



**UTILITIES CO.**  
A Division of MDU Resources Group, Inc.

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

September 17, 2010

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

Re: Application for Authority for Cost  
Recovery  
Case No. PU-10-\_\_\_\_

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and seven (7) copies of an application for authority for recovery of costs related to the Bismarck manufactured gas plant remediation.

Please refer all inquiries regarding this filing to:

Ms. Rita A. Mulkern  
Regulatory Analysis Manager  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

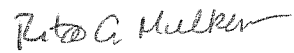
Mr. Daniel S. Kuntz  
Associate General Counsel  
MDU Resources Group, Inc.  
P. O. Box 5650  
Bismarck, ND 58506-5650

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Montana-Dakota submitted a check in the amount of \$600.00 on December 17, 2008. This payment will cover the filing fee associated with this filing in accordance with North Dakota Century Code Section 49-05-05. If additional fees are necessary, Montana-Dakota will reimburse the Commission for any additional assessments arising from processing this case up to the maximum under North Dakota Century Code Section 49-05-04.

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,



Rita A. Mulkern  
Regulatory Analysis Manager

Attachments

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF NORTH DAKOTA

In the Matter of the Application of )  
MONTANA-DAKOTA UTILITIES CO., a )  
Division of MDU Resources Group, Inc., ) Case No. PU-10-\_\_\_\_\_  
for Authority for Cost Recovery )

\* \* \* \*

APPLICATION FOR AUTHORITY  
FOR COST RECOVERY

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., respectfully submits this Application for authority for recovery of costs related to the Bismarck manufactured gas plant remediation.

I.

Montana-Dakota, a Division of MDU Resources Group, Inc., is a Delaware corporation duly authorized to do business in the State of North Dakota as a foreign corporation. Montana-Dakota is doing business in the State of North Dakota as a public utility.

II.

The Company's Certificate of Incorporation and amendments thereto have previously been filed with the North Dakota Public Service Commission. Such Certificate and Amendments are hereby incorporated by reference.

III.

That Applicant's full name and post office address are:

Montana-Dakota Utilities Co.,  
a Division of MDU Resources Group, Inc.  
400 North Fourth Street  
Bismarck, North Dakota 58501

IV.

Montana-Dakota owned a former manufactured gas plant (MGP) site (Site) located on the southeast corner of the intersection of South 10<sup>th</sup> Street and East Front Avenue in the City of Bismarck, North Dakota. Montana-Dakota hired Burns & McDonnell Engineering Company to assist in completing Site remediation activities for the former MGP Site. The Site was investigated in 2006 and remediated in 2007. The Site was remediated in order to reduce environmental risk to acceptable levels to allow Montana-Dakota to sell the property. Existing buildings and concrete structures on the Site were demolished, two empty underground storage tanks were removed, and MGP-impacted soils and materials were removed. One historic groundwater well was found on the Site and abandoned during the project. Materials removed from the Site were disposed of offsite according to all applicable regulations. The Site was backfilled with non-impacted excavated soil and imported soil and re-graded. Sampling conducted after excavation of the MGP-impacted materials confirmed that the soil remaining at the Site does not present an unacceptable risk for future commercial-industrial use of the Site. The property was sold in 2007 and the gain on the sale of the property was credited to the project.

V.

The total costs incurred for the project were \$907,773, with the detail provided on

Attachment A, which includes no interest or carrying costs. Montana-Dakota proposes to amortize the amount over five years, beginning effective retroactive to January 1, 2010, with no rate base treatment of the unamortized balance, consistent with the Commission's decision in Case No. PU-400-00-521 filed by Northern States Power Company. Montana-Dakota also proposes to recover the 2011-2014 amortization of the remediation costs (the total of \$907,773 less the 2010 amortization of \$181,555 = \$726,218) beginning January 1, 2011 based on dk throughput, excluding the volumes for customers on a discounted rate. The proposed recovery rate for 2011 is \$0.011 per dk based on the applicable projected dk throughput for 2011.

#### VI.

Montana-Dakota proposes to recover the MGP costs through the Company's Cost of Gas (COG) adjustment for all sales and transportation rate schedules subject to a COG related charge, excluding the volumes for customers on a discounted rate. The annual MGP amortization amount will be included in the COG mechanism and removed from the COG mechanism when the \$726,218 is fully recovered.

The Company will record the unamortized balance in Account 1823 and will report the status of the MGP cost recovery in its annual COG filing to the Commission starting with the annual filing effective October 1, 2011. The Company will terminate the MGP recovery charge on the date the Company completes recovery of the \$726,218 of the MGP costs through the COG mechanism. The Company will notify the Commission of the termination of the COG cost recovery.

#### VII.

This Application is submitted in accordance with the provisions of the North Dakota Century Code and the rules and regulations promulgated by the Public Service

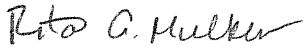
Commission of the State of North Dakota and the filing guidelines of the Public Service Commission.

VIII.

Montana-Dakota requests that the Commission issue its order authorizing the amortization of the costs related to the Bismarck manufactured gas plant remediation effective January 1, 2010 with the recovery mechanism effective January 1, 2011.

Dated this 17<sup>th</sup> day of September, 2010.

MONTANA-DAKOTA UTILITIES CO.  
a Division of MDU Resources Group, Inc.


By:   
Rita A. Mulkern  
Regulatory Analysis Manager

STATE OF NORTH DAKOTA    )  
COUNTY OF BURLEIGH     )

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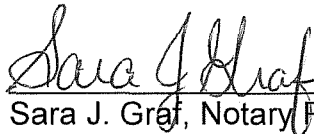
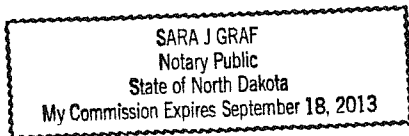
Rita A. Mulkern, being first duly sworn, deposes and says that she is the Regulatory Analysis Manager of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., that she has read the foregoing Application, knows the contents thereof, and that the same is true and correct to the best of her knowledge, information and belief.

Dated this 17<sup>th</sup> day of September, 2010.



\_\_\_\_\_  
Rita A. Mulkern  
Regulatory Analysis Manager

Subscribed and sworn to before me this 17<sup>th</sup> day of September, 2010



\_\_\_\_\_  
Sara J. Graf, Notary Public  
Burleigh County, North Dakota  
My Commission expires: 09/18/2013

OF COUNSEL:

Daniel S. Kuntz  
Associate General Counsel  
MDU Resources Group, Inc.  
P. O. Box 5650  
Bismarck, ND 58506-5650

**MONTANA-DAKOTA UTILITIES CO.  
BISMARCK MANUFACTURED GAS PLANT  
REMEDATION COSTS**

Labor	\$21,957
Benefits	4,470
Subcontract labor	1,062,186
Material	21,860
Land	142,320
Other	4,762
Cost Recovery 2/	(349,782)
Total cost of remediation	<u>\$907,773</u>
Annual Amortization - 5 years	\$181,555
Dk throughput - projected 2011 1/	15,989,000
Amortization per dk	<u>\$0.011</u>

1/ Projected 2011 throughput excluding volumes from customers on a discounted rate.

2/ Includes gain on sale of land of \$7,462.