



**MONTANA-DAKOTA**

*UTILITIES CO.*

*A Division of MDU Resources Group, Inc.*

**MONTANA-DAKOTA UTILITIES CO.**

**CASE NO. PU-13-\_\_\_\_\_**

**APPLICATION  
TESTIMONY AND EXHIBITS**

**Volume No. I**

**In the Matter of the Application of Montana-Dakota  
Utilities Co. for Authority to Establish Increased Rates  
for Natural Gas Service in the State of North Dakota**



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

September 18, 2013

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

Re: Application and Notice of Change  
in Natural Gas Rates  
Case No. PU-13-\_\_\_\_\_

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits its Application and Notice to increase its rates for natural gas service in North Dakota. Montana-Dakota submits this Letter of Transmittal and its Application and Notice with Appendices A and B, Testimony and Exhibits and Statements supporting an increase in Montana-Dakota's rates for natural gas service. This filing is made in accordance with Title 49 of the North Dakota Century Code and the rules and regulations promulgated by the North Dakota Public Service Commission.

Montana-Dakota will prove by competent evidence that its existing natural gas rates do not allow Montana-Dakota to fully recover the cost of providing gas service to its North Dakota customers and that therefore, the current rates are unjust, unreasonable and not compensatory.

The primary reason for the increase in rates is the increased investment in facilities and the associated depreciation, operation and maintenance expenses and taxes associated with the increase in investment. The gross investment in North Dakota gas operations has increased by approximately \$100 million, or approximately 76 percent, from 2004 to the projected levels included in this case. In addition to the ongoing investment for new customers and replacing existing facilities, investments in a landfill gas production facility, new district operation buildings, and an automated meter reading system have occurred since the last case, along with a new customer billing system that was implemented in February 2013.

Montana-Dakota strives to control its costs by continually looking for opportunities that create efficiencies and control costs. Operation and

maintenance expenses have decreased on a per customer basis, from an annual cost per customer of \$200 per customer in 2004 to an annual cost of \$168 per customer in 2012. During this same time period the Consumer Price Index (CPI) increased by 22 percent.

Recovery of these increased costs will provide Montana-Dakota a reasonable opportunity to earn a fair rate of return for its North Dakota gas operations.

Montana-Dakota proposes a total annual increase of \$6,842,871 or 6.4 percent, based on a 2014 future test year. The proposed change in rates will affect customer classes as follows:

<u>Customer Class</u>	<u>Revenue Increase</u>	
	<u>\$</u>	<u>%</u>
Residential	\$5,492,473	9.5%
Firm General	874,894	2.2%
Air Force Delivery	27,492	1.2%
Small Interruptible	448,950	8.1%
Large Interruptible	(938)	-0.1%
Total	<u>\$6,842,871</u>	<u>6.4%</u>

Please refer all inquiries regarding this filing to:

Ms. Rita A. Mulkern  
Director of Regulatory Affairs  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501  
[Rita.Mulkern@mdu.com](mailto:Rita.Mulkern@mdu.com)

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  
[Dan.Kuntz@mduresources.com](mailto:Dan.Kuntz@mduresources.com)

The original and seven (7) copies of this Letter of Transmittal, Application and Notice, Appendices, Testimony and Exhibits, and Statements are hereby filed with the North Dakota Public Service Commission.

Montana-Dakota also herewith submits a check for \$125,000.00 pursuant to the requirements of Section 49-05-04 of the North Dakota Century Code.

Montana-Dakota is concurrently submitting an Application and Notice for Interim Increase in Natural Gas Rates in the annual amount of \$4,457,000 to be effective 60 days from filing if the Commission suspends the rate increase sought by Montana-Dakota through its Application and Notice.

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

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,



Garret Senger  
Vice President, Regulatory Affairs and  
Chief Accounting Officer

Attachment

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-13-_____
for Authority to Establish Increased	)	
Rates for Natural Gas Service	)	

\* \* \* \*

APPLICATION AND NOTICE

COMES NOW, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., and respectfully submits the following Application and Notice, tariffs and information in support thereof.

I.

That 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.

That the following described rate schedules presently on file with and approved by the Commission are attached hereto as Appendix A.

Volume No. 7	Description
2 <sup>nd</sup> Revised Sheet No. 1	Table of Contents
2 <sup>nd</sup> Revised Sheet No. 2	Communities Served
116 <sup>th</sup> Revised Sheet No. 3	Rate Summary Sheet
2 <sup>nd</sup> Revised Sheet No. 3.1	Rate Summary Sheet
5 <sup>th</sup> Revised Sheet No. 4	Residential Gas Service Rate 60
3 <sup>rd</sup> Revised Sheet No. 7	Air Force Rate 64
1 <sup>st</sup> Revised Sheet No. 7.1	Air Force Rate 64
Original Sheet No. 8	Air Force Distribution System Rate 65
5 <sup>th</sup> Revised Sheet No. 13	Firm General Gas Service Rate 70
Original Sheet No. 13.1	Firm General Gas Service Rate 70
5 <sup>th</sup> Revised Sheet No. 14	Small Interruptible General Gas Service Rate 71
2 <sup>nd</sup> Revised Sheet No. 14.1	Small Interruptible General Gas Service Rate 71
1 <sup>st</sup> Revised Sheet No. 14.2	Small Interruptible General Gas Service Rate 71
6 <sup>th</sup> Revised Sheet No. 15	Optional Seasonal General Gas Service Rate 72
Original Sheet No. 15.1	Optional Seasonal General Gas Service Rate 72
Original Sheet No. 24	Transportation Service Rate 81
4 <sup>th</sup> Revised Sheet No. 24.1	Transportation Service Rate 81
Original Sheet Nos. 24.2 – 24.6	Transportation Service Rate 81
1 <sup>st</sup> Revised Sheet No. 24.7	Transportation Service Rate 81
Original Sheet Nos. 24.8 – 24.9	Transportation Service Rate 81
2 <sup>nd</sup> Revised Sheet No. 27	Large Interruptible General Gas Service Rate 85
Original Sheet Nos. 27.1 – 27.2	Large Interruptible General Gas Service Rate 85
Original Sheet Nos. 29 – 29.1	Distribution Delivery Stabilization Mechanism Rate 87
3 <sup>rd</sup> Revised Sheet No. 30	Cost of Gas Rate 88
1 <sup>st</sup> Revised Sheet Nos. 30.1 – 30.5	Cost of Gas Rate 88
5 <sup>th</sup> Revised Sheet No. 32	Residential Propane Service Rate 90
Original Sheet No. 32.1	Residential Propane Service Rate 90
5 <sup>th</sup> Revised Sheet No. 34	Firm General Propane Service Rate 92

Original Sheet No. 34.1	Firm General Propane Service Rate 92
2 <sup>nd</sup> Revised Sheet No. 41	Cost of Gas Propane Rate 99
1 <sup>st</sup> Revised Sheet Nos. 41.1 – 41.2	Cost of Gas Propane Rate 99
1 <sup>st</sup> Revised Sheet Nos. 42 – 42.9	General Provisions Rate 100
2 <sup>nd</sup> Revised Sheet No. 42.10	General Provisions Rate 100
1 <sup>st</sup> Revised Sheet No. 42.11	General Provisions Rate 100
2 <sup>nd</sup> Revised Sheet No. 42.12	General Provisions Rate 100
1 <sup>st</sup> Revised Sheet Nos. 42.13 – 42.14	General Provisions Rate 100
2 <sup>nd</sup> Revised Sheet Nos. 42.15 – 42.17	General Provisions Rate 100
Original Sheet No. 44	Residential Gas Service for Regulatory Employees Rate 102
1 <sup>st</sup> Revised Sheet No. 61	Interruptible Gas Service Extension Policy Rate 119
Original Sheet No. 61.1	Interruptible Gas Service Extension Policy Rate 119
Original Sheet Nos. 62 – 62.5	Firm Gas Service Extension Policy Rate 120
2 <sup>nd</sup> Revised Sheet No. 66	New Installation, Replacement, Relocation and Repair for Gas Service Lines Rate 124

V.

Montana-Dakota respectfully hereby files the following described proposed rate schedules for natural gas service, copies attached hereto as Appendix B, which substitute for the rate schedules as noted below. The Rate Summary Sheet (Sheet No. 3) will be submitted upon disposition of the case. The following described proposed rate schedules are proposed to be effective October 18, 2013.

NDPSC Volume 7

<u>Proposed Tariff</u>	<u>Canceling Current or Interim Tariff</u>
3 <sup>rd</sup> Revised Sheet No. 1	2 <sup>nd</sup> Revised Sheet No. 1
3 <sup>rd</sup> Revised Sheet No. 2	2 <sup>nd</sup> Revised Sheet No. 2
3 <sup>rd</sup> Revised Sheet No. 3.1	2 <sup>nd</sup> Revised Sheet No. 3.1
7 <sup>th</sup> Revised Sheet No. 4	6 <sup>th</sup> Revised Sheet No. 4
5 <sup>th</sup> Revised Sheet No. 7	4 <sup>th</sup> Revised Sheet No. 7
7 <sup>th</sup> Revised Sheet No. 13	6 <sup>th</sup> Revised Sheet No. 13
2 <sup>nd</sup> Revised Sheet No. 13.1	1 <sup>st</sup> Revised Sheet No. 13.1
7 <sup>th</sup> Revised Sheet No. 14	6 <sup>th</sup> Revised Sheet No. 14
4 <sup>th</sup> Revised Sheet No. 14.1	3 <sup>rd</sup> Revised Sheet No. 14.1
2 <sup>nd</sup> Revised Sheet No. 14.2	1 <sup>st</sup> Revised Sheet No. 14.2
Original Sheet No. 14.3	-----
8 <sup>th</sup> Revised Sheet No. 15	7 <sup>th</sup> Revised Sheet No. 15

2<sup>nd</sup> Revised Sheet No. 15.1  
6<sup>th</sup> Revised Sheet No. 24.1  
2<sup>nd</sup> Revised Sheet No. 24.7  
4<sup>th</sup> Revised Sheet No. 27  
2<sup>nd</sup> Revised Sheet No. 27.1  
1<sup>st</sup> Revised Sheet No. 27.2  
Original Sheet No. 27.3  
1<sup>st</sup> Revised Sheet No. 29  
1<sup>st</sup> Revised Sheet No. 29.1  
2<sup>nd</sup> Revised Sheet No. 30.4  
2<sup>nd</sup> Revised Sheet No. 30.5  
7<sup>th</sup> Revised Sheet No. 32  
1<sup>st</sup> Revised Sheet No. 32.1  
7<sup>th</sup> Revised Sheet No. 34  
2<sup>nd</sup> Revised Sheet No. 34.1  
2<sup>nd</sup> Revised Sheet No. 41.2  
Original Sheet No. 41.3  
3<sup>rd</sup> Revised Sheet No. 42.10  
3<sup>rd</sup> Revised Sheet No. 42.12  
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3<sup>rd</sup> Revised Sheet No. 42.16  
3<sup>rd</sup> Revised Sheet No. 42.17  
Original Sheet No. 42.18  
1<sup>st</sup> Revised Sheet No. 44  
2<sup>nd</sup> Revised Sheet No. 61  
1<sup>st</sup> Revised Sheet No. 61.1  
1<sup>st</sup> Revised Sheet No. 62.1  
1<sup>st</sup> Revised Sheet No. 62.2  
1<sup>st</sup> Revised Sheet No. 62.4  
1<sup>st</sup> Revised Sheet No. 62.5

1<sup>st</sup> Revised Sheet No. 15.1  
5<sup>th</sup> Revised Sheet No. 24.1  
1<sup>st</sup> Revised Sheet No. 24.7  
3<sup>rd</sup> Revised Sheet No. 27  
1<sup>st</sup> Revised Sheet No. 27.1  
Original Sheet No. 27.2

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Original Sheet No. 29  
Original Sheet No. 29.1  
1<sup>st</sup> Revised Sheet No. 30.4  
1<sup>st</sup> Revised Sheet No. 30.5  
6<sup>th</sup> Revised Sheet No. 32  
Original Sheet No. 32.1  
6<sup>th</sup> Revised Sheet No. 34  
1<sup>st</sup> Revised Sheet No. 34.1  
1<sup>st</sup> Revised Sheet No. 41.2

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2<sup>nd</sup> Revised Sheet No. 42.10  
2<sup>nd</sup> Revised Sheet No. 42.12  
1<sup>st</sup> Revised Sheet No. 42.13  
1<sup>st</sup> Revised Sheet No. 42.14  
2<sup>nd</sup> Revised Sheet No. 42.15  
2<sup>nd</sup> Revised Sheet No. 42.16  
2<sup>nd</sup> Revised Sheet No. 42.17

-----  
Original Sheet No. 44  
1<sup>st</sup> Revised Sheet No. 61  
Original Sheet No. 61.1  
Original Sheet No. 62.1  
Original Sheet No. 62.2  
Original Sheet No. 62.4  
Original Sheet No. 62.5

## VI.

That the existing rates of Montana-Dakota are unjust, unreasonable and not compensatory. The new rates will allow Montana-Dakota an opportunity to fully recover its costs of providing natural gas service and to earn a just and reasonable rate of return on its natural gas property devoted to providing service to its North Dakota natural gas customers.

VII.

The new rates contained herein will provide additional annual revenues before income taxes of \$6,842,871 based on a 2014 future test year, for natural gas service rendered to customers in the State of North Dakota.

VIII.

Filed concurrently with this Application and Notice and its Appendices are supporting Statements and Direct Testimony and Exhibits of Montana-Dakota's witnesses showing the existing rates are unjust, unreasonable, and not compensatory, and that the new rates are just, reasonable and compensatory.

IX.

Montana-Dakota is submitting an Application and Notice for Interim Increase in Natural Gas Rates in the annual amount of \$4,457,000 to be effective 60 days from filing if the Commission suspends the rate increase sought by Montana-Dakota through this Application and Notice.

X.

This Application and Notice is submitted in accordance with the provisions of Section 49-05-04 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 guideline of the Public Service Commission.

XI.

That, in accordance with Section 49-05-04.1 of the North Dakota Century Code, Montana-Dakota hereby affirms that its future test year forecast is

reasonable, reliable, and made in good faith. All basic assumptions used in making or supporting the forecast are reasonable, evaluated, identified, and justified to allow the Commission to test the appropriateness of the forecast. The accounting treatment that has been applied to anticipated events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they have occurred.

Dated this 18<sup>th</sup> day of September, 2013.

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

By:   
\_\_\_\_\_  
Garret Senger  
Vice President, Regulatory Affairs and  
Chief Accounting Officer

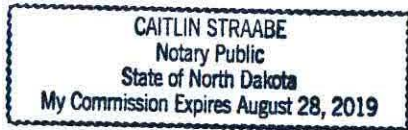
STATE OF NORTH DAKOTA    )  
  ) :ss  
COUNTY OF BURLEIGH    )

Garret Senger, being first duly sworn, deposes and says that he is the Vice President, Regulatory Affairs and Chief Accounting Officer of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., that he has read the foregoing Application and Notice, knows the contents thereof, and that the same is true and correct to the best of his knowledge, information and belief.

Dated this 18<sup>th</sup> day of September, 2013.

By: Garret Senger  
Garret Senger  
Vice President, Regulatory Affairs  
and Chief Accounting Officer

Subscribed and sworn to before me this 18<sup>th</sup> day of September, 2013.



Caitlin Straabe  
Caitlin Straabe, Notary Public  
Burleigh County, North Dakota  
My Commission Expires: 08/28/2019

OF COUNSEL:

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

CERTIFICATE

STATE OF NORTH DAKOTA    )  
  ) :ss  
COUNTY OF BURLEIGH     )

I, Garret Senger, Vice President, Regulatory Affairs and Chief Accounting Officer of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., do hereby certify that the cost statements, working papers, and other supporting data submitted by Montana-Dakota Utilities Co. as a part of its Application and Notice for Authority to Establish Increased Rates for Natural Gas Service with the North Dakota Public Service Commission, or which are maintained by the Company in support of such filed Application and Notice and which purport to reflect the books of the Company, do in fact set forth the results shown by such books.

Dated this 18<sup>th</sup> day of September, 2013.

By: Garret Senger  
Garret Senger  
Vice President, Regulatory Affairs  
and Chief Accounting Officer

Subscribed and sworn to before me this 18<sup>th</sup> day of September, 2013.

CAITLIN STRAABE  
Notary Public  
State of North Dakota  
My Commission Expires August 28, 2019

Caitlin Straabe  
Caitlin Straabe, Notary Public  
Burleigh County, North Dakota  
My Commission Expires: 08/28/2019



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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**Date Filed:** August 15, 2007

**Effective Date:** Service rendered on and after  
September 19, 2007

**Issued By:** Donald R. Ball  
Vice President -  
Regulatory Affairs

**Case No.:** PU- 07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4th Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2nd Revised Sheet No. 3.1  
Canceling 1st Revised Sheet No. 3.1

### RATE SUMMARY SHEET

Page 2 of 2

Miscellaneous Charges	Amount
Late Payment	1% per month
Returned Check	\$10.00 per check
Reconnection charge after termination for nonpayment -During normal business hours -After normal business hours	\$12.00 Current service labor rate per hour
Reconnection charge after termination for causes defined in Rate 100 ¶19 -During normal business hours -After normal business hours	\$30.00 Current service labor rate per hour
Reconnection charge applicable to seasonal or temporary customers -During normal business hours -After normal business hours	Basic Service Charge applicable during the period while service was not being used. Minimum- \$30.00 Minimum- Current service labor rate per hour
Reconnection charge applicable to transportation customers when remote data acquisition equipment must be reinstalled	\$160.00

**Date Filed:** December 16, 2002

**Effective Date:** Service rendered on and after  
December 12, 2002

**Issued By:** Donald R. Ball  
Director of Regulatory Affairs

**Case No.:** PU-399-02-183



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 2  
Canceling 1<sup>st</sup> Revised Sheet No. 2

### COMMUNITIES SERVED

#### NATURAL GAS SERVICE

##### Dakota Heartland Region

Apple Valley	Eldridge	Max	Steele
Barlow	Fort Totten	Medina	Surrey
Bismarck*	Garrison	Minot	Tappen
Burlington	Glen Ullin	New Rockford	Turtle Lake
Carrington	Grafton	New Salem	Underwood
Cavalier	Jamestown	Park River	Valley City
Cleveland	Langdon	Riverdale	Walhalla
Dawson	Lincoln	Ruthville	Washburn
Des Lacs	Linton	Sandborn	Wilton
Devils Lake	Mandan	Sheyenne	

##### Badlands Region

Alexander	Gladstone	Palermo	Stanley
Arnegard	Golva	Ray	Taylor
Beach	Hebron	Regent	Tioga
Belfield	Killdeer	Rhame	Trenton
Berthold	Lefor	Richardton	Watford City
Bowman	Lignite	Ross	Wheelock
Dickinson*	Marmarth	Sentinel Butte	White Earth
East Fairview	Mott	Springbrook	Williston
Epping	New England	South Heart	

#### PROPANE SERVICE

##### Badlands Region

Hettinger

\*Designates Region Office

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<b>Date Filed:</b>	January 19, 2012	<b>Effective Date:</b>	February 19, 2012
<b>Issued By:</b>	Tamie A. Aberle Regulatory Affairs Manager	<b>Case No.:</b>	PU-12-046



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 4  
Canceling 4<sup>th</sup> Revised Sheet No. 4

### RESIDENTIAL GAS SERVICE Rate 60

Page 1 of 1

#### Availability:

In all communities served for all domestic uses. See Rate 100, §V.3, for definition on class of service.

#### Rate:

Basic Service Charge:	\$0.30 per day
Distribution Delivery Charge:	\$.812 per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

#### Distribution Delivery Stabilization Mechanism:

Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.

#### General Terms and Conditions:

The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

**Date Filed:** August 15, 2007

**Effective Date:** Service rendered on and after  
September 19, 2007

**Issued By:** Donald R. Ball  
Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
3<sup>rd</sup> Revised Sheet No. 7  
Canceling 2<sup>nd</sup> Revised Sheet No. 7

### AIR FORCE Rate 64

Page 1 of 2

#### Availability:

Minot Air Force Base near Minot, North Dakota, and the Perimeter Acquisition Radar (PAR) Site, near Concrete, North Dakota. The Air Force shall make an election of its requirements under each available service and such requirements shall be set forth in a service agreement with the Company.

