



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

ORIGINAL

January 26, 2009

RECEIVED

JAN 26 2009

PUBLIC SERVICE COMMISSION

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505-0480

Re: Application for Approval of Service
Area Agreement

Enclosed are the original and seven copies of a joint Application made by Mountrail-Williams Electric Cooperative ("Mountrail-Williams") and Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. ("Montana-Dakota"), for approval of a Service Area Agreement to establish service areas and to designate service locations to be served by Montana-Dakota and Mountrail-Williams within the City of Stanley and the surrounding area.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter, attached hereto, and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,

Donald R. Ball
Vice President - Regulatory Affairs

Attachments
cc: Dan Kuntz

1 **PU-09-39** Filed: 1/26/2009 Pages: 14
Application, Service Area Agreement, Map

1 **PU-09-40** Filed: 1/26/2009 Pages: 14
Application, Service Area Agreement, Map

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Mountrail-Williams Electric Cooperative/
Montana-Dakota Utilities Co.
Application

Case No. PU-09-_____

Application for Approval of Service Area Agreement

Mountrail-Williams Electric Cooperative, ("Mountrail-Williams"), an electric cooperative organized under N.D.C.C. Chapter 10-13, and Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., ("Montana-Dakota"), an electric public utility, submit this joint application for approval of a Service Area Agreement pursuant to N.D.C.C. § 49-03-06. The Service Area Agreement, which accompanies this application, was entered into by Montana-Dakota and Mountrail-Williams as electric providers in compliance with the provisions of N.D.C.C. § 49-03-06 to establish service areas and to designate service locations to be served by Montana-Dakota and Mountrail-Williams within the City of Stanley and the surrounding area. The Service Area Agreement complies with N.D.C.C. § 49-03-06 and is in the public interest because it will: (1) avoid misunderstanding and disagreement over areas to be served by each party, (2) accomplish the legislative intent of N.D.C.C. § 49-03-06 to encourage harmony and operational efficiency among electric providers, promote safety, discourage unreasonable duplication of electric facilities, assure adequate and reliable electric service and provide antitrust immunity to the electric providers, and (3) provide both parties with equitable participation in the provision of electric distribution service within undeveloped areas annexed to the City of Stanley during the term of the Agreement.

Montana-Dakota and Mountrail-Williams request the Public Service Commission, after notice as provided in N.D.C.C. § 49-03-06(4), to approve the Service Area Agreement after finding the Agreement in Compliance with N.D.C.C. § 49-03-06 and in the public interest.

Notices regarding this matter should be directed to:

For Montana-Dakota Utilities Co.:

Donald R. Ball
Vice President – Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
PO Box 5650
Bismarck, ND 58502-5650


For Mountrail-Williams Electric Cooperative:

Dale L. Haugen
General Manager
Mountrail-Williams Electric Cooperative
218 58th Street West
Williston, ND 58802

Dated this 21st day of January, 2009.

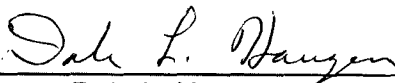
Respectfully submitted,

Montana-Dakota Utilities Co., a Division of
MDU Resources Group, Inc.



By: Donald R. Ball
Vice President – Regulatory Affairs

Mountrail-Williams Electric Cooperative, Inc.



By: Dale L. Haugen
General Manager

SERVICE AREA AGREEMENT

This Service Area Agreement ("Agreement"), dated as of the 9th day of January, 2009, is between Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., with its address at 400 North Fourth Street, Bismarck, North Dakota 58501 ("Montana-Dakota") and Mountrail-Williams Electric Cooperative with its address at 218 58th Street West, Williston, North Dakota 58802 ("Mountrail-Williams"). Montana-Dakota and Mountrail-Williams are hereafter referred to individually each as a "Party" and cumulatively as the "Parties" to this Agreement.

RECITALS

WHEREAS, Montana-Dakota is a public utility providing electric distribution service to customers in North Dakota.

WHEREAS, Mountrail-Williams is a North Dakota rural electric cooperative providing electric distribution service to its members in North Dakota.

