012	\$	15.97	66,599	\$	2,772,524.66				
2013	\$	17.32	67,265	\$	2,709,441.90				
2014	\$	16.65	67,938	\$	2,782,054.67				
2015	\$	17.01	102,926	\$	4,177,759.53				
2016	\$	16.92	103,955	\$	4,228,893.08				
2017	\$	18.45	104,995	\$	4,110,540.21				

Total Montana electric revenues were \$40 million in 2003 (hot year) and \$36 million in 2002 (cooler year). The annual revenue requirement for wind purchases at 15% of sales requirement (Year 2015) is \$4.2 million or 10.5% of 2003 revenues and 11.66% of 2002 revenues.