#### Rate:

##### Basic Service Charge:

Minot Air Force Base	\$1,000.00 per month
Perimeter Acquisition Radar (PAR) Site	\$135.00 per month

##### Distribution Delivery Charge:

Firm Service	\$.138 per dk
Interruptible Service	\$.120 per dk

##### Cost of Gas:

Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

**Date Filed:** August 15, 2007

**Effective Date:** Service rendered on and after September 19, 2007

**Issued By:** Donald R. Ball  
Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 7.1  
Canceling Original Sheet No. 7.1

### AIR FORCE Rate 64

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Page 2 of 2

#### General Terms and Conditions:

1. PENALTY FOR FAILURE TO CURTAIL OR INTERRUPT – If the customer fails to curtail or interrupt their use of gas hereunder when requested to do so by the Company, any gas taken shall be billed at the Firm Service distribution delivery charge and cost of gas rates set forth above, plus either an amount equal to any penalty payments or overrun charges the Company is required to make to its interconnecting pipeline(s) under the terms of its contract(s) as a result of such failure to curtail or interrupt, or \$50.00 per dk of gas used in excess of the volume of gas to which customer was requested to curtail or interrupt, whichever amount is greater. The Company, in its discretion, may shut off customer's supply of gas in the event of customer's failure to curtail or interrupt use of gas when requested to do so by the Company.
2. CONTRACT – Terms of service other than the rate shall be specified in contracts between Minot Air Force Base, and PAR and the Company.
3. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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<b>Date Filed:</b>	December 16, 2002	<b>Effective Date:</b>	Service rendered on and after December 12, 2002
<b>Issued By:</b>	Donald R. Ball Director of Regulatory Affairs	<b>Case No.:</b>	PU-399-02-183



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 8

### AIR FORCE Distribution System Rate 65

Page 1 of 1

#### Availability:

Operation and maintenance of the Minot Air Force Base distribution system near Minot, North Dakota.

#### Rate:

Distribution System Operation and Maintenance Fee	\$35,500.00 per month (months 1-36) \$38,000.00 per month (month 37 forward)
Amortization of Purchase Price	\$(3,053.00) per month

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### General Terms and Conditions:

1. Terms of service including transition period fees shall be specified by contract between Minot Air Force Base and the Company.
2. The amortization on purchase price amount shall be a credit to the Minot Air Force Bill each month.
3. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

<b>Date Filed:</b>	November 3, 2006	<b>Effective Date:</b>	October 1, 2008
<b>Issued By:</b>	Donald R. Ball Vice President - Regulatory Affairs	<b>Case No.:</b>	PU-06-470



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 13  
Canceling 4<sup>th</sup> Revised Sheet No. 13

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### FIRM GENERAL GAS SERVICE Rate 70

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Page 1 of 2

#### Availability:

In all communities served for all purposes except for resale. See Rate 100, §3, for definition on class of service.

#### Rate:

##### Basic Service Charge:

For customers with meters rated under  
500 cubic feet per hour \$0.52 per day

For customers with meters rated over  
500 cubic feet per hour \$1.75 per day

Distribution Delivery Charge: \$.597 per dk

Cost of Gas: Determined Monthly- See  
Rate Summary Sheet for  
Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

#### Distribution Delivery Stabilization Mechanism:

Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.

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**Date Filed:** August 15, 2007

**Effective Date:** Service rendered on and after  
September 19, 2007

**Issued By:** Donald R. Ball  
Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
Original Sheet No. 13.1

**FIRM GENERAL GAS SERVICE Rate 70**

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Page 2 of 2

### **General Terms and Conditions:**

The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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**Date Filed:** September 22, 2004

**Effective Date:** Service rendered on and after  
October 1, 2004

**Issued By:** Donald R. Ball  
Assistant Vice President -  
Regulatory Affairs

**Case No.:** PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

5<sup>th</sup> Revised Sheet No. 14

Canceling 4<sup>th</sup> Revised Sheet No. 14

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

Page 1 of 3

#### Availability:

In all communities served for all interruptible general gas service customers whose interruptible natural gas load will exceed an input rate of 2,500,000 Btu per hour, metered at a single delivery point and whose use of natural gas will not exceed 100,000 dk annually. The rates herein are applicable only to customer's interruptible load. Customer's firm natural gas requirements must be separately metered or specified in a firm service agreement. Customer's firm load shall be billed at Firm General Gas Service Rate 70. For interruptible purposes, the maximum daily firm requirement shall be set forth in the firm service agreement.

#### Rate:

Basic Service Charge:	\$100.00 per month	
Distribution Delivery Charge:	<u>Maximum</u> \$.871 per dk	<u>Minimum</u> \$.427 per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate	

The Distribution Delivery Charge shall be set forth in the service agreement required as provided in the General Terms and Conditions for service. Such rate, as adjusted to reflect changes in the Cost of Gas, shall apply for the term of the agreement regardless of a change in the rates set forth above.

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

**Date Filed:** August 15, 2007

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Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

2<sup>nd</sup> Revised Sheet No. 14.1

Canceling 1<sup>st</sup> Revised Sheet No. 14.1

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

Page 2 of 3

#### General Terms and Conditions:

1. PRIORITY OF SERVICE – Deliveries of gas under this schedule shall be subject at all times to the prior demands of customers served on the Company's firm general gas service rates, and the Company shall have the right to interrupt deliveries to customers under this schedule without being required to give previous notice of intention to so interrupt whenever, in Company's sole judgment, it may be necessary to do so to protect the interest of its customers whose capacity requirements are otherwise and hereby given preference. The priority of service and allocation of capacity shall be accomplished in accordance with the provisions of Rate 100, §V.10.
2. PENALTY FOR FAILURE TO CURTAIL OR INTERRUPT – If customer fails to curtail or interrupt their use of gas hereunder when requested to do so by the Company, any gas taken shall be billed at the Firm General Gas Service Rate 70 (distribution delivery charge and cost of gas), plus either an amount equal to any penalty payments or overrun charges the Company is required to make to its interconnecting pipeline(s) under the terms of its contract(s) as a result of such failure to curtail or interrupt, or \$50.00 per dk of gas used in excess of the volume of gas to which customer was requested to curtail or interrupt, whichever amount is greater. The Company, in its discretion, may shut off customer's supply of gas in the event of customer's failure to curtail or interrupt use of gas when requested to do so by the Company.
3. AGREEMENT – Customer will be required to enter into an agreement for service hereunder for a minimum term of 12 months. Written notice of termination by either Company or customer must be given at least 60 days prior to the end of the initial term. Absent such termination notice, the agreement shall continue for additional terms of equal length until written notice is given, as provided herein, prior to the end of any subsequent term. Upon expiration of service, the customer may apply for and receive, at the sole discretion of the Company, gas service under this rate or another appropriate rate schedule for the customer's operations.

**Date Filed:** August 15, 2007

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September 19, 2007

**Issued By:** Donald R. Ball  
Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 14.2  
Canceling Original Sheet No. 14.2

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

Page 3 of 3

4. OBLIGATION TO NOTIFY COMPANY OF CHANGE IN DAILY OPERATIONS – Customer will be required as specified in the service agreement to notify Company of an anticipated change in daily operations. Failure to comply with requirements specified in the service agreement may result in the assessment of penalties to the customer equal to the penalty amounts Company must pay to the interconnecting pipeline caused by customer's action.
5. METERING REQUIREMENTS –Remote data acquisition equipment required for daily measurement will be installed by the Company, at its sole discretion, prior to the initiation of service hereunder.

The customer shall be required to provide and maintain, at no cost to Company, a 120 volt, 15 ampere, AC power supply, or other power source acceptable to the Company, and acceptable telephone service available at customer's meter location(s). Customer agrees to provide and maintain, at no cost to the Company, any necessary telephone enhancements to assure Company of a quality telephone signal necessary to properly transmit data. The customer shall pay all charges for continuous electric and telephone service associated with the Company's connection of the remote data acquisition equipment. Any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.

The Company reserves the right to charge for each service call to investigate, repair and/or reprogram the Company's remote data acquisition equipment when the service call is the result of a failure or change in communication or power source provided by customer or damage to Company's equipment.

6. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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<b>Issued By:</b>	Donald R. Ball Assistant Vice President - Regulatory Affairs	<b>Case No.:</b>	PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
6<sup>th</sup> Revised Sheet No. 15  
Canceling 5<sup>th</sup> Revised Sheet No. 15

### OPTIONAL SEASONAL GENERAL GAS SERVICE Rate 72

Page 1 of 2

#### Availability:

In all communities served for all purposes except for resale. See Rate 100, §V.3, for definition on class of service.

#### Rate:

##### Basic Service Charge:

For customers with meters rated  
under 500 cubic feet per hour \$0.52 per day

For customers with meters rated  
over 500 cubic feet per hour \$1.75 per day

Distribution Delivery Charge: \$.597 per dk

##### Cost of Gas:

Winter- Service rendered October 1 through May 31 Determined Monthly-  
See Rate Summary  
Sheet for Current Rate

Summer- Service rendered June 1 through  
September 30 Determined Monthly-  
See Rate Summary  
Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

<b>Date Filed:</b> June 29, 2012	<b>Effective Date:</b> Service rendered on and after August 1, 2012
<b>Issued By:</b> Tamie A. Aberle Regulatory Affairs Manager	<b>Case No.:</b> PU-12-452



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
Original Sheet No. 15.1

### OPTIONAL SEASONAL GENERAL GAS SERVICE Rate 72

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Page 2 of 2

#### General Terms and Conditions:

1. The customer agrees to contract for service under the Optional Seasonal General Gas Service Rate 72 for a minimum of one year.
2. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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<b>Issued By:</b>	Donald R. Ball Director of Regulatory Affairs	<b>Case No.:</b>	PU-399-02-183



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 24

### TRANSPORTATION SERVICE Rates 81 and 82

Page 1 of 10

#### Availability:

This service is applicable for transportation of natural gas to customer's premise (metered at a single delivery point) through Company's distribution facilities. In order to obtain transportation service, customer must qualify under an applicable gas transportation service rate; meet the general terms and conditions of service provided hereunder; and enter into a gas transportation agreement upon request by the Company.

The transportation services are as follows:

#### Small Interruptible General Gas Transportation Service Rate 81:

Transportation service is available for all general gas service customers whose interruptible natural gas load will exceed an input rate of 2,500,000 Btu per hour, metered at a single delivery point, whose average use of natural gas will not exceed 100,000 dk annually and who, absent the request for transportation service, are eligible for natural gas service, on an interruptible basis, pursuant to Company's effective Small Interruptible General Gas Service Rate 71. Customer's firm natural gas requirements must be separately metered or specified in a firm service agreement. Customer's firm load shall be treated and billed in accordance with the provisions of Firm General Gas Service Rate 70.

#### Large Interruptible General Gas Transportation Service Rate 82:

Transportation service is available for all general gas service customers whose interruptible natural gas load will exceed 100,000 dk annually metered at a single delivery point, and who, absent the request for transportation service, are eligible for natural gas service, on an interruptible basis, pursuant to Company's effective Large Interruptible General Gas Service Rate 85. Customer's firm natural gas requirements must be separately metered or specified in a firm service agreement. Customer's firm load shall be treated and billed in accordance with the provisions of Firm General Gas Service Rate 70.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
4<sup>th</sup> Revised Sheet No. 24.1  
Canceling 3<sup>rd</sup> Revised Sheet No. 24.1

### TRANSPORTATION SERVICE Rates 81 and 82

Page 2 of 10

#### Rate:

Under Rate 81 or 82, customer shall pay the applicable Basic Service Charge plus a negotiated rate not more than the maximum rate or less than the minimum rate specified below. In the event customer also takes service under Rate 71 or Rate 85, the Basic Service Charge applicable under Rate 81 or Rate 82 shall be waived.

#### Basic Service Charge:

Rate 81 \$150.00 per month  
Rate 82 \$725.00 per month

	<u>Rate 81</u>	<u>Rate 82</u>
Maximum Rate per dk	\$0.427	\$0.298
Minimum Rate per dk	\$0.102	\$0.061
Balancing Charge per dk	\$0.300	\$0.300

#### Fuel Charge:

Applicable to all dk transported to customers located within the distribution system. Charge does not apply to transmission level customers. See Rate Summary Sheet for currently effective charge.

#### General Terms and Conditions:

1. **CRITERIA FOR SERVICE:** In order to receive the service, customer must qualify under one of the Company's applicable natural gas transportation service rates and comply with the general terms and conditions of the service provided herein. The customer is responsible for making all arrangements for transporting the gas from its source to the Company's interconnection with the delivering pipeline(s).

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**Effective Date:** Service rendered on and after  
September 19, 2007

**Issued By:** Donald R. Ball  
Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
Original Sheet No. 24.2

### TRANSPORTATION SERVICE Rates 81 and 82

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Page 3 of 10

2. REQUEST FOR GAS TRANSPORTATION SERVICE:
  - a. To qualify for gas transportation service a customer must request the service pursuant to the provisions set forth herein. The service shall be provided only to the extent that the Company's existing operating capacity permits.
  - b. Requests for transportation service shall be considered in accordance with the provisions of Rate 100, §V.10.
3. MULTIPLE SERVICES THROUGH ONE METER:
  - a. In the event customer desires firm sales service in addition to gas transportation service, customer shall request such firm volume requirements, and upon approval by Company, such firm volume requirements shall be set forth in a firm service agreement. For billing purposes, the level of volumes so specified or the actual volume used, whichever is lower shall be billed at Rate 70. Volumes delivered in excess of such firm volumes shall be billed at the applicable gas transportation rate. Customer has the option to install at their expense, piping necessary for separate measurement of sales and transportation volumes.
  - b. The customer shall pay, in addition to charges specified in the applicable gas transportation rate schedule, charges under all other applicable rate schedules for any service in addition to that provided herein (irrespective of whether the customer receives only gas transportation service in any billing period).
4. PRIORITY OF SERVICE – Company shall have the right to curtail or interrupt deliveries without being required to give previous notice of intention to curtail or interrupt, whenever, in its judgment, it may be necessary to do so to protect the interest of its customers whose capacity requirements are otherwise and hereby given preference. The priority of service and allocation of capacity shall be accomplished in accordance with the provisions of Rate 100, §V.10.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 24.3

### TRANSPORTATION SERVICE Rates 81 and 82

Page 4 of 10

5. PENALTY FOR FAILURE TO CURTAIL OR INTERRUPT – If customer fails to curtail or interrupt their use of gas hereunder when requested to do so by the Company, any gas taken above that received on customer's behalf, shall be billed at the Firm General Gas Service Rate 70 (distribution delivery charge and cost of gas), plus either an amount equal to any penalty payments or overrun charges the Company is required to make to its interconnecting pipeline(s) under the terms of its contract(s) as a result of such failure to curtail or interrupt, or \$50.00 per dk of gas used in excess of the volume of gas to which customer was requested to curtail or interrupt, whichever amount is greater. The Company, in its discretion, may shut off customer's supply of gas in the event of customer's failure to curtail or interrupt use of gas when requested to do so by the Company.
6. NON-DELIVERED VOLUMES/PENALTY:
  - a. In the event customer uses more gas than is being delivered to the Company's interconnection with the delivering pipeline(s) (receipt point), customer shall pay an amount equal to any penalty payments or overrun charges the Company is required to make to its interconnecting pipeline(s) under the terms of its contract(s) resulting from such action by customer. In the event that more than one customer is obtaining gas from the same shipper and/or agent at the same receipt point, any payment or overrun penalties the Company is required to make shall be allocated on a pro rata basis among such customers on the basis of each customer's use of gas in excess of available volumes.
  - b. In the event the customer's gas is not being delivered to the receipt point for any reason and the customer continues to take gas, the customer shall be subject to any applicable penalties or charges set forth in Paragraph 6.a. Gas volumes supplied by Company will be charged at Firm General Gas Service Rate 70 (distribution delivery charge and cost of gas). The Company is under no obligation to notify customer of non-delivered volumes.

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<b>Issued By:</b>	Donald R. Ball Director of Regulatory Affairs	<b>Case No.:</b>	PU-399-02-183



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 24.4

### TRANSPORTATION SERVICE Rates 81 and 82

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c. In the event customer's transportation volumes are not available for any reason, customer may take interruptible sales service if such service is available. The availability of interruptible sales service shall be determined at the sole discretion of the Company.

7. ELECTION OF SERVICE – Prior to the initiation of service hereunder, the customer shall make an election of its requirements under each applicable rate schedule for the entire term of service. If mutually agreed to by Company and customer, the term of service may be amended. Upon expiration of service, the customer may apply for and receive, at the sole discretion of the Company, gas service under the appropriate sales rate schedule for the customer's operations.

Transportation customers who cease service and then resume service within the succeeding 12 months shall be subject to a reconnection charge as specified in Rate 100, §V.17.

8. BALANCING:

a. To the extent practicable, customer and Company agree to the daily balancing of volumes of gas received and delivered on a thermal basis. Such balancing is subject to the customer's request and the Company's discretion to vary scheduled receipts and deliveries within existing Company operating limitations.

If, at the end of a billing month, the accumulated difference between actual gas deliveries to the customer and nominated (scheduled) receipts on behalf of such customer exceeds 4% of that month's scheduled receipts, resulting in a negative imbalance (i.e., deliveries exceed scheduled receipts), the customer will be assessed a balancing charge, set forth herein, on the imbalance exceeding 4%. If such imbalance is not eliminated by the end of the next monthly billing period, the customer shall then be billed, in addition to the applicable transportation rate,

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 24.5

### TRANSPORTATION SERVICE Rates 81 and 82

Page 6 of 10

a penalty for the under nominated volume exceeding 4% at the Firm General Gas Service Rate 70 (distribution delivery charge and cost of gas). The accumulated difference between the actual gas deliveries to the customer and nominated (scheduled) receipts on behalf of such customer will be adjusted for the volume on which a penalty was imposed.

If, at the end of a billing month, the accumulated difference between nominated (scheduled) receipts on behalf of such customer and actual gas deliveries to the customer exceeds 4% of that month's scheduled receipts resulting in a positive imbalance (i.e., scheduled receipts exceed deliveries), the customer will be assessed a balancing charge, set forth herein, on the imbalance exceeding 4%. If such imbalance is not eliminated by the end of the next monthly billing period, (1) the Company may adjust the volume of gas received on behalf of the customer so as to eliminate the prior period over nomination exceeding 4% up to 10% and (2) the Company shall retain the over nomination of gas exceeding 10% free and clear of any adverse claims relating thereto when such accumulated difference exceeds 50 dk. The accumulated difference between the actual gas deliveries to the customer and nominated (scheduled) receipts on behalf of such customer will be adjusted for the volume retained.

- b. In the event customer's imbalance causes the Company to incur a balancing penalty from its interconnecting pipeline(s), customer shall pay any penalty payments or overrun charges the Company is required to make under the terms of its contract(s) with interconnecting pipeline(s) resulting from such action by customer. In the event that more than one customer is obtaining gas from the same shipper and/or agent at the

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<b>Date Filed:</b>	December 13, 2002	<b>Effective Date:</b>	Service rendered on and after December 12, 2002
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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 24.6

### TRANSPORTATION SERVICE Rates 81 and 82

Page 7 of 10

same interconnection with a delivering pipeline, any payment or overrun penalties the Company is required to make shall be apportioned among such customers on the basis of each customer's contribution toward the imbalance.

- c. Customer's nomination made to clear imbalances will be subject to the priority of service and allocation of capacity provisions set forth in Rate 100, §V.10 and the penalties for failure to curtail or interrupt use of gas set forth in Paragraph 5 of this rate schedule.
  - d. Termination of the gas transportation service shall not relieve Company and customer of the obligation to correct any quantity imbalances hereunder or customer of the obligation to pay money due hereunder to Company.
  - e. The Company may waive any penalty associated with Company adjustments to end-use customer nominations in those instances where the Company, due to operating limitations, is required to adjust end-use transportation customer nominations and such Company adjustments create a penalty situation, or preclude a customer from correcting an imbalance which results in a penalty.
9. **NOMINATION VARIANCE CHARGE** – The customer shall pay any payments the Company must make to its interconnecting pipeline(s), as a result of nomination variance penalties caused by customer's nomination variances. Such penalties will be allocated on the basis of each customer's contribution toward the nomination variance.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 24.7  
Canceling Original Sheet No. 24.7

### TRANSPORTATION SERVICE Rates 81 and 82

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Page 8 of 10

10. METERING REQUIREMENTS:
- a. Remote data acquisition equipment required by the Company for daily measurement will be purchased and installed by the Company prior to the initiation of service hereunder. The cost of the equipment and its installation shall be paid for by the customer. Such contribution in aid, as adjusted for federal and state income taxes, must be paid prior to the installation of such equipment unless otherwise agreed to by the Company. Such equipment will be maintained by the Company and will remain the sole property of the Company. Company may remove such equipment when service hereunder is terminated.
  - b. The customer shall provide and maintain, at no cost to Company, a 120 volt, 15 ampere, AC power supply or other power source acceptable to the Company and acceptable telephone service available at customer's meter location(s). Customer agrees to provide and maintain, at no cost to the Company, any necessary telephone enhancements to assure Company of a quality telephone signal necessary to properly transmit data. The customer shall pay all charges for continuous electric and telephone service associated with the Company's connection of the remote data acquisition equipment, and any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.
  - c. The Company reserves the right to charge for each service call to investigate, repair and/or reprogram the Company's remote data acquisition equipment when the service call is the result of a failure or change in communication or power source provided by customer or damage to Company's equipment.

