

**Montana-Dakota Utilities Co.
Minot Air Force Base Distribution
Tariff**

Case No. PU-06-470

STAFF MEMORANDUM

Under existing Rate 64, MDU delivers natural gas to the Minot Air Force Base (MAFB) to a point of interconnection with the MAFB-owned natural gas distribution system.

MDU is now purchasing the MAFB distribution system which includes approximately 232,000 feet of underground piping, valves, regulators and meters. After MDU owns the system, the MAFB will continue as a customer under Rate 64, and in addition, MDU proposes a fixed monthly Distribution System Operation and Maintenance Fee (distribution fee) of \$35,500 for three years, rising to \$38,000 in year 4. The purchase price will be amortized over 360 months at an interest rate of 6% and payment to the MAFB will be in the form of a monthly bill credit of \$3,053.

In support of the distribution fee, MDU provided a revenue requirement analysis which includes the capital improvements identified by MAFB, capital expenditures identified by MDU, estimated direct operation and maintenance expenses and an allocation of corporate costs. The attached memo is Mike Diller's review of MDU's financial projections for the purchase arrangements.

Staff recommends approval of the tariff.