WHEREAS, in order to encourage harmony and operational efficiencies among electric service providers, promote safety, discourage unreasonable duplication of electric facilities, assure adequate and reliable electric service for consumers and territories within North Dakota, and provide antitrust immunity to electric service providers that negotiate service area agreements, North Dakota Century Code § 49-03-

06 authorizes electric utilities and rural electric cooperatives to enter into agreements designating the service areas of the Parties; and

WHEREAS, Montana-Dakota and Mountrail-Williams believe a service area agreement between them relative to their electric distribution service and facilities in and around Stanley, North Dakota is consistent with the public interest and the purposes of N.D.C.C. § 49-03-06.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

ARTICLE I. SERVICE AREA

1.1 Montana-Dakota Service Area. Except as otherwise provided herein, from and after the Effective Date, Montana-Dakota shall provide electric distribution service, consistent with the applicable law and requirements of its franchise with the City of Stanley, North Dakota, to all new Service Locations within the corporate limits of the City of Stanley as the corporate limits exist on the date of this Agreement and to all new Service Locations in the service area outlined in orange on Attachment A to this Agreement (collectively "Montana-Dakota Service Area").

1.2 Mountrail-Williams Territory. Except as otherwise provided herein, from and after the Effective Date, Mountrail-Williams shall provide electric distribution service,

consistent with applicable law and the requirements of its franchise with the City of Stanley, North Dakota, to all new Service Locations in the area outlined in yellow on Attachment A to this Agreement (“Mountrail-Williams Service Area”).

1.3 Exclusive Territory. For purposes of this Agreement, “Service Location” means the structures, facilities, or improvements on a parcel of real property to which electric service is provided. A Service Location includes expansions, improvements, or additions to existing structures, facilities and other improvements made after the date the real property is designated to be within a service area under this Agreement except as otherwise provided below. Except as provided herein, Montana-Dakota shall not provide electric distribution service to any Service Location within the Mountrail-Williams Service Area, and Mountrail-Williams shall not provide electric distribution service to any Service Location within the Montana-Dakota Service Area. Notwithstanding the foregoing, each Party is permitted to continue to serve Service Locations in the other Party’s service area if the Party was providing electric service at such Service Locations on the date the real property is designated to be within a Service Area under this Agreement. Each Party shall continue to be the service provider for each such Service Location in the other Party’s service area, until such time as:

- (A) the use of the electrical load at the Service Location has been abandoned and electric service discontinued for a continuous period of at least 90 days; or
- (B) the customer makes a material change of its use of the Service Location, or modifies the structures, facilities, or other improvements on the Service

Location, and such change or modification necessitates a replacement or substantial modification of the electric service facilities historically used to serve the Service Location (including, but not limited to, a change from single-phase service to three-phase service), or if the change or modification requires additional service facilities to new structures, facilities, or improvements due to a subdivision of the Service Location after the Effective Date; or

(C) the Parties mutually agree in writing to the transfer of electric service.

1.4 Agreements to Serve Following the Effective Date. Notwithstanding anything herein to the contrary, the Parties may at any time mutually agree in writing that any new or existing Service Location in one Party's service area shall be served by the other Party, either temporarily or permanently.

1.5 Scope of Agreement. This Agreement is intended to govern the allocation and provision of electric distribution service by and between Montana-Dakota and Mountrail-Williams within the corporate limits of the City of Stanley, the corporate limits as existed on the date of this Agreement, and the area within the outer boundaries of the extra territorial zoning jurisdiction of the City of Stanley as the boundaries existed on the date of this Agreement and as the boundaries may be extended during the term of this Agreement. The provision of electric distribution service to Service Locations outside the geographic scope of this Agreement will be governed by applicable law, any future amendments extending the scope of this Agreement, or new service area agreements

which may be made between the Parties. If the extra territorial zoning jurisdiction of the City of Stanley is extended to include an area not within the geographic scope of the Agreement on the date of this Agreement, the Parties shall meet to determine whether such extended area shall be designated as within the Montana-Dakota Service Area or within the Mountrail-Williams Service Area and this Agreement and Attachment A shall be modified accordingly. If the Parties are unable to reach agreement on the designation of the extended area within 90 days of the extension, either Party may request the designation be submitted to mediation with a mediator mutually agreeable to the Parties. If the Parties are unable to select a mediator or are unable to resolve the designation through mediation, a Party may request the designation be resolved by arbitration in accordance with the Rules of the American Arbitration Association by a panel of three arbitrators. Within 15 days of a request for arbitration, each Party shall select one person to act as an arbitrator and the two shall select a third neutral arbitrator within ten days of their appointment. If the arbitrators selected by the parties are unable to agree upon the third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. The costs and expenses of any mediation or arbitration shall be borne equally by the Parties.

ARTICLE 2 TERM

- 2.1 Effective Date. The term of this Agreement shall commence upon the occurrence of the last to occur of the following events (the "Effective Date"):
- (A) The execution of this Agreement by both Parties;
 - (B) The approval of this Agreement by the City of Stanley, North Dakota; and

(C) The approval of this Agreement by the North Dakota Public Service Commission.