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<b>Date Filed:</b>	September 22, 2004	<b>Effective Date:</b>	Service rendered on and after October 1, 2004
<b>Issued By:</b>	Donald R. Ball Assistant Vice President - Regulatory Affairs	<b>Case No.:</b>	PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 24.8

### TRANSPORTATION SERVICE Rates 81 and 82

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#### 11. DAILY NOMINATION REQUIREMENTS:

- a. Customer or customer's shipper or agent shall advise Company's gas nominations center, by 11:30 a.m. Central Clock Time, of the dk requirements customer has requested to be delivered at each delivery point the following day. Customer's daily nomination shall be its best estimate of the expected utilization for the gas day. Unless other arrangements are made, customer will be required to nominate for the non-business days involved prior to weekends and holidays.
- b. All nominations should include shipper and/or agent defined begin and end dates. Shippers and/or agents may nominate for periods longer than 1 day, provided the nomination begin and end dates are within the term of the service agreement.
- c. The Company has the sole right to refuse receipt of any volumes which exceed the maximum daily contract quantity and at no time shall the Company be required to accept quantities of gas for a customer in excess of the quantities of gas to be delivered to customer. If total nominated receipts exceed total deliveries at receipt points where more than one customer is receiving service, nominations will be allocated on a pro rata basis.
- d. At no time shall Company have the responsibility to deliver gas in excess of customer's nomination.
- e. In the event that more than one customer is receiving gas from the same shipper and/or agent at the same receipt point, any reduction in nominated volumes will be allocated on a pro rata basis, unless Company and shipper(s) and/or agent(s) have agreed to a predetermined allocation procedure.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 24.9

### TRANSPORTATION SERVICE Rates 81 and 82

Page 10 of 10

12. **WARRANTY** – The customer, customer’s agent, or customer’s shipper warrants that it will have title to all gas it tenders or causes to be tendered to the Company, and such gas shall be free and clear of all liens and adverse claims and the customer, customer’s agent, or customer’s shipper shall indemnify the Company against all damages, costs, and expenses of any nature whatsoever arising from every claim against said gas.
13. **FACILITY EXTENSIONS** - If facilities are required in order to furnish gas transportation service, and those facilities are in addition to the facilities required to furnish firm gas service, the customer shall pay for those additional facilities and their installation in accordance with the Company’s applicable natural gas extension policy. Company may remove such facilities when service hereunder is terminated.
14. **PAYMENT** – Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.
15. **BILLING ERROR** – In the event an error is discovered in any bill that the Company renders to customer, such error shall be adjusted within a period not to exceed 6 months from the date the billing error is first discovered.
16. **AGREEMENT** – Upon request of the Company, customer may be required to enter into an agreement for service hereunder.
17. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

<b>Date Filed:</b>	December 13, 2002	<b>Effective Date:</b>	Service rendered on and after December 12, 2002
<b>Issued By:</b>	Donald R. Ball Director of Regulatory Affairs	<b>Case No.:</b>	PU-399-02-183



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 27  
Canceling 1<sup>st</sup> Revised Sheet No. 27

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

Page 1 of 3

#### Availability:

In all communities served for all interruptible general gas service customers whose interruptible natural gas load will exceed 100,000 dk annually as metered at a single delivery point. The rates herein are applicable only to customer's interruptible load. Customer's firm natural gas requirements must be separately metered or specified in a firm service agreement. Customer's firm load shall be billed at Firm General Gas Service Rate 70. For interruption purposes, the maximum daily firm requirement shall be set forth in the firm service agreement.

This rate schedule shall not apply for service to U.S. Government installations, which are covered by separate special contracts.

The Company reserves the right to refuse the initiation of service under this rate schedule based on the availability of gas supply.

#### Rate:

Basic Service Charge:	\$675.00 per month	
Distribution Delivery Charge:	<u>Maximum</u> \$.719 per dk	<u>Minimum</u> \$.298 per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate	

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 27.1

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

Page 2 of 3

#### General Terms and Conditions:

1. PRIORITY OF SERVICE – Deliveries of gas under this schedule shall be subject at all times to the prior demands of customers served on the Company's firm general gas service rates, and the Company shall have the right to interrupt deliveries to customers under this schedule without being required to give previous notice of intention to so interrupt whenever, in Company's sole judgment, it may be necessary to do so to protect the interest of its customers whose capacity requirements are otherwise and hereby given preference. The priority of service and allocation of capacity shall be accomplished in accordance with the provisions of Rate 100, §V.10.
2. PENALTY FOR FAILURE TO CURTAIL OR INTERRUPT – If customer fails to curtail or interrupt their use of gas hereunder when requested to do so by the Company, any gas taken shall be billed at the Firm General Gas Service Rate 70 (distribution delivery charge and cost of gas), plus either an amount equal to any penalty payments or overrun charges the Company is required to make to its interconnecting pipeline(s) under the terms of its contract(s) as a result of such failure to curtail or interrupt, or \$50.00 per dk of gas used in excess of the volume of gas to which customer was requested to curtail or interrupt, whichever amount is greater. The Company, in its discretion, may shut off customer's supply of gas in the event of customer's failure to curtail or interrupt use of gas when requested to do so by the Company.
3. AGREEMENT – Customer will be required to enter into an agreement for service hereunder for a minimum term of 12 months. Written notice of termination by either Company or customer must be given at least 90 days prior to the end of the initial term. Absent execution of such termination notice, the agreement shall continue for additional terms of equal length until written notice is given as provided herein, prior to the end of any subsequent term. Upon expiration of service, the customer may apply for and receive, at the sole discretion of the Company, gas service under this rate or another appropriate rate schedule for the customer's operations.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 27.2

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

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4. OBLIGATION TO NOTIFY COMPANY OF CHANGE IN DAILY OPERATIONS - Customer will be required as specified in the service agreement to notify Company of an anticipated change in daily operations. Failure to comply with requirements specified in the service agreement may result in the assessment of penalties to the customer equal to the penalty amounts Company must pay to the interconnecting pipeline caused by customer's action.
5. METERING REQUIREMENTS –Remote data acquisition equipment required for daily measurement will be installed by the Company, at its sole discretion, prior to the initiation of service hereunder.

The customer shall be required to provide and maintain, at no cost to Company, a 120 volt, 15 ampere, AC power supply, or other power source acceptable to the Company, and acceptable telephone service available at customer's meter location(s). Customer agrees to provide and maintain, at no cost to the Company, any necessary telephone enhancements to assure Company of a quality telephone signal necessary to properly transmit data. The customer shall pay all charges for continuous electric and telephone service associated with the Company's connection of the electronic measurement equipment, and any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.

The Company reserves the right to charge for each service call to investigate, repair and/or reprogram the Company's remote data acquisition equipment when the service call is the result of a failure or change in communication or power source provided by customer or damage to Company's equipment.

6. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 29

### DISTRIBUTION DELIVERY STABILIZATION MECHANISM Rate 87

Page 1 of 2

#### Applicability:

This rate schedule represents a Distribution Delivery Stabilization Mechanism (DDSM) and specifies the procedure to be utilized to correct for the over/under collection of distribution delivery charge revenues due to weather fluctuations during the billing period from November 1 through May 1. Service provided under the Company's Residential Rates 60 and 90 and Firm General Service Rates 70 and 92 shall be subject to decreases or increases under the DDSM.

#### Distribution Delivery Stabilization Mechanism:

A DDSM will be determined for each customer taking service under Residential Service Rates 60 and 90 and Firm General Service Rates 70 and 92 beginning with the first billing cycle starting November 1 through the billing cycle ending May 1. The DDSM adjustment will be applied on a real-time basis as a surcharge or credit on all rate schedules to which the DDSM is applicable to the customers' bills issued each month during the weather adjustment period of November 1 through May 1.

#### DDSM Adjustment Calculation:

The DDSM Adjustment shall be determined for each customer taking service under Residential Rates 60 or 90 or Firm General Services Rate 70 or 92. In order to calculate the respective DDSM adjustment, the ratio of the normal HDDs as compared to the actual HDDs will be determined and multiplied by the temperature sensitive consumption per customer per HDD. The resulting product shall be multiplied by the applicable Distribution Delivery Charge rate per dk.

$$DDSM_i = R_i (DDF_i ((NDD-ADD)/ADD))$$

Where:

DDSM <sub>i</sub>	=	Distribution Delivery Stabilization Adjustment
i	=	Customer served under Rate Schedules 60, 70, 90 or 92
R <sub>i</sub>	=	Applicable Distribution Delivery Charge per dk
DDF <sub>i</sub>	=	Temperature sensitive use per customer
NDD	=	Normal degree days for the applicable bill cycle
ADD	=	Actual heating degree days for the applicable bill cycle

**Date Filed:** September 22, 2004

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**Issued By:** Donald R. Ball  
Assistant Vice President -  
Regulatory Affairs

**Case No.:** PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 29.1

### DISTRIBUTION DELIVERY STABILIZATION MECHANISM Rate 87

Page 2 of 2

#### Definitions:

Heating Degree Days	-	The difference between the average of the daily high and low temperatures subtracted from 60 degrees Fahrenheit.
Normal Degree Days	-	The heating degree days based on the 30-year average for the period 1970-2000.
Temperature Sensitive Use per Customer	-	Customer's actual use less the base use per customer per day, denoted below, multiplied by days in the billing period. Residential Rate Code 60 = .06106 Residential Rate Code 90 = .03177 Firm General Service Rate Code 700 = .08313 Firm General Service Rate Code 701 = .87387 Firm General Service Rate Code 920 = .08139 Firm General Service Rate Code 921 = .73984
Actual Degree Days	-	The actual degree days reported by the National Weather Service Stations for applicable service areas in North Dakota.

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**Case No.:** PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
3<sup>rd</sup> Revised Sheet No. 30  
Canceling 2<sup>nd</sup> Revised Sheet No. 30

### COST OF GAS – NATURAL GAS Rate 88

Page 1 of 6

#### 1. Applicability:

This rate schedule constitutes a cost of gas (COG) provision and specifies the procedure to be utilized to adjust the rates for natural gas sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's average cost of natural gas supply, (b) amortization of the Unrecovered Purchased Gas Cost Account and (c) market based pricing differential.

#### 2. Effective Date and Limitation on Adjustments:

- (a) The effective dates of the COG shall be service rendered on and after the first date of each month, unless the Commission shall otherwise order.
- (b) Montana-Dakota shall file to reflect changes in its average cost of gas supply only when the amount of change in such COG is at least 10 (ten) cents per dk. The adjustment to be effective October 1 shall be filed each year, regardless of the amount of the change.

#### 3. Cost of Gas:

- (a) The monthly COG shall reflect changes in Montana-Dakota's cost of gas supply as compared to the cost of gas supply approved in its most recent COG filing. The cost of gas supply shall be the sum of all costs incurred in obtaining gas for general system supply. General system supply is defined as gas available for use by all customers served under retail sales rate schedules. The cost of gas supply shall include, but not be limited to, all demand, commodity, storage, gathering, and transportation charges incurred by Montana-Dakota for such gas supply, the overall rate of return on prepaid demand and commodity charges and gas storage balances required to maintain the system gas supply.
- (b) The COG shall be computed as follows:
  - (1) Demand costs shall include all annual gathering, transportation and storage demand charges at current rates.
  - (2) Commodity costs shall include all annual gathering, transportation and storage charges at current rates.

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**Effective Date:** Service rendered on and after October 1, 2008

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Vice President -  
Regulatory Affairs

**Case No.:** PU-08-720



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 30.1  
Canceling Original Sheet No. 30.1

### COST OF GAS – NATURAL GAS Rate 88

Page 2 of 6

- (3) The gas commodity cost shall reflect all commodity related gas costs estimated to be in effect for the month the COG will be in effect and annual dk requirements.
- (4) The return on prepaid demand and commodity balances and storage balances shall be computed on an annual basis at the overall rate of return on rate base.

The cost per dk for the month is the sum of the above divided by annual, weather normalized dk deliveries adjusted to reflect losses.

(c) Monthly gas costs shall be calculated as follows:

- (1) Demand costs for firm customers shall be apportioned to all state jurisdictions served by Montana-Dakota on the basis of the overall ratio of each state's Maximum Daily Delivery Quantity (MDDQ).
- (2) Demand costs for interruptible sales customers shall be stated on a 100% load factor basis.
- (3) All commodity costs and other costs associated with the acquisition of gas for general system supply shall be apportioned to each state on the basis of total dks sold in each state, regardless of the actual points of delivery of such gas.
- (4) The return requirement related to prepaid demand and commodity charges and gas storage balances shall be included on a per dk basis. The prepaid demand and storage balances shall be apportioned to all states on the basis of each state's MDDQ. The prepaid commodity charges shall be apportioned to all states on the basis of annual dks sold in each state. The unit cost shall be calculated using a thirteen-month average balance and the currently authorized return on rate base.
- (5) All costs related to specific end-use transactions shall not be included in the cost of gas supply determination but shall be directly billed to the customer(s) contracting for such service.

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September 19, 2007

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Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 30.2  
Canceling Original Sheet No. 30.2

### COST OF GAS – NATURAL GAS Rate 88

Page 3 of 6

- (d) The COG shall be applied to each of Montana-Dakota's rate schedules recognizing differences among customer classes consistent with the cost of gas supply included in the applicable class sales rate.
- 4. Surcharge Adjustment:**
- (a) All sales rate schedules shall be subject to a Surcharge Adjustment to be effective on October 1 of each year. The Surcharge Adjustment per dk sold shall reflect amortization of the applicable balance in the Unrecovered Purchased Gas Cost Account calculated by dividing the applicable balance by the estimated dk sales for the twelve months following the effective date of the adjustment.
- 5. Unrecovered Purchased Gas Account:**
- (a) Items to be included in the Unrecovered Purchased Gas Account (Account 191), as calculated in accordance with Subsection 5(b) are:
- (1) Charges for gas supply which Montana-Dakota is unable to reflect in the COG by reason of the ten cent minimum limitation set forth in Subsection 2(b).
  - (2) Amounts of increased/decreased charges for gas supplies, which were paid during any period after the effective date of the most recent general rate case, but not yet included in sales rates.
  - (3) Refunds received from supplier(s) with respect to gas supply.
  - (4) Carrying charges or credits at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.
  - (5) Demand costs recovered from the interruptible sales customers will be credited to the residential and firm general service customers.
- (b) (1) The amount to be included in Account 191 in order to reflect the items specified in Subsections 5(a)(1), (2), and (3) shall be calculated as follows:

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 30.3  
Canceling Original Sheet No. 30.3

### COST OF GAS – NATURAL GAS Rate 88

Page 4 of 6

- (i) Montana-Dakota shall first determine each month the unit cost for that month's natural gas supply as adjusted to levelize demand charges.

Such adjustment to levelize supplier(s) demand charges shall be calculated as follows:

The supplier's annual (calendar or fiscal) demand charges, which are payable in equal monthly payments shall be accumulated in a prepaid account (FERC Account 165). Each month a portion of such accumulated prepaid amount shall be amortized to cost of natural gas purchased (FERC Account 804). Such monthly amortization shall be based on a rate calculated by dividing the annual supplier(s) demand charges by projected annual natural gas sales units (calendar or fiscal, as appropriate). The resulting product shall then be multiplied by the projected natural gas unit sales for the current month. Such amount shall constitute the monthly amortization of prepaid supplier(s) demand charges to cost of natural gas supply.

- (ii) Montana-Dakota shall then subtract from each month's unit cost, the unit cost for gas supply which is reflected in the currently effective COG.
- (iii) The resulting difference (which may be positive or negative) shall be multiplied by the dks sold during that month under each rate schedule. The resulting amounts shall be reflected in an Account 191 for each rate schedule.
- (2) Montana-Dakota will calculate carrying charges on the amounts in Account 191 at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board. The amount to be included in Account 191 for carrying charges shall be determined as follows:

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 30.4  
Canceling Original Sheet No. 30.4

### COST OF GAS – NATURAL GAS Rate 88

Page 5 of 6

Each month, Account 191 shall be debited (if the balance in said account is a debit balance) and shall be credited (if the balance in said account is a credit balance) for a carrying charge; which shall be the product of (i) and (ii) below:

- (i) The balance in Account 191 as of the end of the immediately preceding month, exclusive of carrying charges accrued pursuant to this Subsection (b)(2) and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.
- (ii) One-twelfth of the annual interest rate as set forth in this Subsection (b)(2). The carrying charges shall be accrued in a supplementary Account 191 for each rate schedule, and carrying charges shall not be computed on the amounts in such supplementary account.

(c) Reduction of Amounts in Account 191:

- (1) The amounts in Account 191 shall be decreased each month by an amount determined by multiplying the currently effective surcharge adjustment included in rates for that month (as calculated in Section 4) by the dks sold during that month under each rate schedule. The account shall be increased in the event the adjustment is a negative amount.
- (2) The amount amortized each month shall be applied pro rata between the amounts in Account 191 specified in Subsections 5(a)(1), (2), (3) and (5) and the amounts in the supplementary Account 191 specified in Subsection 5(a)(4).

#### 6. Market-Based Pricing Differential:

- (a) At the time of each surcharge adjustment, the Company will compute a credit to residential and firm general service rates based on 50% of all distribution delivery charge revenues received from small interruptible sales and large interruptible sales customers in excess of the authorized minimum distribution delivery charge rate approved in the most recent general rate case.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No.30.5  
Canceling Original Sheet No. 30.5

### **COST OF GAS – NATURAL GAS Rate 88**

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Page 6 of 6

- (b) The unit adjustment shall be determined by dividing the balance resulting under Subsection 6(a) by the residential and firm general service sales volumes estimated to be sold during the 12 months following the effective date of each adjustment.

#### **7. Time and Manner of Filing:**

- (a) Montana-Dakota shall file to change the COG at least 20 days prior to the proposed effective date. Each filing by Montana-Dakota shall be made by means of revised COG sheets identifying the amounts of the adjustments and the resulting currently effective COG rates.
- (b) Each filing shall be accompanied by detailed computations, which clearly show the derivation of the relevant amounts, a concise statement of the reasons for any change and copies of any relevant pipeline tariff sheets supporting costs claimed.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 32  
Canceling 4<sup>th</sup> Revised Sheet No. 32

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### RESIDENTIAL PROPANE SERVICE Rate 90

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Page 1 of 2

**Availability:**

For the community of Hettinger for all domestic purposes. See Rate 100, §V.3, for definition on class of service.

**Rate:**

Basic Service Charge:	\$0.30 per day
Distribution Delivery Charge:	\$.812 per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate

**Minimum Bill:**

Basic Service Charge.

**Payment:**

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

**Cost of Gas:**

The cost of gas as defined in Cost of Gas - Propane Rate 99 or any amendments or alterations thereto. The cost of propane component is subject to change on a monthly basis.

**Distribution Delivery Stabilization Mechanism:**

Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
Original Sheet No. 32.1

### RESIDENTIAL PROPANE SERVICE Rate 90

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Page 2 of 2

#### General Terms and Conditions:

1. The Company may at its discretion and upon thirty days notice, disconnect service to a customer utilizing a second source of propane. Any customer so disconnected shall not be eligible for service hereunder for one year from date of disconnection and shall be subject to reconnection charges to restore service after the one-year period.
2. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 34  
Canceling 4<sup>th</sup> Revised Sheet No. 34

### FIRM GENERAL PROPANE SERVICE Rate 92

Page 1 of 2

#### Availability:

For the community of Hettinger for all purposes except for resale. See Rate 100, §V.3, for definition on class of service.

#### Rate:

##### Basic Service Charge:

For customers with meters rated  
under 500 cubic feet per hour \$0.52 per day

For customers with meters rated  
over 500 cubic feet per hour \$1.75 per day

Distribution Delivery Charge: \$.597 per dk

Cost of Gas: Determined Monthly- See Rate  
Summary Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of propane as defined in Cost of Gas - Propane Rate 99 or any amendments or alterations thereto. The cost of propane component is subject to change on a monthly basis.

