FUEL AND PURCHASED POWER ADJUSTMENT Rate 58

1. Applicability:

This rate schedule sets forth the procedure to be used in calculating the Fuel and Purchased Power Adjustment. It specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's average cost of fuel and purchased power, including electric wholesale sales margin; and (b) amortization of the Deferred Fuel Cost Account.

2. Effective Date and Limitation on Adjustments:

a. Unless otherwise ordered by the Commission, the effective dates of the Fuel and Purchased Power Adjustment shall be service rendered on and after the first day of each month. The effective date of the adjustment for amortization of the Deferred Fuel Cost Account shall be July 1 of each year.

b. Montana-Dakota shall file an adjustment to reflect changes in its average cost of electric supply only when the amount of change in such adjustment is at least .001 cents per Kwh. The adjustment to be effective July 1 shall be filed each year, regardless of the amount of the change.

3. Fuel and Purchased Power Adjustment:

a. The monthly Fuel and Purchased Power Adjustment shall reflect changes in Montana-Dakota's cost of fuel and purchased power a plus the annual Surcharge Adjustment. D D D

b. The cost of fuel and purchased power shall be the sum of the following costs for the most recent four month period, as allocated to South Dakota:

1. The cost of fossil and other fuels and reagents as recorded in Account Nos. 501, 502 and 547.

2. The net cost of purchases and costs linked to the utility's load serving obligation, including regional market administration expenses, associated with participation in wholesale electric energy and capacity markets as recorded in Account Nos. 555 and 575.

3. Capacity purchases as recorded in Account 555 and pipeline reservation charges as recorded in Account 547.

4. Less Product Tax Credits (PTCs) adjusted for the effect of income tax. (PTCs divided by the inverse of the tax rate)(1 – tax rate).

5. Less 100 percent of the wholesale sales margin.

6. Less the revenue from the sales of Renewable Energy Credits (RECs).

c. The cost per Kwh for the month is the sum of 3(b) above divided by retail sales volumes for the most recent four months.

The applicable Fuel and Purchased Power Adjustment shall be applied to each of Montana-Dakota's rate schedules.

4. Surcharge Adjustment:
All sales rate schedules shall be subject to a Surcharge Adjustment to be effective on July 1 each year. The Surcharge Adjustment per Kwh sold shall reflect the amortization of the applicable balance in the Deferred Fuel Cost Account calculated by dividing the applicable balance by the estimated Kwh sales for the twelve months following the effective date of the adjustment.

a. The balance in the Deferred Fuel Cost Account (Account 182.3) includes:

1. The current month over or under recovery, determined as follows:
   i. Montana-Dakota shall determine each month the cost for that month's fuel and purchased power as specified in Subsection 3.
   ii. Montana-Dakota shall subtract from the month's unit cost the unit cost reflected in rates for that month.
   iii. The resulting difference (positive or negative) shall be multiplied by the Kwh's sold that month under each rate schedule.

2. Refunds from supplier(s) and market operators with respect to fuel and purchased power costs.

3. Carrying charges or credits at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

4. The balance in the Deferred Fuel Cost Account shall be decreased each month by the amount of the Surcharge Adjustment multiplied by the Kwh sales for the month. The amount amortized shall be applied pro rata between the Deferred Fuel cost Account and the interest balance.

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5. Manner of Filing:
The Company shall file with the Commission prior to making an adjustment, a monthly statement, under oath, setting forth the fuel cost per kilowatt-hour for the most recent four month period, as set forth above. The adjustment in rates shall be effective with service rendered on and after the first day of each month, unless the Commission shall otherwise order.

6. Fuel and Purchased Power Adjustment:
The current and historical Fuel and Purchased Power Adjustment for customers can be found at montana-dakota.com/rates and services. N N

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