2.2 End of Term. This Agreement may be terminated at any time by the mutual written agreement of the Parties. Otherwise, this Agreement shall continue in effect through December 31, 2013. Thereafter, this Agreement shall automatically renew for successive five-year terms unless either Party provides written notice to the other Party of its intention to terminate this Agreement at least 180 days prior to the end of the initial or any extended term.

ARTICLE 3 SERVICE QUALITY

3.1 Cooperation. Should any customer be transferred from one Party to the other during the term of this Agreement, the Parties will cooperate with each other to minimize disruption of the service provided to the customer to the extent reasonably practicable.

ARTICLE 4 FRANCHISES AND CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

4.1 Franchises. Neither Party will interfere with nor object to the extension of the term or scope of the other Party's franchise with the City of Stanley as it may pertain to provision of electric distribution service within the other Party's service area during the term of this Agreement. Neither Party shall provide any

inducement to the City of Stanley to encourage the City not to renew or extend in any way the other Party's franchise as it pertains to the provision of electric distribution service within the other Party's service area during the term of this Agreement including, without limitation, any lobbying or public relations campaign pertaining to the foregoing, or through providing directly or indirectly, any financial incentive or commitment relative to its provision of electric distribution service within the other Party's service area. Nothing in this provision is intended to prohibit either Party from objecting to the terms and conditions of the other Party's franchise which could unreasonably damage or harm the objecting Party's operations or the objecting Party's service area as designated in the Agreement.

4.2 Certificates of Public Convenience and Necessity. Mountrail-Williams will not object to the issuance of a blanket Certificate or individual Certificates of Public Convenience and Necessity to Montana-Dakota by the North Dakota Public Service Commission for the extension of electric distribution facilities and electric distribution service within the Montana-Dakota Service Area or to any customers Montana-Dakota is otherwise authorized to serve pursuant to this Agreement.

ARTICLE 5 MISCELLANEOUS

5.1 Complete Agreement. The Parties acknowledge that no representations or statements have been made which would modify or tend to modify any of the

provisions of this Agreement. All the understandings between the Parties are contained in this Agreement. This Agreement supersedes and terminates all previous agreements entered into between the Parties with respect to the provision of electric distribution service within the scope of the geographic area of this Agreement. Any amendments to this Agreement shall be made in writing and signed by duly authorized representatives of both Parties.

5.2 Assignment of the Agreement. Either Party may assign this Agreement in connection with a merger, sale of substantially all of its assets, consolidation, or other reorganization where the surviving entity acquires the right to provide electric distribution service in the service area of the Party.

5.3 Waiver. The failure of either Party at any time to require strict performance of any condition of this Agreement shall not affect the right to require full performance thereof at any time thereafter, and the waiver by either Party of a breach of any such condition shall not constitute a waiver of any subsequent breach thereof, nor nullify the validity of such condition.

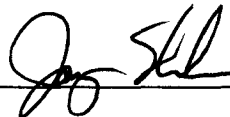
5.4 Notices. Any notices, including notice of termination permitted to be given under this Agreement shall be given in writing and delivered in person, or by mail, postage prepaid, in an envelope addressed to the Party to whom notice is being given. Notices shall be given to the address set forth in this Agreement, or such other place as may be specified by either Party from time to time.

5.5 Approval Required. This Agreement shall be void in its entirety if not approved by the North Dakota Public Service Commission and the City Council of Stanley, North Dakota.

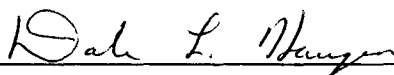
5.6 Continuing Jurisdiction. This Agreement is subject to the continuing jurisdiction of the North Dakota Public Service Commission to settle all service location disputes between the contracting electric providers arising under the Agreement.

[The next page is the signature page]

MONTANA-DAKOTA UTILITIES CO.,
a DIVISION OF MDU RESOURCES GROUP, INC.

By:  1/13/2009
Its: VICE PRESIDENT - OPERATIONS


MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE

By:  1/12/09
Its: General Manager

CITY APPROVAL

The City of Stanley consents to this Agreement between the Parties, and agrees that each of the Parties may provide service within their respective service territories identified herein which are now or in the future located within the City of Stanley to the full extent authorized by their respective existing franchise agreements with the City of Stanley, as they may be extended or renewed.

CITY OF STANLEY, NORTH DAKOTA

By:  1-16-09
Its: Mayor