#### Distribution Delivery Stabilization Mechanism:

Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.

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**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
Original Sheet No. 34.1

### FIRM GENERAL PROPANE SERVICE Rate 92

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Page 2 of 2

#### General Terms and Conditions:

1. The Company may at its discretion and upon thirty days notice, disconnect service to a customer utilizing a second source of propane. Any customer so disconnected shall not be eligible for service hereunder for one year from date of disconnection and shall be subject to reconnection charges to restore service after the one-year period.
2. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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**COST OF GAS – PROPANE Rate 99**

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 41  
Canceling 1<sup>st</sup> Revised Sheet No. 41

Page 1 of 3

### 1. Availability:

This rate schedule constitutes a Cost of Gas (COG) provision and specifies the procedure to be utilized to adjust the rates for propane gas sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's average cost of propane supply and (b) amortization of the Unrecovered Purchased Cost of Gas Account.

### 2. Effective Date and Limitation on Adjustments:

- (a) The effective dates of the COG shall be service rendered on and after the first day of each month, unless the Commission shall otherwise order.
- (b) Montana-Dakota shall file to reflect changes in its average cost of propane supply only when the amount of such change in COG is at least 10 (ten) cents per dk. The adjustment to be effective May 1 shall be filed each year, regardless of the amount of the change.

### 3. Cost of Gas:

- (a) The monthly COG shall reflect changes in Montana-Dakota's cost of propane supply as compared to the cost of propane supply approved in its most recent COG filing. The cost of propane supply shall include, but not be limited to, all commodity and transportation charges incurred by Montana-Dakota for such propane supply.
- (b) The propane commodity cost shall reflect all commodity related propane costs estimated to be incurred for the month the COG will be in effect and estimated dk purchases.

The unit cost per dk for the month shall be the commodity costs divided by estimated dk purchases for the month.

### 4. Surcharge Adjustment:

All propane sales schedules shall be subject to a Surcharge Adjustment to be effective on May 1 each year. The Surcharge Adjustment per dk sold shall reflect amortization of the applicable balance in the Unrecovered Purchased Cost of Gas Account calculated by dividing the applicable balance by the estimated dk sales for the twelve months following the effective date of the adjustment.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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**COST OF GAS – PROPANE Rate 99**

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### 5. Unrecovered Purchased Gas Account:

(a) Items to be included in the Unrecovered Purchased Gas Account (Account 191), as calculated in accordance with Subsection 5(b) are:

- (1) Charges for propane supply which Montana-Dakota is unable to reflect in the COG by reason of the ten cent minimum limitation set forth in Subsection 2(b).
- (2) Amounts of increased/decreased charges for propane supplies that were paid during any period after the effective date of the most recent approved rates, but not yet included in propane sales rates.
- (3) Carrying charges or credits.

(b)

- (1) The amount to be included in Account 191 in order to reflect the items specified in Subsections 5(a)(1) and (2) shall be calculated as follows:
  - (i) Montana-Dakota shall first determine each month the unit cost for that month's propane supply.
  - (ii) Montana-Dakota shall then subtract from each month's unit cost, the unit cost for propane supply, which is reflected in the currently effective COG.
  - (iii) The resulting difference (which may be positive or negative) shall be multiplied by the dks sold during that month under each propane rate schedule. The resulting amounts shall be reflected in an Account 191 for each rate schedule.
- (2) Montana-Dakota will calculate carrying charges on the amounts in Account 191 as follows:

Each month, Account 191 shall be debited (on a debit balance) or credited

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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### COST OF GAS – PROPANE Rate 99

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1<sup>st</sup> Revised Sheet No. 41.2  
Canceling Original Sheet No. 41.2

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(on a credit balance) for a carrying charge, which shall be the product of (i) and (ii) below:

- (i) The balance on Account 191 as of the end of the immediately preceding month, exclusive of carrying charges accrued pursuant to this Subsection (b)(2) and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.
- (ii) One-twelfth of the three-month Treasury Bill rate as published monthly by the Federal Reserve Board. The carrying charges shall be accrued in a supplementary Account 191 for each rate schedule, and carrying charges shall not be computed on the amounts in such supplementary account.

(c) Reduction of Amounts in Account 191:

- (1) The amounts in Account 191 shall be decreased each month by an amount determined by multiplying the currently effective surcharge adjustment included in rates for that month (as calculated in Section 4) by the dks sold during that month under each rate schedule. The account shall be increased in the event the adjustment is a negative amount.
- (2) The amount amortized each month shall be applied pro rata between the amounts in Account 191 specified in Subsections 5(a)(1) and (2) and the amounts in the supplementary Account 191 specified in Subsection 5(b)(2)(ii).

#### 6. Time and Manner of Filing:

- (a) Montana-Dakota shall file each COG at least 10 days prior to the proposed effective date. Each filing by Montana-Dakota shall be made by means of revised COG sheets identifying the amounts of the adjustments and the resulting currently effective COG rates.
- (b) Each filing shall be accompanied by detailed computations, which clearly show the derivation of the relevant amounts, a concise statement of the reasons for any change and copies of any relevant material supporting costs claimed.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 42  
Canceling Original Sheet No. 42

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

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1<sup>st</sup> Revised Sheet No. 42.2  
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#### I. PURPOSE:

These rules are intended to define good practice which can normally be expected, but are not intended to exclude other accepted standards and practices not covered herein. They are intended to ensure adequate service to the public and protect the Company from unreasonable demands.

The Company undertakes to furnish service subject to the rules and regulations of the Public Service Commission of North Dakota and as supplemented by these general provisions, as now in effect or as may hereafter be lawfully established, and in accepting service from the Company, each customer agrees to comply with and be bound by said rules and regulations and the applicable rate schedules.

#### II. DEFINITIONS:

The following terms used in this tariff shall have the following meanings, unless otherwise indicated:

**AGENT** – The party authorized by the transportation service customer to act on that customer's behalf.

**APPLICANT** – A customer requesting Company to provide service.

**COMMISSION** – Public Service Commission of the State of North Dakota.

**COMPANY** – Montana-Dakota Utilities Co.

**COMPANY'S OPERATING CONVENIENCE** – The utilization, under certain circumstances, of facilities or practices not ordinarily employed which contribute to the overall efficiency of Company's operations. This does not refer to the customer's convenience nor to the use of facilities or adoption of practices required to comply with applicable laws, ordinances, rules or regulations, or similar requirements of public authorities.

**CURTAILMENT** – A reduction of transportation or retail natural gas service deemed necessary by the Company. Also includes any reduction of transportation natural gas service deemed necessary by the pipeline.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

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**CUSTOMER** – Any individual, partnership, corporation, firm, other organization or government agency supplied with service by Company at one location and at one point of delivery unless otherwise expressly in these rules or in a rate schedule.

**DELIVERY POINT** – The point at which customer assumes custody of the gas being transported. This point will normally be at the outlet of Company’s meter(s) located on customer’s premises.

**GAS DAY** – Means a period of twenty-four consecutive hours, beginning and ending at 9:00 a.m. Central Clock Time.

**INTERRUPTION** – A cessation of transportation or retail natural gas service deemed necessary by Company.

**NOMINATION** – The daily dk volume of natural gas requested by customer for transportation and delivery to customer at the delivery point during a gas day.

**PIPELINE** – The transmission company(s) delivering natural gas into company’s system.

**RATE** – Shall mean and include every compensation, charge, fare, toll, rental and classification, or any of them, demanded, observed, charged or collected by the Company for any service, product, or commodity, offered by the Company to the public, and any rules, regulations, practices or contracts affecting any such compensation, charge, fare, toll, rental or classification.

**RECEIPT POINT** – The intertie between Company and the interconnecting pipeline(s) at which point Company assumes custody of the gas being transported.

**SHIPPER** – The party with whom the Pipeline has entered into a service agreement for transportation services.

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Bismarck, ND 58501

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#### III. CUSTOMER OBLIGATION:

1. APPLICATION FOR SERVICE – A customer desiring gas service must make application to the Company before commencing the use of the Company's service. The Company reserves the right to require a signed application or written contract for service to be furnished. All applications and contracts for service must be made in the legal name of the customer desiring the service. The Company may refuse a customer or terminate service to a customer who fails or refuses to furnish reasonable information requested by the Company for the establishment of a service account. Any customer who uses gas service in the absence of application or contract shall be subject to the Company's rates, rules, and regulations and shall be responsible for payment of all service used.

Subject to rates, rules, and regulations, the Company will continue to supply gas service until notified by customer to discontinue the service. The customer will be responsible for payment of all service furnished through the date of discontinuance.

Any customer may be required to make a deposit as required.

2. INPUT RATING – All new customers whose consumption of gas for any purpose will exceed an input of 2,500,000 Btu per hour, metered at a single delivery point, shall consult with the Company and furnish details of estimated hourly input rates for all gas utilization equipment. Where system design capacity permits, such customers may be served on a firm basis. Where system design capacity is limited, and at Company's sole discretion, Company will serve all such new customers on an interruptible basis only. Architects, contractors, heating engineers and installers, and all others should consult with the Company before proceeding to design, erect or redesign such installations for the use of natural gas. This will ensure that such equipment will conform to the Company's ability to adequately serve such installations with gas.

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A Division of MDU Resources Group, Inc.

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3. ACCESS TO CUSTOMER'S PREMISES – Company representatives, when properly identified, shall have access to customer's premises at all reasonable times for the purpose of reading meters, making repairs, making inspections, removing the Company's property, or for any other purpose incidental to the service.
4. COMPANY PROPERTY – The customers shall exercise reasonable diligence in protecting the Company's property on their premises, and shall be liable to the Company in case of loss or damage caused by their negligence or that of their employees.
5. INTERFERENCE WITH COMPANY PROPERTY – The customer shall not disconnect, change connections, make connections or otherwise interfere with Company's meters or other property or permit same to be done by other than the Company's authorized employees.
6. RELOCATED LINES - Where Company facilities are located on a public or private utility easement and there is a building encroachment(s), over gas facilities (Company-owned main, Company-owned service line or customer-owned service line) the customer shall be charged for line relocation on the basis of actual costs incurred by the Company including any required easements.
7. NOTIFICATION OF LEAKS – The customer shall immediately notify the Company at its office of any escape of gas in or about the customer's premises.
8. TERMINATION OF SERVICE – All customers are required to notify the Company, to prevent their liability for service used by succeeding tenants, when vacating their premises. Upon receipt of such notice, the Company will read the meter and further liability for service used on the part of the vacating customer will cease.
9. REPORTING REQUIREMENTS – Customer shall furnish Company all information as may be required or appropriate to comply with reporting requirements of duly constituted authorities having jurisdiction over the matter herein.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

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### GENERAL PROVISIONS Rate 100

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#### IV. LIABILITY

1. CONTINUITY OF SERVICE – The Company will use all reasonable care to provide continuous service but does not assume responsibility for a regular and uninterrupted supply of gas service and will not be liable for any loss, injury, death, or damage resulting from the use of service, or arising from or caused by the interruption or curtailment of the same.
2. CUSTOMER'S EQUIPMENT – Neither by inspection or non-rejection, nor in any other way does the Company give any warranty, express or implied, as to the adequacy, safety or other characteristics of any structures, equipment, lines, appliances or devices owned, installed or maintained by the customer or leased by the customer from third parties.
3. COMPANY EQUIPMENT AND USE OF SERVICE – The Company will not be liable for any loss, injury, death or damage resulting in any way from the supply or use of gas or from the presence or operation of the Company's structures, equipment, lines, appliances or devices on the customer's premises, except loss, injuries, death, or damages resulting from the negligence of the Company.
4. INDEMNIFICATION – Customer agrees to indemnify and hold Company harmless from any and all injury, death, loss or damage resulting from customer's negligent or wrongful acts under and during the term of service. Company agrees to indemnify and hold customer harmless from any and all injury, death, loss or damage resulting from Company's negligent or wrongful acts under and during the term of service.
5. FORCE MAJEURE – In the event of either party being rendered wholly or in part by force majeure unable to carry out its obligations, then the obligations of the parties hereto, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused. Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting the performance relieve either party from its obligations to make payments of amounts then due hereunder, nor

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

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shall such causes or contingencies relieve either party of liability unless such party shall give notice and full particulars of the same in writing or by telephone to the other party as soon as possible after the occurrence relied on. If volumes of customer's gas are destroyed while in Company's possession by an event of force majeure, the obligations of the parties shall terminate with respect to the volumes lost.

The term "force majeure" as employed herein shall include, but shall not be limited to, acts of God, strikes, lockouts or other industrial disturbances, failure to perform by any third party, which performance is necessary to the performance by either customer or Company, acts of the public enemy or terrorists, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrest and restraint of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, line freeze-ups, sudden partial or sudden entire failure of gas supply, failure to obtain materials and supplies due to governmental regulations, and causes of like or similar kind, whether herein enumerated or not, and not within the control of the party claiming suspension, and which by the exercise of due diligence such party is unable to overcome; provided that the exercise of due diligence shall not require settlement of labor disputes against the better judgment of the party having the dispute.

The term "force majeure" as employed herein shall also include, but shall not be limited to, inability to obtain or acquire, at reasonable cost, grants, servitudes, rights-of-way, permits, licenses, or any other authorization from third parties or agencies (private or governmental) or inability to obtain or acquire at reasonable cost necessary materials or supplies to construct, maintain, and operate any facilities required for the performance of any obligations under this agreement, when any such inability directly or indirectly contributes to or results in either party's inability to perform its obligations.

#### V. GENERAL TERMS AND CONDITIONS:

1. AGREEMENT – Upon request of the Company, customer may be required to enter into an agreement for any service.

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A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
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2. RATE OPTIONS – Where more than one rate schedule is available for the same class of service, the Company will assist the customer in selecting the applicable rate schedule(s). The Company is not required to change a customer from one rate schedule to another more often than once in twelve months unless there is a material change in the customer's load which alters the availability and/or applicability of such rate(s), or unless a change becomes necessary as a result of an order issued by the Commission or a court having jurisdiction. The Company will not be required to make any change in a fixed term contract except as provided therein.
3. RULES FOR APPLICATION OF GAS SERVICE:
  - (a) Residential gas service is available to any residential customer for domestic purposes only. Residential gas service is defined as service for general domestic household purposes in space occupied as living quarters, designed for occupancy by one family. Typical service would include the following: separately metered units, such as single private residences, single apartments, mobile homes and sorority and fraternity houses (this is not an all-inclusive list). In addition, auxiliary buildings on the same premise as the living quarters, used for residential purposes, may be served on the residential rate.
  - (b) Nonresidential service is defined as service provided to a business enterprise in space occupied and operated for nonresidential purposes. Typical service would include stores, offices, shops, restaurants, boarding houses, hotels, service garages, wholesale houses, filling stations, barber shops, beauty parlors, master metered apartment houses, common areas of shopping malls or apartments (such as halls or basements), churches, elevators, schools and facilities located away from the home site (this is not an all-inclusive list).
  - (c) The definitions above are based upon the supply of service to an entire premise through a single delivery and metering point. Separate supply for the same customer at other points of consumption may be separately metered and billed.
  - (d) If separate metering is not practical for a single unit (one premise) that is using gas for both domestic purposes and for conducting business (or for

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nonresidential purposes as defined herein), the customer will be billed under the predominate use policy. Under this policy, the customer's combined service is billed under the rate (Residential or Nonresidential) applicable to the type of service which constitutes 50% or more of the customer's total connected load.

- (e) Other classes of service furnished by the Company shall be defined in applicable rate schedules or in rules and regulations pertaining thereto. Service to customers for which no specific rate schedule is applicable shall be billed on the Nonresidential rates.
4. DISPATCHING – Transportation customers will adhere to gas dispatching policies and procedures established by Company to facilitate transportation service. Company will inform customer of any changes in dispatching policies that may affect transportation services as they occur.
5. RULES COVERING GAS SERVICE TO MANUFACTURED HOMES – The rules and regulation for providing gas service to manufactured homes are in accordance with the Code of Federal Regulations (24CFR Part 3280 – Manufactured Homes Construction and Safety Standards) Subpart G and H which pertain to gas piping and appliance installation. In addition to the above rules, the Company also follows the regulations set forth in the NFPA 501A, Fire Safety Criteria for Manufactured Home Installations, Sites, and Communities.
6. CONSUMER DEPOSITS – The Company will determine whether or not a deposit shall be required of an applicant for gas service in accordance with Commission rules.
- (a) The amount of such deposit shall not exceed one and one-half times the estimated amount of one month's average bill.
- (b) The Company may accept in lieu of a cash deposit a contract signed by a guarantor, satisfactory to the Company, whereby the payment of a specified sum not to exceed the required cash deposit is guaranteed. The term of such contract shall be indeterminate, but it shall automatically terminate when the customer gives notice of service discontinuance to

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the Company or a change in location covered by the guarantee agreement of thirty days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance, which the customer owes the Company. Upon termination of a guarantee contract, a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six-month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits with interest shall be refunded to customers at termination of service provided all billings for service have been paid. Deposits with interest will be refunded to all active customers, after the deposit has been held for twelve months, provided prompt payment record has been established.

#### 7. METERING AND MEASUREMENT:

(a) Company will meter the volume of natural gas delivered to customer at the delivery point. Such meter measurement will be conclusive upon both parties unless such meter is found to be inaccurate, in which case the quantity supplied to customer shall be determined by as correct an estimate as it is possible to make, taking into consideration the time of year, the schedule of customer's operations and other pertinent facts. Company will test meters in accordance with applicable state utility rules and regulations.

(b) Transportation customers agree to provide the cost of the installation of remote data acquisition equipment to Company before transportation service is implemented.

#### 8. MEASUREMENT UNIT FOR BILLING PURPOSES – The measurement unit for billing purposes shall be one (1) decatherm (dk), unless otherwise specified. Billing will be calculated to the nearest one-tenth (1/10) dk. One dk equals 10 therms or 1,000,000 Btu's. Dk's shall be calculated by the

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application of a thermal factor to the volumes metered. This thermal factor consists of:

- (a) An altitude adjustment factor used to convert metered volumes at local sales base pressure to a standard pressure base of 14.73 psia, and
  - (b) A Btu adjustment factor used to reflect the heating value of the gas delivered.
9. UNIT OF VOLUME FOR MEASUREMENT – The unit of volume for purpose of measurement shall be one (1) cubic foot of gas at either local sales base pressure or 14.73 psia, as appropriate, and at a temperature base of sixty degrees Fahrenheit (60°F). All measurement of natural gas by orifice meter shall be reduced to this standard by computation methods, in accordance with procedures contained in ANSI-API Standard 2530, First Edition, as amended. Where natural gas is measured with positive displacement or turbine meters, correction to local sales base pressure shall be made for actual pressure and temperature with factors calculated from Boyle's and Charles' Laws. Where gas is delivered at 20 psig or more, the deviation of the natural gas from Boyle's Law shall be determined by application of Supercompressibility Factors for Natural Gas published by the American Gas Association, Inc., copyright 1955, as amended or superseded. Where gas is measured with electronic correcting instruments at pressures greater than local sales base, supercompressibility will be calculated in the corrector using AGA-3/NX-19, as amended, supercompressibility calculation. For handbilled accounts, application of supercompressibility factors will be waived on monthly-billed volumes of 250 dk or less.
10. PRIORITY OF SERVICE AND ALLOCATION OF CAPACITY – Priority of Service from Highest to Lowest:
- (a) Priority 1 – Firm sales services.
  - (b) Priority 2 – Small interruptible sales at the maximum rate on a pro rata basis.
  - (c) Priority 3 – Small interruptible sales at less than the maximum rate from the highest rate to the lowest rate on the pro rata basis where equal rates are applicable among customers.

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Assistant Vice President -  
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**Case No.:** PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 42.12  
Canceling 1<sup>st</sup> Revised Sheet No. 42.12

### GENERAL PROVISIONS Rate 100

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- (d) Priority 4 – Large interruptible sales at the maximum rate on a pro rata basis.
- (e) Priority 5 – Small interruptible transportation services from the highest rate to the lowest rate and on a pro rata basis where equal rates are applicable among customers.
- (f) Priority 6 – Large interruptible transportation services from the highest rate to the lowest rate and on a pro rata basis where equal rates are applicable among customers.
- (g) Priority 7 – Gas scheduled to clear imbalances.

Montana-Dakota shall have the right, in its sole discretion, to deviate from the above schedule when necessary for system operational reasons and if following the above schedule would cause an interruption in service to a customer who is not contributing to an operational problem on Montana-Dakota's system.

