

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

Case No. PU-06-470

**STAFF MEMORANDUM
January 31, 2007**

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 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.

The attached memo is Mike Diller's summary of an issue that surfaced at the January 10, 2007 informal hearing concerning North Dakota vs total company capitalization. Mike suggests that issue be considered in a future rate case proceeding.

Staff recommends approval of the tariff.

PJF