

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Manufactured Gas Plant Remediation Cost Recovery
Application**

Case No. PU-10-589

**ORDER ALLOWING COST DEFERRAL
July 27, 2011**

On September 17, 2010 Montana-Dakota Utilities Co. (MDU) filed an application for authority to recover costs related to its Bismarck manufactured gas plant (MGP) remediation on the SE corner of South 10th Street and East Front. The plant site was remediated to reduce environmental risk to acceptable levels and then sold in 2007. The total cost, less the sale of the property, is \$907,773. The company proposed collecting the cost over a 5 year period beginning January 1, 2010 with no interest or rate base treatment.

On February 22, 2011 MDU filed an amended application to amortize the cost over ten years, beginning January 1, 2008 with no interest or rate base treatment. In addition, customers will not be immediately billed for the cost. However, if MDU files for a rate increase before the costs are fully amortized, the Company will seek cost recovery for the annual amortization expense as part of its test year cost of service.

The remediation project will be recorded as a North Dakota expense and will not be allocated to other states served by MDU. The site was only used to serve Bismarck customers prior to the availability of transmission pipelines that exist today. The other states served by MDU have their own local MGP sites and will be responsible for their own cleanup costs without any allocation to North Dakota.

On March 9, 2011 a Notice of Opportunity for Hearing was issued by the commission. No requests for a hearing were received.

On July 1, 2011 staff recommended that the commission approve MDU's amended application.

On July 20, 2011 the commission held an Informal Hearing.

Order


The Commission Orders:

1. MDU's amended application is APPROVED.

2. Any future request for cost deferral must be made immediately after the costs have been incurred and then only when current earning levels are not sufficient to cover these kinds of unusual and extraordinary costs.

PUBLIC SERVICE COMMISSION


Kevin Cramer
Commissioner


Tony Clark
Chairman


Brian P. Kalk
Commissioner