Montana-Dakota reserves the right to provide service to customers with lower priority while service to higher priority customers is being curtailed due to restrictions at a given delivery or receipt point. When such restrictions are eliminated, Montana-Dakota will reinstate sales and/or transportation of gas according to each customer's original priority.

- 11. LATE PAYMENT – Amounts billed will be considered past due if not paid by the due date shown on the bill. An amount equal to 1% per month will be applied to any unpaid balance existing at the immediate subsequent billing date, provided however, that such amount shall not apply where a bill is in dispute or a formal complaint is being processed. All payments received will apply to the customer's account prior to calculating the late payment charge. Those payments applied shall satisfy the oldest portion of the bill first.
- 12. RETURNED CHECK CHARGE – A charge of \$10.00 will be collected by the Company for each check charged back to the Company by a bank.
- 13. TAX CLAUSE – In addition to the charges provided for in the gas tariffs of the Company, there shall be charged pro rata amounts which, on an annual basis, shall be sufficient to yield to the Company the full amount of any sales,

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## State of North Dakota Gas Rate Schedule

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use or excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality, political subdivision, or other entity, for the privilege of conducting its utility operations therein.

The charges to be added to the customer's service bills under this clause shall be limited to the customers within the corporate limits of the municipality, political subdivision or other entity imposing the tax.

#### 14. UTILITY CUSTOMER SERVICES:

(a) The following services will be performed at no charge regardless of the time of performance:

- (1) Fire and explosions calls.
- (2) Investigate hazardous condition on customer premises, such as gas leaks, odor complaints, combustion gas fumes.
- (3) Maintenance or repair of Company-owned facilities on the customer's premises.

(b) The following service calls will be performed at no charge during the Company's normal business hours:

- (1) Cut-ins and cut-outs.
- (2) Lighting pilots, inspecting, and adjusting gas equipment in connection with establishing service when working cut-in orders.
- (3) High bills or inadequate service complaints.
- (4) Location of underground Company facilities and customer-owned gas service lines for contractors, builders, plumbers, etc.

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15. UTILITY SERVICES PERFORMED AFTER NORMAL BUSINESS HOURS – For service requested by customers after the Company's normal business hours and on Saturday, Sunday, or legal holidays, a charge will be made for labor at standard overtime service rates and materials at retail prices.

Customers requesting service after the Company's normal business hours will be informed of the after hour service rate and encouraged to have the service performed during normal business hours.

16. NOTICE TO DISCONTINUE GAS SERVICE – Customers desiring to have their gas service disconnected shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal visit or telephone call to the Company's local business office, in communities which an office is maintained. In other communities such notice shall be given to the Company's representative who services the community or to the nearest business office. Saturdays, Sundays and legal holidays are not considered business days.

17. RECONNECTION FEE FOR SEASONAL OR TEMPORARY CUSTOMER – A customer who requests reconnection of service, during normal working hours, at a location where same customer discontinued the same service during the preceding 12-month period will be charged a reconnection fee as follows:

Residential - The Basic Service Charge applicable during the period while service was not being used or a minimum of \$30.00. The minimum will be based on standard overtime rates for reconnection of service after normal business hours.

Non-Residential – The Basic Service Charge applicable during the period while service was not being used. However, the reconnection charge applicable to seasonal business concerns such as irrigation, grain drying and asphalt processing shall be the Basic Service Charge applicable during the period while service was not being used less the Distribution Delivery Charge revenue collected during the period in-service. A minimum of \$30.00 will apply to reconnections occurring during normal

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business hours. The minimum will be based on standard overtime rates for reconnection of service occurring after normal business hours.

Transportation customers who cease service and then resume service within the succeeding 12 months shall be subject to a minimum reconnection charge of \$160.00 whenever reinstallation of the required remote data acquisition equipment is necessary.

18. DISCONNECTION OF SERVICE FOR NONPAYMENT OF BILLS – All amounts billed for service are due when rendered and will be considered delinquent if not paid by due date shown on the bill. If any customer shall become delinquent in the payment of amounts billed, such service may be discontinued by the Company under the applicable rules of the Commission. The Company may collect a fee of \$12.00 before restoring gas service, which has been disconnected for nonpayment of service bills during normal business hours. Standard overtime rates will apply for services performed after normal business hours.
19. DISCONNECTION OF SERVICE FOR CAUSES OTHER THAN NONPAYMENT OF BILLS – The Company reserves the right to discontinue service for any of the following reasons:
- (a) In the event of customer use of equipment in such a manner as to adversely affect the Company's equipment or service to others.
  - (b) In the event of tampering with the equipment furnished and owned by the Company.
  - (c) For violation of or noncompliance with the Company's rules on file with the Commission.
  - (d) For failure of the customer to fulfill the contractual obligations imposed as conditions of obtaining service.

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- (e) For refusal of reasonable access to property to the agent or employee of the Company for the purpose of inspecting the facilities or for testing, reading, maintaining or removing meters.

The right to discontinue service for any of the above reasons may be exercised whenever and as often as such reasons may occur, and any delay on the part of the Company in exercising such rights, or omission of any action permissible hereunder, shall not be deemed a waiver of its rights to exercise same.

Nothing in these regulations shall be construed to prevent discontinuing service without advance notice for reasons of safety, health, cooperation with civil authorities, or fraudulent use, tampering with or destroying Company facilities.

The Company may collect a reconnect fee of \$12.00 before restoring gas service, which has been disconnected for the above causes.

20. UNAUTHORIZED USE OF SERVICE – Unauthorized use of service is defined as any deliberate interference such as tampering with a Company meter, pressure regulator, registration, connections, equipment, seals, procedures or records that result in a loss of revenue to the Company. Unauthorized service is also defined as reconnection of service that has been terminated, without the Company's consent.

- (a) Examples of unauthorized use of service include the following, but are not limited to:
- (1) Bypass piping around meter.
  - (2) Bypass piping installed in place of meter.
  - (3) Meter reversed.
  - (4) Meter index disengaged or removed.
  - (5) Service or equipment tampered with or piping connected ahead of meter.

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- (6) Tampering with meter or pressure regulator that affects the accurate registration of gas usage.
- (7) Gas being used after service has been discontinued by the Company.
- (8) Gas being used after service has been discontinued by the Company as a result of a new customer turning gas on without the proper connect request.

(b) In the event that there has been unauthorized use of service, customer shall be charged for:

- (1) Time, material and transportation costs used in investigation.
- (2) Estimated charge for non-metered gas.
- (3) On-premise time to correct situation.
- (4) Any damage to Company property.

(c) Customer service so disconnected shall be reconnected after a customer has furnished satisfactory evidence of compliance with Company's rules and conditions of service, and paid all charges as hereinafter set forth in this procedure.

- (1) All delinquent bills, if any.
- (2) The amount of any Company revenue loss attributable to said tampering.
- (3) Expenses incurred by the Company in replacing or repairing the meter or other appliance costs incurred in preparation of the bill, plus costs as outlined in number 20.b above.
- (4) Reconnection fee applicable.
- (5) A cash deposit, the amount of which will not exceed the maximum amount determined in accordance with Commission Rules.

#### 21. SEE ALSO THE FOLLOWING RATES FOR SPECIAL PROVISIONS:

- Rate 102 – Residential Rate for Regular Employees
- Rate 119 – Interruptible Gas Service Extension Policy
- Rate 120 – Firm Gas Service Extension Policy
- Rate 124 – Service Lines

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## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
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### RESIDENTIAL GAS SERVICE FOR REGULAR EMPLOYEES Rate 102

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The bill for residential gas service for regular employees of Montana-Dakota Utilities Co., MDU Resources Group, Inc., and all wholly owned subsidiaries of MDU Resources Group, Inc., shall be computed at the applicable rates and the amount reduced by 33-1/3%. This is available only for residential use, in a single family unit, served by the Company to a regular employee who has been continuously employed at least six months and is the principal support of the household in which employee resides, or is the spouse of the principal support.

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## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
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### INTERRUPTIBLE GAS SERVICE EXTENSION POLICY Rate 119

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The policy of Montana-Dakota Utilities Co. for gas extensions necessary to provide interruptible sales or interruptible transportation service to customers is as follows:

#### 1. Contribution

- (a) Prior to construction, the customer shall contribute an amount equal to the total cost of construction including all gas main extensions, valves, service line(s), regulators, meters (excluding remote data acquisition equipment), any required payments made by the Company to the transmission pipeline to accommodate the extensions, and other costs as adjusted for federal and state income taxes.
- (b) The contribution shall be made by:
  - i. A one-time payment prior to construction or,
  - ii. The customer may post a bond, irrevocable letter of credit, or a written guarantee commitment in the amount of the total contribution required prior to construction. Such bond, issued by a bonding company authorized to do business in the state, letter of credit, or written guarantee commitment, shall be effective for a five-year period commencing at the plant in service date, and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists for the subject project, the surety or guarantor shall pay the Company for such contribution requirement, or
  - iii. Customer, upon approval by Company, may finance the amount of the required contribution subject to the following conditions: 1) maximum contribution to be financed shall be determined by the Company at its sole discretion, 2) maximum term shall be five years, 3) interest will be charged at the Company's incremental weighted cost of capital.
- (c) Upon Completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be made.

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## State of North Dakota Gas Rate Schedule

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Original Sheet No. 61.1

### INTERRUPTIBLE GAS SERVICE EXTENSION POLICY Rate 119

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- (d) Remote data acquisition equipment costs shall be subject to the terms and conditions specified in Transportation Service Rates 81 and 82.

#### 2. Refund

- (a) If within the five-year period from the extension(s) in service date, the total of the customer's contribution and actual margin paid to the Company equals or exceeds the total present value of the revenue requirement associated with the extension, Company shall refund the amount exceeding the revenue requirement on the following basis:
- i. Annually, beginning at the 2<sup>nd</sup> anniversary of the extension(s) in service date, the Company will refund to the customer, the amount exceeding the total present value of the revenue requirement at a rate of 50% of the current year margin associated with the customer's actual throughput.
  - ii. Customers who have posted a bond, letter of credit, or a written guarantee commitment will be notified of any reduction in surety or guarantee requirements based on the above calculation.
  - iii. No refunds will be made for amounts less than \$25.
- (b) Interest will be calculated annually by the Company on any refund amounts and shall be equal to the average commercial paper interest rate (A1/P1), not to exceed 12 percent per annum.
- (c) No refund shall be made by the Company after the five-year refund period has expired, and in no case shall the refund, excluding interest, exceed the amount of contribution made by the customer.

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## State of North Dakota Gas Rate Schedule

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### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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The policy of Montana-Dakota Utilities Co. for gas extensions necessary to provide firm sales service to customers is as follows:

#### (A) General Rules and Regulations Applicable to all Firm Service Extensions

1. An extension will be constructed without a contribution if the estimated capital expenditure is cost justified as defined in ¶A.3.
2. The Company may require customer or developer cost participation if the estimated capital expenditure is not cost justified.
3. The extension will be considered cost justified if the calculated maximum allowable investment equals or exceeds the estimated capital expenditure using the following formula:

Maximum Allowable Investment =

Annual Basic Service Charge + (Project Estimated 3<sup>rd</sup> Year Annual Dk x  
Distribution Delivery Charge)/LARR

where: LARR = Levelized Annual Revenue Requirement Factor of 19.954%

4. Cost of the extension shall include the gas main extension(s), valves, service line(s), any required payments made by the Company to the transmission pipeline company to accommodate the extension(s), and other costs excluding the distribution meter and regulator.

The service line is that portion of the gas service extending from the gas main to the connection at the house regulator and/or meter.

5. Where cost participation is required, such extension is subject to execution of the Company's standard agreement for extensions by the customer or the developer and Company.

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### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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6. A refund will be made only when there is a reduction in the amount of contribution required within a five-year period from the extension(s) in service date. Interest will be calculated annually by the Company on any refund amounts and shall be equal to the average commercial paper interest rate (A1/P1), not to exceed 12 percent per annum.

No refund shall be made by Company after the five-year refund period and in no case shall the refund excluding interest, exceed the amount of the contribution.

7. The Company reserves the right to charge customer the cost associated with providing service to customer if service is not initiated within 12 months of such installation.

#### (B) Customer Extensions

Cost participation for extensions where customers will be immediately available for service is as follows:

##### 1. Contribution

- (a) When a contribution is required, the customer(s) shall pay the Company the portion of the capital expenditure not cost justified as determined in accordance with ¶ A.3.

- (b) The contribution shall be made by:

- i. A one-time payment prior to construction, or
- ii. Payment of 25% of the contribution prior to construction and the balance in no more than twenty-four equal monthly installments. If customer discontinues service within the twenty-four month period, the balance will be due and payable upon discontinuance of service, or
- iii. Customer may post a bond, irrevocable letter of credit, or a written guarantee commitment in the amount of the required contribution prior to construction. Such bond, issued by a bonding company authorized

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### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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to do business in the state, letter of credit, or written guarantee commitment, shall be effective for the original five-year term and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists in the subject project based on a recalculated maximum expenditure, the surety or guarantor shall reimburse the Company for such recalculated contribution requirement, or

- iv. Customer, upon approval by Company, may finance the amount of the required contribution subject to the following conditions: 1) maximum contribution to be financed shall be determined by the Company at its sole discretion, 2) maximum term shall be five years, 3) interest will be charged at the Company's incremental weighted cost of capital.
- (c) Upon completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be made.
- (d) If within the five-year period from the extension(s) in service date, the number of active customers and related volumes exceeds the third-year projections, the Company shall recompute the contribution requirement by recalculating the maximum allowable investment.
- (e) The recalculated contribution requirement shall be collected from the new applicant(s).

#### 2. Refund

- (a) The Company will refund to the original contributor(s) the amount required to reduce their contribution to the recalculated contribution requirement. No refunds will be made for amounts less than \$25. Customers who have posted a bond, letter of credit, or written guarantee commitment will be notified of any reduction in surety or guarantee requirements.
- (b) No refunds will be made until the new applicants begin taking service from the Company.

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### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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- (c) If the addition of new customers will increase the contribution required from existing customer(s), the extension will be considered a new extension and treated separately.

#### 3. Incremental Expansion Surcharge

- (a) The Company, in its sole discretion, may offer an Incremental Expansion Surcharge (Surcharge) to a project consisting of 10 or more customers requesting service when the total estimated cost would otherwise have been prohibitive under the Company's present rates and gas service extension policy. If the Company and customers mutually agree that the project will be funded through a Surcharge, the project will be designated an expansion area and the Surcharge will be applicable to all connections within the expansion area. The contribution requirement to be collected under the Surcharge shall be the amount of the capital expenditure in excess of the Maximum Allowable Investment determined in accordance with ¶A.3.
- i. A minimum up-front payment of \$100.00 will be collected from each customer who signs an agreement to participate in the expansion.
  - ii. For projects that are expected to be recovered within a 5-year period, the Surcharge shall be set at a fixed monthly charge of \$5.00 per month plus \$1.50 per dk.
  - iii. For projects that are not expected to be recovered within a 5-year period, the Surcharge shall be set at a fixed monthly charge of \$5.00 per month plus a commodity charge designed to provide recovery of the contribution requirement in a five-year period.
- (b) The Surcharge shall remain in effect until the net present value of the contribution requirement, calculated using a discount rate equal to the overall rate of return authorized in the last rate case, is collected.
- (c) The Surcharge shall apply to all customers connecting to natural gas service within the expansion area until the contribution requirement is satisfied.

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### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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- (d) The net present value of the Surcharge will be treated as a contribution-in-aid of construction for accounting purposes.

#### (C) Developer Extensions

Cost participation may be required for extensions such as a subdivision or a mobile home court, in which a developer is installing roads, utilizes, etc., before housing is built.

##### 1. Contribution

- (a) When a contribution is required, the developer shall pay the Company the portion of the capital expenditure not cost justified as determined in accordance with ¶A.3.
- (b) The contribution shall be made by:
- i. A one-time payment prior to construction, or
  - ii. Developer may post a bond, irrevocable letter of credit, or a written guarantee commitment in the amount of the required contribution prior to construction. Such bond, issued by a bonding company authorized to do business in the state, letter of credit, or a written guarantee commitment, shall be effective for the original five-year term and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists in the subject project based on a recalculated maximum expenditure, the surety shall reimburse the Company for such recalculated contribution requirement, or
  - iii. Customer, upon approval by Company, may finance the amount of the required contribution subject to the following conditions: 1) maximum contribution to be financed shall be determined by the Company at its sole discretion, 2) maximum term shall be five years, 3) interest will be charged at the Company's incremental weighted cost of capital.

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### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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- (c) Upon completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be made.

#### 2. Refund

- (a) If within the five-year period from the extension(s) in service date, the number of active customers and related volumes exceeds the third-year projections, the Company shall recompute the contribution requirement by recalculating the maximum allowable investment. Such recalculation shall be done annually based upon the anniversary of the extension(s) in service date.
- (b) The Company will refund to the developer the amount required to reduce their contribution to the recalculated contribution requirement. No refunds will be made for amounts less than \$25. Developers who have posted a bond, letter of credit, or written guarantee commitment will be notified of any reduction in surety or guaranty requirements.
- (c) If the addition of new customer(s) will increase the contribution required from the developer, the extension will be considered a new extension and treated separately.

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NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 66  
Canceling 1<sup>st</sup> Revised Sheet No. 66

### NEW INSTALLATION, REPLACEMENT, RELOCATION AND REPAIR OF GAS SERVICE LINES Rate 124

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1. The Company will install, at its expense, a service line extending from the main to the connection at the premise regulator and/or meter for all customers. The service line installed by the Company will remain the Company's property.
2. A non-refundable contribution may be required for that portion of the service line cost not supported by the expected or actual connected load. The contribution requirement will be determined based on minimum footage allowances determined annually taking into account the maximum allowable investment defined in Rate 120 and the average installed per foot cost. The Company reserves the right to charge customer the total cost of the installed service line if service is not initiated within 12 months of such installation.
3. The portion of the service line not cost justified shall be charged to the customer on the basis of direct costs to the Company. The Company may, at its option, calculate a statewide average cost per foot for such work based on its experience and may use such calculated amount for billing purposes. No minimum amount shall apply.
4. Where service line location changes are made due to building encroachments (a building is being constructed or is already located over a service line, etc.), the customer shall be charged for on the basis of direct costs incurred by the Company.
5. Whenever a service line is damaged by the customer or someone under the employ of the customer necessitating the service line to be either repaired or replaced in whole or in substantial part, such work shall be charged on a direct cost basis. If the damage was caused by independent contractors, not in the employ of the customer, the charges shall be billed directly to such contractor.
6. Service line changes necessary to increase the size and capacity of an existing service line because of increased demand shall be treated in accordance with ¶2 above.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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3<sup>rd</sup> Revised Sheet No. 1  
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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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3<sup>rd</sup> Revised Sheet No. 2  
Canceling 2<sup>nd</sup> Revised Sheet No. 2

### COMMUNITIES SERVED

#### NATURAL GAS SERVICE

##### Dakota Heartland Region

Apple Valley	Eldridge	Max	Steele
Barlow	Fort Totten	Medina	Surrey
Bismarck*	Garrison	Minot	Tappen
Burlington	Glen Ullin	New Rockford	Turtle Lake
Carrington	Grafton	New Salem	Underwood
Cavalier	Jamestown	Park River	Valley City
Cleveland	Langdon	Riverdale	Walhalla
Dawson	Lincoln	Ruthville	Washburn
Des Lacs	Linton	Sandborn	Wilton
Devils Lake	Mandan	Sheyenne	Locations near Hankinson/Fairmont

##### Badlands Region

Alexander	Gladstone	Palermo	Stanley
Arnegard	Golva	Ray	Taylor
Beach	Hebron	Regent	Tioga
Belfield	Killdeer	Rhame	Trenton
Berthold	Lefor	Richardton	Watford City
Bowman	Lignite	Ross	Wheelock
Dickinson*	Marmarth	Sentinel Butte	White Earth
East Fairview	Mott	Springbrook	Williston
Epping	New England	South Heart	

#### PROPANE SERVICE

##### Badlands Region

Hettinger

\*Designates Region Office

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4th Street  
Bismarck, ND 58501

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### RATE SUMMARY SHEET

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Miscellaneous Charges	Amount
Late Payment	1% per month
Returned Check	\$15.00 per check
Reconnection charge after termination for nonpayment -During normal business hours -After normal business hours	\$20.00 Current service labor rate per hour
Reconnection charge after termination for causes defined in Rate 100 ¶19 -During normal business hours -After normal business hours	\$30.00 Current service labor rate per hour
Reconnection charge applicable to seasonal or temporary customers -During normal business hours -After normal business hours	Basic Service Charge applicable during the period while service was not being used. Minimum- \$30.00 Minimum- Current service labor rate per hour
Reconnection charge applicable to transportation customers when remote data acquisition equipment must be reinstalled	\$160.00

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400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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7<sup>th</sup> Revised Sheet No. 4  
Canceling 6<sup>th</sup> Revised Sheet No. 4

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### RESIDENTIAL GAS SERVICE Rate 60

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Page 1 of 1

#### Availability:

In all communities served for all domestic uses. See Rate 100, §V.3, for definition on class of service.

