

North Dakota Public Service Commission
INFORMAL HEARING
August 1, 2012

**MDU / Burke-Divide Electric Cooperative
City of Kenmare
Service Area Agreement**

Case No. PU-12-231

**MDU / Burke-Divide Electric Cooperative
City of Kenmare - Service Area Agreement
Public Convenience & Necessity**

Case No. PU-12-232

Summary of Proposal: On May 25, 2012 Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (MDU) and Burke-Divide Electric Cooperative, Inc. (Burke-Divide) filed a joint application for approval of a Service Area Agreement to establish service areas and designate service locations to be served by MDU and Burke-Divide within and around the city of Kenmare, North Dakota. The Agreement provides that each supplier will continue to serve existing customers, but will not serve new customers, within the other supplier's agreed upon service area. The term of the Agreement extends for ten years, but it can be terminated at any time with mutual agreement by the parties. After ten years the Agreement renews automatically for five year terms unless either party provides at least 180 days prior written notice of termination. The application includes a request for a certificate of public convenience and necessity (Case No. PU-12-232) authorizing MDU to extend service under the agreement to customers outside the city of Kenmare.

Recommendation: I recommend the Commission approve the agreement and issue the requested PC&N.

Discussion: On June 20, 2012 the Commission issued a Notice of Filing, Notice of Informal Hearing and Notice of Opportunity for Hearing, which provided until July 31, 2012 for receiving written comments or hearing requests. No response has been received. The notice identified the issues to be considered in this proceeding as whether the Service Area Agreement complies with section 49-03-06 of the North Dakota Century Code, and whether the approval of the Service Area Agreement and resulting certificate issuance are compatible with the public interest.

The parties contend that the Agreement is in the public interest by, among other matters:

1. Creating the certainty necessary for both applicants to plan and operate efficiently within the service territory granted to them;
2. Establishing service areas which will avoid unreasonable duplication of electric facilities;
3. Mandating that both parties provide electric service consistent with applicable standards specified therein, so as to best assure adequate and reliable electric service to customers; and
4. Establishing agreements which will help avoid territorial disputes between the parties regarding their service in and around the City of Kenmare.

Prepared by: Jerry Lein