#### Rate:

Delivery Service Charge: \$0.6732 per day

Cost of Gas: Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

Delivery Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

#### General Terms and Conditions:

The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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# Montana-Dakota Utilities Co.

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400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

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5<sup>th</sup> Revised Sheet No. 7  
Canceling 4<sup>th</sup> Revised Sheet No. 7

### AIR FORCE Rate 64

Page 1 of 2

#### Availability:

Minot Air Force Base near Minot, North Dakota, and the Perimeter Acquisition Radar (PAR) Site, near Concrete, North Dakota. The Air Force shall make an election of its requirements under each available service and such requirements shall be set forth in a service agreement with the Company.

#### Rate:

##### Basic Service Charge:

Minot Air Force Base	\$2,000.00 per month
Perimeter Acquisition Radar (PAR) Site	\$ 175.00 per month

##### Distribution Delivery Charge:

Firm Service	\$.184 per dk
Interruptible Service	\$.146 per dk

##### Cost of Gas:

Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

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# Montana-Dakota Utilities Co.

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400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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7<sup>th</sup> Revised Sheet No. 13  
Cancelling 6<sup>th</sup> Revised Sheet No. 13

### FIRM GENERAL GAS SERVICE Rate 70

Page 1 of 2

#### Availability:

In all communities served for all purposes except for resale. See Rate 100, §3, for definition on class of service.

#### Rate:

##### Basic Service Charge:

For customers with meters rated under  
500 cubic feet per hour \$0.67 per day

For customers with meters rated over  
500 cubic feet per hour \$1.90 per day

Distribution Delivery Charge: \$.617 per dk

Cost of Gas: Determined Monthly- See  
Rate Summary Sheet for  
Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

#### Distribution Delivery Stabilization Mechanism:

Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.

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400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 13.1  
Cancelling 1<sup>st</sup> Revised Sheet No. 13.1

### FIRM GENERAL GAS SERVICE Rate 70

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Page 2 of 2

#### General Terms and Conditions:

The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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# Montana-Dakota Utilities Co.

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400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

7<sup>th</sup> Revised Sheet No. 14

Canceling 6<sup>th</sup> Revised Sheet No. 14

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

Page 1 of 4

#### Availability:

In all communities served for all interruptible general gas service customers whose interruptible natural gas load will exceed an input rate of 2,500,000 Btu per hour, metered at a single delivery point and whose use of natural gas will not exceed 100,000 dk annually. The rates herein are applicable only to customer's interruptible load. Customer's firm natural gas requirements must be separately metered or specified in a firm service agreement. Customer's firm load shall be billed at Firm General Gas Service Rate 70. For interruptible purposes, the maximum daily firm requirement shall be set forth in the firm service agreement.

#### Rate:

Basic Service Charge:	\$300.00 per month	
Distribution Delivery Charge:	<u>Maximum</u> \$.930 per dk	<u>Minimum</u> \$.486 per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate	

The Distribution Delivery Charge shall be set forth in the service agreement required as provided in the General Terms and Conditions for service. Such rate, as adjusted to reflect changes in the Cost of Gas, shall apply for the term of the agreement regardless of a change in the rates set forth above.

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

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400 N 4<sup>th</sup> Street  
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## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

4<sup>th</sup> Revised Sheet No. 14.1

Canceling 3<sup>rd</sup> Revised Sheet No. 14.1

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

Page 2 of 4

#### General Terms and Conditions:

1. **PRIORITY OF SERVICE** – Deliveries of gas under this schedule shall be subject at all times to the prior demands of customers served on the Company's firm general gas service rates, and the Company shall have the right to interrupt deliveries to customers under this schedule without being required to give previous notice of intention to so interrupt whenever, in Company's sole judgment, it may be necessary to do so to protect the interest of its customers whose capacity requirements are otherwise and hereby given preference. The priority of service and allocation of capacity shall be accomplished in accordance with the provisions of Rate 100, §V.10.
2. **PENALTY FOR FAILURE TO CURTAIL OR INTERRUPT** – If customer fails to curtail or interrupt their use of gas hereunder when requested to do so by the Company, any gas taken shall be billed at the Firm General Gas Service Rate 70 (distribution delivery charge and cost of gas), plus either an amount equal to any penalty payments or overrun charges the Company is required to make to its interconnecting pipeline(s) under the terms of its contract(s) as a result of such failure to curtail or interrupt, or \$50.00 per dk of gas used in excess of the volume of gas to which customer was requested to curtail or interrupt, whichever amount is greater. The Company, in its discretion, may shut off customer's supply of gas in the event of customer's failure to curtail or interrupt use of gas when requested to do so by the Company.
3. **AGREEMENT** – Customer will be required to enter into an agreement for service hereunder for a minimum term of 12 months. Written notice of termination by either Company or customer must be given at least 60 days prior to the end of the initial term. Absent such termination notice, the agreement shall continue for additional terms of equal length until written notice is given, as provided herein, prior to the end of any subsequent term. Upon expiration of service, the customer may apply for and receive, at the sole discretion of the Company, gas service under this rate or another appropriate rate schedule for the customer's operations.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

2<sup>nd</sup> Revised Sheet No. 14.2

Canceling 1<sup>st</sup> Revised Sheet No. 14.2

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

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4. OBLIGATION TO NOTIFY COMPANY OF CHANGE IN DAILY OPERATIONS – Customer will be required as specified in the service agreement to notify Company of an anticipated change in daily operations. Failure to comply with requirements specified in the service agreement may result in the assessment of penalties to the customer equal to the penalty amounts Company must pay to the interconnecting pipeline caused by customer's action.
5. METERING REQUIREMENTS – Remote data acquisition equipment (telemetry equipment) required for daily measurement will be purchased and installed by the Company prior to the initiation of service hereunder. The cost of the equipment and its installation shall be paid for by the customer. Such contribution in aid, as adjusted for federal and state income taxes, must be paid prior to the installation of such equipment unless otherwise agreed to by the Company. Such equipment will be maintained by the Company and will remain the sole property of the Company. Company may remove such equipment when service hereunder is terminated.

The customer may be required to provide and maintain, at no cost to Company, the following: A 120 volt, 15 ampere, AC power supply; and an acceptable telephone service available at customer's meter location(s). The services listed above shall be continuous, accessible to the Company, and be provided by the customer at no cost to the Company. Enhancements and/or modifications to these services may be required to ensure equipment functionality. Such enhancements or modifications shall be completed at the direction of the Company with all associated costs the customer's responsibility. Any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.

Consultation between the customer and the Company regarding telemetry requirements shall occur prior to execution of the required service agreement. The telemetry requirement will be determined at the sole discretion of the Company based on customer requirements and location.

The Company reserves the right to charge for each service call to investigate, repair, reprogram or reinstall the Company's telemetry equipment when

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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Original Sheet No. 14.3

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

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the service call is the result of a failure or change in the communication or power source services described above or damage to Company's equipment.

6. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
8<sup>th</sup> Revised Sheet No. 15  
Canceling 7<sup>th</sup> Revised Sheet No. 15

### OPTIONAL SEASONAL GENERAL GAS SERVICE Rate 72

Page 1 of 2

#### Availability:

In all communities served for all purposes except for resale. See Rate 100, §V.3, for definition on class of service.

#### Rate:

##### Basic Service Charge:

For customers with meters rated under 500 cubic feet per hour \$0.67 per day

For customers with meters rated over 500 cubic feet per hour \$1.90 per day

Distribution Delivery Charge: \$.617 per dk

##### Cost of Gas:

Winter- Service rendered October 1 through May 31 Determined Monthly- See Rate Summary Sheet for Current Rate

Summer- Service rendered June 1 through September 30 Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

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400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7

2<sup>nd</sup> Revised Sheet No. 15.1

Cancelling 1<sup>st</sup> Revised Sheet No. 15.1

### OPTIONAL SEASONAL GENERAL GAS SERVICE Rate 72

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Page 2 of 2

#### General Terms and Conditions:

1. The customer agrees to contract for service under the Optional Seasonal General Gas Service Rate 72 for a minimum of one year.
2. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

6<sup>th</sup> Revised Sheet No. 24.1

Canceling 5<sup>th</sup> Revised Sheet No. 24.1

### TRANSPORTATION SERVICE Rates 81 and 82

Page 2 of 10

#### Rate:

Under Rate 81 or 82, customer shall pay the applicable Basic Service Charge plus a negotiated rate not more than the maximum rate or less than the minimum rate specified below. In the event customer also takes service under Rate 71 or Rate 85, the Basic Service Charge applicable under Rate 81 or Rate 82 shall be waived.

#### Basic Service Charge:

Rate 81 \$ 300.00 per month

Rate 82 \$2,200.00 per month

	<u>Rate 81</u>	<u>Rate 82</u>
Maximum Rate per dk	\$0.486	\$0.260
Minimum Rate per dk	\$0.102	\$0.061
Balancing Charge per dk	\$0.300	\$0.300

#### Fuel Charge:

Applicable to all dk transported to customers located within the distribution system. Charge does not apply to transmission level customers. See Rate Summary Sheet for currently effective charge.

#### General Terms and Conditions:

1. **CRITERIA FOR SERVICE:** In order to receive the service, customer must qualify under one of the Company's applicable natural gas transportation service rates and comply with the general terms and conditions of the service provided herein. The customer is responsible for making all arrangements for transporting the gas from its source to the Company's interconnection with the delivering pipeline(s).

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# Montana-Dakota Utilities Co.

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400 N 4<sup>th</sup> Street  
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2<sup>nd</sup> Revised Sheet No. 24.7  
Cancelling 1<sup>st</sup> Revised Sheet No. 24.7

### TRANSPORTATION SERVICE Rates 81 and 82

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#### 10. METERING REQUIREMENTS:

- a. Remote data acquisition equipment (telemetry equipment) required by the Company for daily measurement will be purchased and installed by the Company prior to the initiation of service hereunder. The cost of the equipment and its installation shall be paid for by the customer. Such contribution in aid, as adjusted for federal and state income taxes, must be paid prior to the installation of such equipment unless otherwise agreed to by the Company. Such equipment will be maintained by the Company and will remain the sole property of the Company. Company may remove such equipment when service hereunder is terminated.
- b. The customer may be required to provide and maintain, at no cost to Company, the following: A 120 volt, 15 ampere, AC power supply; and an acceptable telephone service available at customer's meter location(s). The services listed above shall be continuous, accessible to the Company, and be provided by the customer at no cost to the Company. Enhancements and/or modifications to these services may be required to ensure equipment functionality. Such enhancements or modifications shall be completed at the direction of the Company with all associated costs the customer's responsibility. Any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.

Consultation between the customer and the Company regarding telemetry requirements shall occur prior to execution of the required service agreement. The telemetry requirement will be determined at the sole discretion of the Company based on customer requirements and locations.

- c. The Company reserves the right to charge for each service call to investigate, repair, reprogram or reinstall the Company's telemetry equipment when the service call is the result of a failure or change in the communication or power source services described above or damage to Company's equipment.

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# Montana-Dakota Utilities Co.

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## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

4<sup>th</sup> Revised Sheet No. 27

Canceling 3<sup>rd</sup> Revised Sheet No. 27

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

Page 1 of 3

#### Availability:

In all communities served for all interruptible general gas service customers whose interruptible natural gas load will exceed 100,000 dk annually as metered at a single delivery point. The rates herein are applicable only to customer's interruptible load. Customer's firm natural gas requirements must be separately metered or specified in a firm service agreement. Customer's firm load shall be billed at Firm General Gas Service Rate 70. For interruption purposes, the maximum daily firm requirement shall be set forth in the firm service agreement.

This rate schedule shall not apply for service to U.S. Government installations, which are covered by separate special contracts.

The Company reserves the right to refuse the initiation of service under this rate schedule based on the availability of gas supply.

#### Rate:

Basic Service Charge:	\$2,200.00 per month	
Distribution Delivery Charge:	<u>Maximum</u> \$.681 per dk	<u>Minimum</u> \$.260 per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate	

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

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2<sup>nd</sup> Revised Sheet No. 27.1

Cancelling 1<sup>st</sup> Revised Sheet No. 27.1

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

Page 2 of 4

#### General Terms and Conditions:

1. **PRIORITY OF SERVICE** – Deliveries of gas under this schedule shall be subject at all times to the prior demands of customers served on the Company's firm general gas service rates, and the Company shall have the right to interrupt deliveries to customers under this schedule without being required to give previous notice of intention to so interrupt whenever, in Company's sole judgment, it may be necessary to do so to protect the interest of its customers whose capacity requirements are otherwise and hereby given preference. The priority of service and allocation of capacity shall be accomplished in accordance with the provisions of Rate 100, §V.10.
2. **PENALTY FOR FAILURE TO CURTAIL OR INTERRUPT** – If customer fails to curtail or interrupt their use of gas hereunder when requested to do so by the Company, any gas taken shall be billed at the Firm General Gas Service Rate 70 (distribution delivery charge and cost of gas), plus either an amount equal to any penalty payments or overrun charges the Company is required to make to its interconnecting pipeline(s) under the terms of its contract(s) as a result of such failure to curtail or interrupt, or \$50.00 per dk of gas used in excess of the volume of gas to which customer was requested to curtail or interrupt, whichever amount is greater. The Company, in its discretion, may shut off customer's supply of gas in the event of customer's failure to curtail or interrupt use of gas when requested to do so by the Company.
3. **AGREEMENT** – Customer will be required to enter into an agreement for service hereunder for a minimum term of 12 months. Written notice of termination by either Company or customer must be given at least 90 days prior to the end of the initial term. Absent execution of such termination notice, the agreement shall continue for additional terms of equal length until written notice is given as provided herein, prior to the end of any subsequent term. Upon expiration of service, the customer may apply for and receive, at the sole discretion of the Company, gas service under this rate or another appropriate rate schedule for the customer's operations.

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400 N 4<sup>th</sup> Street  
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## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

1<sup>st</sup> Revised Sheet No. 27.2

Cancelling Original Sheet No. 27.2

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

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4. OBLIGATION TO NOTIFY COMPANY OF CHANGE IN DAILY OPERATIONS – Customer will be required as specified in the service agreement to notify Company of an anticipated change in daily operations. Failure to comply with requirements specified in the service agreement may result in the assessment of penalties to the customer equal to the penalty amounts Company must pay to the interconnecting pipeline caused by customer's action.
5. METERING REQUIREMENTS – Remote data acquisition equipment (telemetry equipment) required for daily measurement will be installed by the Company, prior to the initiation of service hereunder. The cost of the equipment and its installation shall be paid for by the customer. Such contribution in aid, as adjusted for federal and state income taxes, must be paid prior to the installation of such equipment unless otherwise agreed to by the Company. Such equipment will be maintained by the Company and will remain the sole property of the Company. Company may remove such equipment when service hereunder is terminated.

The customer may be required to provide and maintain, at no cost to Company, the following: A 120 volt, 15 ampere, AC power supply; and an acceptable telephone service available at customer's meter location(s). The services listed above shall be continuous, accessible to the Company, and be provided by the customer at no cost to the Company. Enhancements and/or modifications to these services may be required to ensure equipment functionality. Such enhancements or modifications shall be completed at the direction of the Company with all associated costs the customer's responsibility. Any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.

Consultation between the customer and the Company regarding telemetry requirements shall occur prior to execution of the required service agreement. The telemetry requirement will be determined at the sole discretion of the Company based on customer requirements and location.

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<b>Issued By:</b>	Tamie A. Aberle Director – Regulatory Affairs	<b>Case No.:</b>	PU-13-__



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
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### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

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The Company reserves the right to charge for each service call to investigate, repair, reprogram or reinstall the Company's telemetering equipment when the service call is the result of a failure or change in the communication or power source services described above or damage to Company's equipment.

6. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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1<sup>st</sup> Revised Sheet No. 29  
Cancelling Original Sheet No. 29

### DISTRIBUTION DELIVERY STABILIZATION MECHANISM Rate 87

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#### Applicability:

This rate schedule represents a Distribution Delivery Stabilization Mechanism (DDSM) and specifies the procedure to be utilized to correct for the over/under collection of distribution delivery charge revenues due to weather fluctuations during the billing period from November 1 through May 1. Service provided under the Company's Firm General Service Rates 70 and 92 shall be subject to decreases or increases under the DDSM.

#### Distribution Delivery Stabilization Mechanism:

A DDSM will be determined for each customer taking service under Firm General Service Rates 70 and 92 beginning with the first billing cycle starting November 1 through the billing cycle ending May 1. The DDSM adjustment will be applied on a real-time basis as a surcharge or credit on all rate schedules to which the DDSM is applicable to the customers' bills issued each month during the weather adjustment period of November 1 through May 1.

#### DDSM Adjustment Calculation:

The DDSM Adjustment shall be determined for each customer taking service under Firm General Service Rates 70 or 92. In order to calculate the respective DDSM adjustment, the ratio of the normal HDDs as compared to the actual HDDs will be determined and multiplied by the temperature sensitive consumption per customer per HDD. The resulting product shall be multiplied by the applicable Distribution Delivery Charge rate per dk.

$$DDSM_i = R_i (DDF_i ((NDD-ADD)/ADD))$$

Where:

DDSM <sub>i</sub>	=	Distribution Delivery Stabilization Adjustment
i	=	Customer served under Rate Schedules 70 or 92
R <sub>i</sub>	=	Applicable Distribution Delivery Charge per dk
DDF <sub>i</sub>	=	Temperature sensitive use per customer
NDD	=	Normal degree days for the applicable bill cycle
ADD	=	Actual heating degree days for the applicable bill cycle

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1<sup>st</sup> Revised Sheet No. 29.1

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### DISTRIBUTION DELIVERY STABILIZATION MECHANISM Rate 87

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#### Definitions:

Heating Degree Days	-	The deviation between the average daily temperatures and 60 degrees Fahrenheit.
Normal Degree Days	-	The heating degree days based on the 30-year average actual degree days.
Temperature Sensitive Use per Customer	-	Customer's actual use less the base use per customer per day, denoted below, multiplied by days in the billing period. Firm General Service Rate Code 700 = .04132 Firm General Service Rate Code 701 = .73346 Firm General Service Rate Code 920 = .02425 Firm General Service Rate Code 921 = 2.92037
Actual Degree Days	-	The actual degree days reported by the National Weather Service Stations for applicable service areas in North Dakota.

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2<sup>nd</sup> Revised Sheet No. 30.4  
Canceling 1<sup>st</sup> Revised Sheet No. 30.4

### COST OF GAS – NATURAL GAS Rate 88

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Each month, Account 191 shall be debited (if the balance in said account is a debit balance) and shall be credited (if the balance in said account is a credit balance) for a carrying charge; which shall be the product of (i) and (ii) below:

- (i) The balance in Account 191 as of the end of the immediately preceding month, exclusive of carrying charges accrued pursuant to this Subsection (b)(2) and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.
- (ii) One-twelfth of the annual interest rate as set forth in this Subsection (b)(2). The carrying charges shall be accrued in a supplementary Account 191 for each rate schedule, and carrying charges shall not be computed on the amounts in such supplementary account.

(c) Reduction of Amounts in Account 191:

- (1) The amounts in Account 191 shall be decreased each month by an amount determined by multiplying the currently effective surcharge adjustment included in rates for that month (as calculated in Section 4) by the dks sold during that month under each rate schedule. The account shall be increased in the event the adjustment is a negative amount.
- (2) The amount amortized each month shall be applied pro rata between the amounts in Account 191 specified in Subsections 5(a)(1), (2), (3) and (5) and the amounts in the supplementary Account 191 specified in Subsection 5(a)(4).

#### 6. Market-Based Pricing Differential:

- (a) At the time of each surcharge adjustment, the Company will compute a credit to residential and firm general service rates based on 50 percent of all distribution delivery charge revenues received from small interruptible sales and large interruptible sales customers in excess of the authorized minimum distribution delivery charge rate approved in the most recent general rate case.

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## State of North Dakota Gas Rate Schedule

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2<sup>nd</sup> Revised Sheet No. 30.5

Canceling 1<sup>st</sup> Revised Sheet No. 30.5

### COST OF GAS – NATURAL GAS Rate 88

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- (b) The unit adjustment shall be determined by dividing the balance resulting under Subsection 6(a) by the residential and firm general service sales volumes estimated to be sold during the 12 months following the effective date of each adjustment.

#### 7. Margin Sharing Mechanism:

At the time of each surcharge adjustment, pursuant to Paragraph 4, the Company will compute a credit to Rates 60, 70, 71, and 72 based on 90 percent of the margin revenues collected from Grain Drying customers served under interruptible service rates. The adjustment will be determined as follows;

- (a) (1) The initial margin credit balance shall be established in Case No. PU-13-\_\_
- (2) The monthly difference between the actual margin revenues received, multiplied by 90 percent, and the actual margin credits reflected in rates based on the credit per unit established at the time of each surcharge adjustment.
- (b) The unit adjustment shall be determined by dividing the balance resulting in Subsection 7(a) by volumes estimated to be sold during the twelve months following the effective date of each adjustment under the rate schedules set forth in Paragraph 7.

#### 8. Time and Manner of Filing:

- (a) Montana-Dakota shall file to change the COG at least 20 days prior to the proposed effective date. Each filing by Montana-Dakota shall be made by means of revised COG sheets identifying the amounts of the adjustments and the resulting currently effective COG rates.
- (b) Each filing shall be accompanied by detailed computations, which clearly show the derivation of the relevant amounts, a concise statement of the reasons for any change and copies of any relevant pipeline tariff sheets supporting costs claimed.

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7<sup>th</sup> Revised Sheet No. 32  
Canceling 6<sup>th</sup> Revised Sheet No. 32

### RESIDENTIAL PROPANE SERVICE Rate 90

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#### Availability:

For the community of Hettinger for all domestic purposes. See Rate 100, §V.3, for definition on class of service.

#### Rate:

Delivery Service Charge:	\$0.6732 per day
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

Delivery Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas as defined in Cost of Gas - Propane Rate 99 or any amendments or alterations thereto. The cost of propane component is subject to change on a monthly basis.

#### General Terms and Conditions:

1. The Company may at its discretion and upon thirty days notice, disconnect service to a customer utilizing a second source of propane. Any customer so disconnected shall not be eligible for service hereunder for one year from date of disconnection and shall be subject to reconnection charges to restore service after the one-year period.
2. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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2<sup>nd</sup> Revised Sheet No. 34.1  
Cancelling 1<sup>st</sup> Revised Sheet No. 34.1

### FIRM GENERAL PROPANE SERVICE Rate 92

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#### General Terms and Conditions:

1. The Company may at its discretion and upon thirty days notice, disconnect service to a customer utilizing a second source of propane. Any customer so disconnected shall not be eligible for service hereunder for one year from date of disconnection and shall be subject to reconnection charges to restore service after the one-year period.
2. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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## State of North Dakota Gas Rate Schedule

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### COST OF GAS – PROPANE Rate 99

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2<sup>nd</sup> Revised Sheet No. 41.2  
Canceling 1<sup>st</sup> Revised Sheet No. 41.2

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(on a credit balance) for a carrying charge, which shall be the product of (i) and (ii) below:

- (i) The balance on Account 191 as of the end of the immediately preceding month, exclusive of carrying charges accrued pursuant to this Subsection (b)(2) and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.
- (ii) One-twelfth of the three-month Treasury Bill rate as published monthly by the Federal Reserve Board. The carrying charges shall be accrued in a supplementary Account 191 for each rate schedule, and carrying charges shall not be computed on the amounts in such supplementary account.

(c) Reduction of Amounts in Account 191:

- (1) The amounts in Account 191 shall be decreased each month by an amount determined by multiplying the currently effective surcharge adjustment included in rates for that month (as calculated in Section 4) by the dks sold during that month under each rate schedule. The account shall be increased in the event the adjustment is a negative amount.
- (2) The amount amortized each month shall be applied pro rata between the amounts in Account 191 specified in Subsections 5(a)(1) and (2) and the amounts in the supplementary Account 191 specified in Subsection 5(b)(2)(ii).

### 6. Market-Based Pricing Differential:

- (a) At the time of each surcharge adjustment pursuant to Paragraph 4 of Rate 88, the Company will compute a credit to residential and firm general service rates based on 50 percent of all distribution delivery charge revenues received from small interruptible sales and large interruptible sales customers in excess of the authorized minimum distribution delivery charge rate approved in the most recent general rate case.
- (b) The unit adjustment shall be determined by dividing the balance resulting under Subsection 6(a) by the residential and firm general service sales volumes estimated to be sold during the 12 months following the effective date of each adjustment.

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Original Sheet No. 41.3

### COST OF GAS – PROPANE Rate 99

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#### 7. Margin Sharing Mechanism:

At the time of each surcharge adjustment, pursuant to Paragraph 4 of Rate 88, the Company will compute a credit to Rates 90 and 92 based on 90 percent of the margin revenues collected from Grain Drying customers served under interruptible service rates. The adjustment will be determined as follows;

- (a) (1) The initial margin credit balance established in Case No. PU-13-\_\_
- (2) The monthly difference between the actual margin received, multiplied by 90 percent, and the actual margin credits reflected in rates based on the credit per unit established at the time of each surcharge adjustment.
- (b) The unit adjustment shall be determined by dividing the balance resulting in Subsection 7(a) by volumes estimated to be sold during the twelve months following the effective date of each adjustment under the rate schedules set forth in Paragraph 7.

#### 8. Time and Manner of Filing:

- (a) Montana-Dakota shall file each COG at least 10 days prior to the proposed effective date. Each filing by Montana-Dakota shall be made by means of revised COG sheets identifying the amounts of the adjustments and the resulting currently effective COG rates.
- (b) Each filing shall be accompanied by detailed computations, which clearly show the derivation of the relevant amounts, a concise statement of the reasons for any change and copies of any relevant material supporting costs claimed.

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Canceling 2<sup>nd</sup> Revised Sheet No. 42.10

### GENERAL PROVISIONS Rate 100

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the Company or a change in location covered by the guarantee agreement of thirty days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance, which the customer owes the Company. Upon termination of a guarantee contract, a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six-month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits with interest shall be refunded to customers at termination of service provided all billings for service have been paid. Deposits with interest will be refunded to all active customers, after the deposit has been held for twelve months, provided prompt payment record has been established.

#### 7. METERING AND MEASUREMENT:

(a) Company will meter the volume of natural gas delivered to customer at the delivery point. Such meter measurement will be conclusive upon both parties unless such meter is found to be inaccurate, in which case the quantity supplied to customer shall be determined by as correct an estimate as it is possible to make, taking into consideration the time of year, the schedule of customer's operations and other pertinent facts. Company will test meters in accordance with applicable state utility rules and regulations.

(b) Interruptible sales and transportation service customers agree to provide the cost of the installation of remote data acquisition equipment; as required, to the Company before service is implemented as provided for in the applicable rate schedule.

#### 8. MEASUREMENT UNIT FOR BILLING PURPOSES – The measurement unit for billing purposes shall be one (1) decatherm (dk), unless otherwise specified. Billing will be calculated to the nearest one-tenth (1/10) dk. One dk equals 10 therms or 1,000,000 Btu's. Dk's shall be calculated by the

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### GENERAL PROVISIONS Rate 100

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- (d) Priority 4 – Large interruptible sales at the maximum rate on a pro rata basis.
- (e) Priority 5 – Small interruptible transportation services from the highest rate to the lowest rate and on a pro rata basis where equal rates are applicable among customers.
- (f) Priority 6 – Large interruptible transportation services from the highest rate to the lowest rate and on a pro rata basis where equal rates are applicable among customers.
- (g) Priority 7 – Gas scheduled to clear imbalances.

Montana-Dakota shall have the right, in its sole discretion, to deviate from the above schedule when necessary for system operational reasons and if following the above schedule would cause an interruption in service to a customer who is not contributing to an operational problem on Montana-Dakota's system.

Montana-Dakota reserves the right to provide service to customers with lower priority while service to higher priority customers is being curtailed due to restrictions at a given delivery or receipt point. When such restrictions are eliminated, Montana-Dakota will reinstate sales and/or transportation of gas according to each customer's original priority.

11. LATE PAYMENT – Amounts billed will be considered past due if not paid by the due date shown on the bill. An amount equal to 1 percent per month will be applied to any unpaid balance existing at the immediate subsequent billing date, provided however, that such amount shall not apply where a bill is in dispute or a formal complaint is being processed. All payments received will apply to the customer's account prior to calculating the late payment charge. Those payments applied shall satisfy the oldest portion of the bill first.
12. RETURNED CHECK CHARGE – A charge of \$15.00 will be collected by the Company for each check charged back to the Company by a bank.
13. TAX CLAUSE – In addition to the charges provided for in the gas tariffs of the Company, there shall be charged pro rata amounts which, on an annual basis, shall be sufficient to yield to the Company the full amount of any sales,

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use or excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality, political subdivision, or other entity, for the privilege of conducting its utility operations therein.

The charges to be added to the customer's service bills under this clause shall be limited to the customers within the corporate limits of the municipality, political subdivision or other entity imposing the tax.

#### 14. UTILITY CUSTOMER SERVICES:

(a) The following services will be performed at no charge regardless of the time of performance:

- (1) Fire and explosions calls.
- (2) Investigate hazardous condition on customer premises, such as gas leaks, odor complaints, combustion gas fumes.
- (3) Maintenance or repair of Company-owned facilities on the customer's premises.

(b) The following service calls will be performed at no charge during the Company's normal business hours:

- (1) Cut-ins and cut-outs.
- (2) High bills or inadequate service complaints.
- (3) Location of underground Company facilities and customer-owned gas service lines for contractors, builders, plumbers, etc.

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### GENERAL PROVISIONS Rate 100

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15. UTILITY SERVICES PERFORMED AFTER NORMAL BUSINESS HOURS – For service requested by customers after the Company's normal business hours and on Saturday, Sunday, or legal holidays, a charge will be made for labor at standard overtime service rates and materials at retail prices.

Customers requesting service after the Company's normal business hours will be informed of the after hour service rate and encouraged to have the service performed during normal business hours.

16. NOTICE TO DISCONTINUE GAS SERVICE – Customers desiring to have their gas service disconnected shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal visit or telephone call to the Company's Customer Service Center. Saturdays, Sundays and legal holidays are not considered business days.

17. RECONNECTION FEE FOR SEASONAL OR TEMPORARY CUSTOMER – A customer who requests reconnection of service, during normal working hours, at a location where same customer discontinued the same service during the preceding 12-month period will be charged a reconnection fee as follows:

Residential - The Basic Service Charge applicable during the period while service was not being used or a minimum of \$30.00. The minimum will be based on standard overtime rates for reconnection of service after normal business hours.

Non-Residential – The Basic Service Charge applicable during the period while service was not being used. However, the reconnection charge applicable to seasonal business concerns such as irrigation, grain drying and asphalt processing shall be the Basic Service Charge applicable during the period while service was not being used less the Distribution Delivery Charge revenue collected during the period in-service. A minimum of \$30.00 will apply to reconnections occurring during normal

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### GENERAL PROVISIONS Rate 100

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business hours. The minimum will be based on standard overtime rates for reconnection of service occurring after normal business hours.

Transportation customers who cease service and then resume service within the succeeding 12 months shall be subject to a minimum reconnection charge of \$160.00 whenever reinstallation of the required remote data acquisition equipment is necessary.

18. DISCONNECTION OF SERVICE FOR NONPAYMENT OF BILLS – All amounts billed for service are due when rendered and will be considered delinquent if not paid by due date shown on the bill. If any customer shall become delinquent in the payment of amounts billed, such service may be discontinued by the Company under the applicable rules of the Commission. The Company may collect a fee of \$20.00 before restoring gas service, which has been disconnected for nonpayment of service bills during normal business hours. Standard overtime rates will apply for services performed after normal business hours.
19. DISCONNECTION OF SERVICE FOR CAUSES OTHER THAN NONPAYMENT OF BILLS – The Company reserves the right to discontinue service for any of the following reasons:
  - (a) In the event of customer use of equipment in such a manner as to adversely affect the Company's equipment or service to others.
  - (b) In the event of tampering with the equipment furnished and owned by the Company.
  - (c) For violation of or noncompliance with the Company's rules on file with the Commission.
  - (d) For failure of the customer to fulfill the contractual obligations imposed as conditions of obtaining service.

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### GENERAL PROVISIONS Rate 100

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- (e) For refusal of reasonable access to property to the agent or employee of the Company for the purpose of inspecting the facilities or for testing, reading, maintaining or removing meters.

The right to discontinue service for any of the above reasons may be exercised whenever and as often as such reasons may occur, and any delay on the part of the Company in exercising such rights, or omission of any action permissible hereunder, shall not be deemed a waiver of its rights to exercise same.

Nothing in these regulations shall be construed to prevent discontinuing service without advance notice for reasons of safety, health, cooperation with civil authorities, or fraudulent use, tampering with or destroying Company facilities.

The Company may collect a reconnect fee of \$30.00 before restoring gas service, which has been disconnected for the above causes.

20. UNAUTHORIZED USE OF SERVICE – Unauthorized use of service is defined as any deliberate interference such as tampering with a Company meter, pressure regulator, registration, connections, equipment, seals, procedures or records that result in a loss of revenue to the Company. Unauthorized service is also defined as reconnection of service that has been terminated, without the Company's consent.

- (a) Examples of unauthorized use of service include the following, but are not limited to:

- (1) Bypass piping around meter.
- (2) Bypass piping installed in place of meter.
- (3) Meter reversed.
- (4) Meter index disengaged or removed.
- (5) Service or equipment tampered with or piping connected ahead of meter.

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### GENERAL PROVISIONS Rate 100

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- (6) Tampering with meter or pressure regulator that affects the accurate registration of gas usage.
  - (7) Gas being used after service has been discontinued by the Company.
  - (8) Gas being used after service has been discontinued by the Company as a result of a new customer turning gas on without the proper connect request.
- (b) In the event that there has been unauthorized use of service, customer shall be charged for:
- (1) Time, material and transportation costs used in investigation.
  - (2) Estimated charge for non-metered gas.
  - (3) On-premise time to correct situation.
  - (4) Any damage to Company property.
- (c) Customer service so disconnected shall be reconnected after a customer has furnished satisfactory evidence of compliance with Company's rules and conditions of service, and paid all charges as hereinafter set forth in this procedure:
- (1) All delinquent bills, if any.
  - (2) The amount of any Company revenue loss attributable to said tampering.
  - (3) Expenses incurred by the Company in replacing or repairing the meter or other appliance costs incurred in preparation of the bill, plus costs as outlined in number 20.b above.
  - (4) Reconnection fee applicable.
  - (5) A cash deposit, the amount of which will not exceed the maximum amount determined in accordance with Commission Rules.
21. RATE FOR EMPLOYEES – A bill discount may be available for residential use only in a single family unit served by Montana-Dakota to qualifying employees and retirees of MDU Resources and its subsidiaries. The bill shall be computed at applicable rate and amount reduced by 33 1/3 percent.

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Effective Date:

Issued By: Tamie A. Aberle  
Director – Regulatory Affairs

Case No.: PU-13-\_\_



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
Original Sheet No. 42.18

### GENERAL PROVISIONS Rate 100

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Page 19 of 19

#### 22. SEE ALSO THE FOLLOWING RATES FOR SPECIAL PROVISIONS:

- Rate 105 – Gas Meter Test Program
- Rate 119 – Interruptible Gas Service Extension Policy
- Rate 120 – Firm Gas Service Extension Policy
- Rate 124 – Service Lines

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 44  
Cancelling Original Sheet No. 44

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Page 1 of 1

Reserved for Future Use

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 61  
Cancelling 1<sup>st</sup> Revised Sheet No. 61

### INTERRUPTIBLE GAS SERVICE EXTENSION POLICY Rate 119

Page 1 of 2

The policy of Montana-Dakota Utilities Co. for gas extensions necessary to provide interruptible sales or interruptible transportation service to customers is as follows:

#### 1. Contribution

- (a) Prior to construction, the customer shall contribute an amount equal to the total cost of construction including all gas main extensions, valves, service line(s), regulators, meters, any required payments made by the Company to the transmission pipeline to accommodate the extensions, and other costs as adjusted for federal and state income taxes. Remote data acquisition equipment costs shall be subject to the terms and conditions specified in the applicable interruptible service rate schedule.
- (b) The contribution shall be made by:
  - i. A one-time payment prior to construction, or
  - ii. The customer may post a bond, irrevocable letter of credit, or a written guarantee commitment in the amount of the total contribution required prior to construction. Such bond, issued by a bonding company authorized to do business in the state, or letter of credit, shall be effective for a five-year period commencing at the plant in service date, and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists for the subject project, the surety shall pay the Company for such contribution requirement, or
- (c) Upon completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be made.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 61.1  
Cancelling Original Sheet No. 61.1

### INTERRUPTIBLE GAS SERVICE EXTENSION POLICY Rate 119

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Page 2 of 2

#### 2. Refund

- (a) If within the five-year period from the extension(s) in service date, the total of the customer's contribution and actual margin paid to the Company equals or exceeds the total present value of the revenue requirement associated with the extension, Company shall refund the amount exceeding the revenue requirement on the following basis:
- i. Annually, beginning at the 2<sup>nd</sup> anniversary of the extension(s) in service date, the Company will refund to the customer, the amount exceeding the total present value of the revenue requirement at a rate of 50 percent of the current year margin associated with the customer's actual throughput.
  - ii. Customers who have posted a bond or letter of credit will be notified of any reduction in surety requirements based on the above calculation.
  - iii. No refunds will be made for amounts less than \$25.
- (b) Interest will be calculated annually by the Company on any refund amounts and shall be equal to the average commercial paper interest rate (A1/P1), not to exceed 12 percent per annum.
- (c) No refund shall be made by the Company after the five-year refund period has expired, and in no case shall the refund, excluding interest, exceed the amount of contribution made by the customer.
- (d) The Company and customer may enter into a contract providing for a refund mechanism based on customer meeting identified minimums on the basis of specific extension characteristics.

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Case No.: PU13-\_\_



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 62.1  
Cancelling Original Sheet No. 62.1

### FIRM GAS SERVICE EXTENSION POLICY Rate 120

Page 2 of 6

6. A refund will be made only when there is a reduction in the amount of contribution required within a five-year period from the extension(s) in service date. Interest will be calculated annually by the Company on any refund amounts and shall be equal to the average commercial paper interest rate (A1/P1), not to exceed 12 percent per annum.

No refund shall be made by Company after the five-year refund period and in no case shall the refund excluding interest, exceed the amount of the contribution.

7. The Company reserves the right to charge customer the cost associated with providing service to customer if service is not initiated within 12 months of such installation.

#### (B) Customer Extensions

Cost participation for extensions where customers will be immediately available for service is as follows:

##### 1. Contribution

- (a) When a contribution is required, the customer(s) shall pay the Company the portion of the capital expenditure not cost justified as determined in accordance with ¶ A.3.

- (b) The contribution shall be made by:

- i. A one-time payment prior to construction, or
- ii. Payment of 25 percent of the contribution prior to construction and the balance in no more than twenty-four equal monthly installments. If customer discontinues service within the twenty-four month period, the balance will be due and payable upon discontinuance of service, or
- iii. A minimum annual charge set forth in an agreement between customer and Company, or
- iv. Customer may post a bond or an irrevocable letter of credit in the amount of the required contribution prior to construction. Such bond, issued by a bonding company authorized to do business in the state,

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**Case No.:** PU-13-\_\_



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 62.2  
Cancelling Original Sheet No. 62.2

### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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Page 3 of 6

or letter of credit, shall be effective for the original five-year term and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists in the subject project based on a recalculated maximum expenditure, the surety or guarantor shall reimburse the Company for such recalculated contribution requirement.

- (c) Upon completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be made.
- (d) If within the five-year period from the extension(s) in service date, the number of active customers and related volumes exceeds the third-year projections, the Company shall recompute the contribution requirement by recalculating the maximum allowable investment.
- (e) The recalculated contribution requirement shall be collected from the new applicant(s).

#### 2. Refund

- (a) The Company will refund to the original contributor(s) the amount required to reduce their contribution to the recalculated contribution requirement. No refunds will be made for amounts less than \$25. Customers who have posted a bond or letter of credit will be notified of any reduction in surety requirements.
- (b) No refunds will be made until the new applicants begin taking service from the Company.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 62.4  
Cancelling Original Sheet No. 62.4

### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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Page 5 of 6

- (d) The net present value of the Surcharge will be treated as a contribution-in-aid of construction for accounting purposes.

#### (C) Developer Extensions

Cost participation may be required for extensions such as a subdivision or a mobile home court, in which a developer is installing roads, utilities, etc., before housing is built.

##### 1. Contribution

- (a) When a contribution is required, the developer shall pay the Company the portion of the capital expenditure not cost justified as determined in accordance with ¶A.3.
- (b) The contribution shall be made by:
- i. A one-time payment prior to construction, or
  - ii. Developer may post a bond or an irrevocable letter of credit in the amount of the required contribution prior to construction. Such bond, issued by a bonding company authorized to do business in the state or, letter of credit shall be effective for the original five-year term and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists in the subject project based on a recalculated maximum expenditure, the surety shall reimburse the Company for such recalculated contribution requirement.
- (c) Upon completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be made.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 62.5  
Cancelling Original Sheet No. 62.5

### **FIRM GAS SERVICE EXTENSION POLICY Rate 120**

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Page 6 of 6

#### 2. Refund

- (a) If within the five-year period from the extension(s) in service date, the number of active customers and related volumes exceeds the third-year projections, the Company shall recompute the contribution requirement by recalculating the maximum allowable investment. Such recalculation shall be done annually based upon the anniversary of the extension(s) in service date.
- (b) The Company will refund to the developer the amount required to reduce their contribution to the recalculated contribution requirement. No refunds will be made for amounts less than \$25. Developers who have posted a bond, or a letter of credit will be notified of any reduction in surety requirements.
- (c) If the addition of new customer(s) will increase the contribution required from the developer, the extension will be considered a new extension and treated separately.

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**Case No.:** PU-13-\_\_

# Tariffs Reflecting Proposed Changes



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 1  
Canceling 1<sup>st</sup> Revised Sheet No. 1

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September 19, 2007

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Vice President -  
Regulatory Affairs

Case No.: PU- 07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 2  
Canceling 1<sup>st</sup> Revised Sheet No. 2

### COMMUNITIES SERVED

#### NATURAL GAS SERVICE

##### Dakota Heartland Region

Apple Valley	Eldridge	Max	Steele
Barlow	Fort Totten	Medina	Surrey
Bismarck*	Garrison	Minot	Tappen
Burlington	Glen Ullin	New Rockford	Turtle Lake
Carrington	Grafton	New Salem	Underwood
Cavalier	Jamestown	Park River	Valley City
Cleveland	Langdon	Riverdale	Walhalla
Dawson	Lincoln	Ruthville	Washburn
Des Lacs	Linton	Sandborn	Wilton
Devils Lake	Mandan	Sheyenne	<u>Locations near</u> <u>Hankinson/Fairmont</u>

##### Badlands Region

Alexander	Gladstone	Palermo	Stanley
Arnegard	Golva	Ray	Taylor
Beach	Hebron	Regent	Tioga
Belfield	Killdeer	Rhame	Trenton
Berthold	Lefor	Richardton	Watford City
Bowman	Lignite	Ross	Wheelock
Dickinson*	Marmarth	Sentinel Butte	White Earth
East Fairview	Mott	Springbrook	Williston
Epping	New England	South Heart	

#### PROPANE SERVICE

##### Badlands Region

Hettinger

\*Designates Region Office

Date Filed: January 19, 2012

Effective Date: February 19, 2012

Issued By: Tamie A. Aberle  
Regulatory Affairs Manager

Case No.: PU-12-046



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4th Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2nd Revised Sheet No. 3.1  
Canceling 1st Revised Sheet No. 3.1

### RATE SUMMARY SHEET

Page 2 of 2

Miscellaneous Charges	Amount
Late Payment	1% per month
Returned Check	<del>\$10.00 per check</del> <u>\$15.00 per check</u>
Reconnection charge after termination for nonpayment -During normal business hours -After normal business hours	<del>\$12.00</del> <u>\$20.00</u> Current service labor rate per hour
Reconnection charge after termination for causes defined in Rate 100 ¶19 -During normal business hours -After normal business hours	\$30.00 Current service labor rate per hour
Reconnection charge applicable to seasonal or temporary customers -During normal business hours -After normal business hours	Basic Service Charge applicable during the period while service was not being used. Minimum- \$30.00 Minimum- Current service labor rate per hour
Reconnection charge applicable to transportation customers when remote data acquisition equipment must be reinstalled	\$160.00

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December 12, 2002

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Director of Regulatory Affairs

Case No.: PU-399-02-183



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 4  
Canceling 4<sup>th</sup> Revised Sheet No. 4

### RESIDENTIAL GAS SERVICE Rate 60

Page 1 of 1

#### Availability:

In all communities served for all domestic uses. See Rate 100, §V.3, for definition on class of service.

#### Rate:

~~Basic-Delivery Service Charge:~~ \$0.30-6732 per day

~~Distribution-Delivery Charge:~~ \$.812 per dk

Cost of Gas: Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

~~Basic-Delivery Service Charge.~~

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

#### ~~Distribution-Delivery Stabilization Mechanism:~~

~~Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution-Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.~~

#### General Terms and Conditions:

The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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Vice President -  
Regulatory Affairs

Case No.: PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
3<sup>rd</sup> Revised Sheet No. 7  
Canceling 2<sup>nd</sup> Revised Sheet No. 7

### AIR FORCE Rate 64

Page 1 of 2

#### Availability:

Minot Air Force Base near Minot, North Dakota, and the Perimeter Acquisition Radar (PAR) Site, near Concrete, North Dakota. The Air Force shall make an election of its requirements under each available service and such requirements shall be set forth in a service agreement with the Company.

#### Rate:

##### Basic Service Charge:

Minot Air Force Base	\$ <del>1,000</del> <u>2,000</u> .00 per month
Perimeter Acquisition Radar (PAR) Site	\$ <del>135</del> <u>175</u> .00 ___ per month

##### Distribution Delivery Charge:

Firm Service	\$ <del>.138</del> <u>.184</u> per dk
Interruptible Service	\$ <del>.120</del> <u>.146</u> per dk

##### Cost of Gas:

Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 13  
Cancelling 4<sup>th</sup> Revised Sheet No. 13

### FIRM GENERAL GAS SERVICE Rate 70

Page 1 of 2

#### Availability:

In all communities served for all purposes except for resale. See Rate 100, §3, for definition on class of service.

#### Rate:

##### Basic Service Charge:

For customers with meters rated under  
500 cubic feet per hour

~~\$0.52~~67 per day

For customers with meters rated over  
500 cubic feet per hour

~~\$1.75~~1.90 per day

##### Distribution Delivery Charge:

~~\$.59~~7617 per dk

##### Cost of Gas:

Determined Monthly- See  
Rate Summary Sheet for  
Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

#### Distribution Delivery Stabilization Mechanism:

Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.

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October 1, 2004

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Case No.: PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 14  
Canceling 4<sup>th</sup> Revised Sheet No. 14

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

Page 1 of 4

#### Availability:

In all communities served for all interruptible general gas service customers whose interruptible natural gas load will exceed an input rate of 2,500,000 Btu per hour, metered at a single delivery point and whose use of natural gas will not exceed 100,000 dk annually. The rates herein are applicable only to customer's interruptible load. Customer's firm natural gas requirements must be separately metered or specified in a firm service agreement. Customer's firm load shall be billed at Firm General Gas Service Rate 70. For interruptible purposes, the maximum daily firm requirement shall be set forth in the firm service agreement.

#### Rate:

Basic Service Charge:	\$ <del>100.00</del> 300.00 per month	
Distribution Delivery Charge:	<u>Maximum</u> \$ <del>871</del> 930 per dk	<u>Minimum</u> \$ <del>427</del> 486 per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate	

The Distribution Delivery Charge shall be set forth in the service agreement required as provided in the General Terms and Conditions for service. Such rate, as adjusted to reflect changes in the Cost of Gas, shall apply for the term of the agreement regardless of a change in the rates set forth above.

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

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Case No.: PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 14.2  
Canceling Original Sheet No. 14.2

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

Page 3 of 4

4. OBLIGATION TO NOTIFY COMPANY OF CHANGE IN DAILY OPERATIONS – Customer will be required as specified in the service agreement to notify Company of an anticipated change in daily operations. Failure to comply with requirements specified in the service agreement may result in the assessment of penalties to the customer equal to the penalty amounts Company must pay to the interconnecting pipeline caused by customer's action.

5. METERING REQUIREMENTS –Remote data acquisition equipment (telemetering equipment) required for daily measurement will be purchased and installed by the Company, at its sole discretion, prior to the initiation of service hereunder. The cost of the equipment and its installation shall be paid for by the customer. Such contribution in aid, as adjusted for federal and state income taxes, must be paid prior to the installation of such equipment unless otherwise agreed to by the Company. Such equipment will be maintained by the Company and will remain the sole property of the Company. Company may remove such equipment when service hereunder is terminated.

The customer shall may be required to provide and maintain, at no cost to Company, the following: a A 120 volt, 15 ampere, AC power supply, or other power source acceptable to the Company, and an acceptable telephone service available at customer's meter location(s). Customer agrees to provide and maintain, at no cost to the Company, any necessary telephone enhancements to assure Company of a quality telephone signal necessary to properly transmit data. The customer shall pay all charges for continuous electric and telephone service associated with the Company's connection of the remote data acquisition equipment. The services listed above shall be continuous, accessible to the Company, and be provided by the customer at no cost to the Company. Enhancements and/or modifications to these services may be required to ensure equipment functionality. Such enhancements or modifications shall be completed at the direction of the Company with all associated costs the customer's responsibility. Any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.

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Issued By: Donald R. Ball  
Assistant Vice President -  
Regulatory Affairs

Case No.: PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 14.2  
Canceling Original Sheet No. 14.2

### SMALL INTERRUPTIBLE GENERAL GAS SERVICE Rate 71

Page 4 of 4

Consultation between the customer and the Company regarding telemetering requirements shall occur prior to execution of the required service agreement. The telemetering requirement will be determined at the sole discretion of the Company based on customer requirements and location.

The Company reserves the right to charge for each service call to investigate, repair, ~~and/or reprogram~~ or reinstall the Company's ~~remote data acquisition~~ telemetering equipment when the service call is the result of a failure or change in the communication or power source services described above ~~provided by customer~~ or damage to Company's equipment.

6. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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**Issued By:** Donald R. Ball  
Assistant Vice President -  
Regulatory Affairs

**Case No.:** PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
6<sup>th</sup> Revised Sheet No. 15  
Canceling 5<sup>th</sup> Revised Sheet No. 15

### OPTIONAL SEASONAL GENERAL GAS SERVICE Rate 72

Page 1 of 2

#### Availability:

In all communities served for all purposes except for resale. See Rate 100, §V.3, for definition on class of service.

#### Rate:

##### Basic Service Charge:

For customers with meters rated  
under 500 cubic feet per hour

~~\$0.52-67~~ per day

For customers with meters rated  
over 500 cubic feet per hour

~~\$1.75~~1.90 per day

##### Distribution Delivery Charge:

~~\$.597-617~~ per dk

##### Cost of Gas:

Winter- Service rendered October 1 through May 31

Determined Monthly-  
See Rate Summary  
Sheet for Current Rate

Summer- Service rendered June 1 through  
September 30

Determined Monthly-  
See Rate Summary  
Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

Date Filed: June 29, 2012

Effective Date: Service rendered on and  
after August 1, 2012

Issued By: Tamie A. Aberle  
Regulatory Affairs Manager

Case No.: PU-12-452



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
4<sup>th</sup> Revised Sheet No. 24.1  
Canceling 3<sup>rd</sup> Revised Sheet No. 24.1

### TRANSPORTATION SERVICE Rates 81 and 82

Page 2 of 10

#### Rate:

Under Rate 81 or 82, customer shall pay the applicable Basic Service Charge plus a negotiated rate not more than the maximum rate or less than the minimum rate specified below. In the event customer also takes service under Rate 71 or Rate 85, the Basic Service Charge applicable under Rate 81 or Rate 82 shall be waived.

#### Basic Service Charge:

Rate 81 \$150,300.00 per month  
Rate 82 \$725,200.00 per month

	Rate 81	Rate 82
Maximum Rate per dk	\$ <u>0.427486</u>	\$ <u>0.298260</u>
Minimum Rate per dk	\$0.102	\$0.061
Balancing Charge per dk	\$0.300	\$0.300

#### Fuel Charge:

Applicable to all dk transported to customers located within the distribution system. Charge does not apply to transmission level customers. See Rate Summary Sheet for currently effective charge.

#### General Terms and Conditions:

1. **CRITERIA FOR SERVICE:** In order to receive the service, customer must qualify under one of the Company's applicable natural gas transportation service rates and comply with the general terms and conditions of the service provided herein. The customer is responsible for making all arrangements for transporting the gas from its source to the Company's interconnection with the delivering pipeline(s).

Date Filed: August 15, 2007

Effective Date: Service rendered on and after  
September 19, 2007

Issued By: Donald R. Ball  
Vice President -  
Regulatory Affairs

Case No.: PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 24.7  
Cancelling Original Sheet No. 24.7

### TRANSPORTATION SERVICE Rates 81 and 82

Page 8 of 10

#### 10. METERING REQUIREMENTS:

- a. Remote data acquisition equipment (telemetering equipment) required by the Company for daily measurement will be purchased and installed by the Company prior to the initiation of service hereunder. The cost of the equipment and its installation shall be paid for by the customer. Such contribution in aid, as adjusted for federal and state income taxes, must be paid prior to the installation of such equipment unless otherwise agreed to by the Company. Such equipment will be maintained by the Company and will remain the sole property of the Company. Company may remove such equipment when service hereunder is terminated.
  
- b. ~~The customer shall may be required to provide and maintain, at no cost to Company, the following: a-A 120 volt, 15 ampere, AC power supply; or other power source acceptable to the Company and an acceptable telephone service available at customer's meter location(s). Customer agrees to provide and maintain, at no cost to the Company, any necessary telephone enhancements to assure Company of a quality telephone signal necessary to properly transmit data. The customer shall pay all charges for continuous electric and telephone service associated with the Company's connection of the remote data acquisition equipment, and The services listed above shall be continuous, accessible to the Company, and be provided by the Customer at no cost to the Company. Enhancements and/or modifications to these services may be required to ensure equipment functionality. Such enhancements or modifications shall be completed at the direction of the Company with all associated costs the Customer's responsibility. Any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.~~

Consultation between the customer and the Company regarding telemetering requirements shall occur prior to execution of the required service agreement. The telemetering requirement will be determined at the sole discretion of the Company based on customer requirements and locations.

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Date Filed:	September 22, 2004	Effective Date:	Service rendered on and after October 1, 2004
Issued By:	Donald R. Ball Assistant Vice President - Regulatory Affairs	Case No.:	PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 24.8

### TRANSPORTATION SERVICE Rates 81 and 82

Page 9 of 10

- c. The Company reserves the right to charge for each service call to investigate, repair, ~~and/or reprogram~~ or reinstall the Company's remote data acquisition ~~telemetering~~ equipment when the service call is the result of a failure or change in the communication or power source services described above ~~provided by customer or damage to Company's equipment.~~

#### 11. DAILY NOMINATION REQUIREMENTS:

- a. Customer or customer's shipper or agent shall advise Company's gas nominations center, by 11:30 a.m. Central Clock Time, of the dk requirements customer has requested to be delivered at each delivery point the following day. Customer's daily nomination shall be its best estimate of the expected utilization for the gas day. Unless other arrangements are made, customer will be required to nominate for the non-business days involved prior to weekends and holidays.
- b. All nominations should include shipper and/or agent defined begin and end dates. Shippers and/or agents may nominate for periods longer than 1 day, provided the nomination begin and end dates are within the term of the service agreement.
- c. The Company has the sole right to refuse receipt of any volumes which exceed the maximum daily contract quantity and at no time shall the Company be required to accept quantities of gas for a customer in excess of the quantities of gas to be delivered to customer. If total nominated receipts exceed total deliveries at receipt points where more than one customer is receiving service, nominations will be allocated on a pro rata basis.
- d. At no time shall Company have the responsibility to deliver gas in excess of customer's nomination.
- e. In the event that more than one customer is receiving gas from the same shipper and/or agent at the same receipt point, any reduction in nominated volumes will be allocated on a pro rata basis, unless Company and shipper(s) and/or agent(s) have agreed to a predetermined allocation procedure.

<b>Date Filed:</b>	December 13, 2002	<b>Effective Date:</b>	Service rendered on and after December 12, 2002
<b>Issued By:</b>	Donald R. Ball Director of Regulatory Affairs	<b>Case No.:</b>	PU-399-02-183



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 27  
Canceling 1<sup>st</sup> Revised Sheet No. 27

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

Page 1 of 3

#### Availability:

In all communities served for all interruptible general gas service customers whose interruptible natural gas load will exceed 100,000 dk annually as metered at a single delivery point. The rates herein are applicable only to customer's interruptible load. Customer's firm natural gas requirements must be separately metered or specified in a firm service agreement. Customer's firm load shall be billed at Firm General Gas Service Rate 70. For interruption purposes, the maximum daily firm requirement shall be set forth in the firm service agreement.

This rate schedule shall not apply for service to U.S. Government installations, which are covered by separate special contracts.

The Company reserves the right to refuse the initiation of service under this rate schedule based on the availability of gas supply.

#### Rate:

Basic Service Charge:	<del>\$675.00</del> <u>2,200.00</u> per month	
Distribution Delivery Charge:	<u>Maximum</u> <del>\$ .719</del> <u>.681</u> per dk	<u>Minimum</u> <del>\$ .298</del> <u>.260</u> per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate	

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The cost of gas component is subject to change on a monthly basis.

Date Filed:	August 15, 2007	Effective Date:	Service rendered on and after September 19, 2007
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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 27.2

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

Page 3 of 4

4. OBLIGATION TO NOTIFY COMPANY OF CHANGE IN DAILY OPERATIONS - Customer will be required as specified in the service agreement to notify Company of an anticipated change in daily operations. Failure to comply with requirements specified in the service agreement may result in the assessment of penalties to the customer equal to the penalty amounts Company must pay to the interconnecting pipeline caused by customer's action.
5. METERING REQUIREMENTS –Remote data acquisition equipment (telemetering equipment) required for daily measurement will be installed by the Company, ~~at its sole discretion,~~ prior to the initiation of service hereunder. The cost of the equipment and its installation shall be paid for by the customer. Such contribution in aid, as adjusted for federal and state income taxes, must be paid prior to the installation of such equipment unless otherwise agreed to by the Company. Such equipment will be maintained by the Company and will remain the sole property of the Company. Company may remove such equipment when service hereunder is terminated.

~~The customer shall~~ may be required to provide and maintain, at no cost to Company, ~~the following:~~ a-A 120 volt, 15 ampere, AC power supply, ~~or other power source acceptable to the Company, and an acceptable telephone service available at customer's meter location(s). Customer agrees to provide and maintain, at no cost to the Company, any necessary telephone enhancements to assure Company of a quality telephone signal necessary to properly transmit data. The customer shall pay all charges for continuous electric and telephone service associated with the Company's connection of the electronic measurement equipment, and~~ The services listed above shall be continuous, accessible to the Company, and be provided by the customer at no cost to the Company. Enhancements and/or modifications to these services may be required to ensure equipment functionality. Such enhancements or modifications shall be completed at the direction of the Company with all associated costs the customer's responsibility. Any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.

Consultation between the customer and the Company regarding telemetering requirements shall occur prior to execution of the required service agreement.

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 27.2

### LARGE INTERRUPTIBLE GENERAL GAS SERVICE Rate 85

Page 4 of 4

The telemetering requirement will be determined at the sole discretion of the Company based on customer requirements and location.

The Company reserves the right to charge for each service call to investigate, repair, and/or reprogram or reinstall the Company's ~~remote data acquisition~~ telemetering equipment when the service call is the result of a failure or change in the communication or power source services described above ~~provided by customer~~ or damage to Company's equipment.

6. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

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<b>Date Filed:</b>	December 13, 2002	<b>Effective Date:</b>	Service rendered on and after December 12, 2002
<b>Issued By:</b>	Donald R. Ball Director of Regulatory Affairs	<b>Case No.:</b>	PU-399-02-183



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 29

### DISTRIBUTION DELIVERY STABILIZATION MECHANISM Rate 87

Page 1 of 2

#### Applicability:

This rate schedule represents a Distribution Delivery Stabilization Mechanism (DDSM) and specifies the procedure to be utilized to correct for the over/under collection of distribution delivery charge revenues due to weather fluctuations during the billing period from November 1 through May 1. Service provided under the Company's ~~Residential Rates 60 and 90 and Firm General Service Rates 70 and 92~~ shall be subject to decreases or increases under the DDSM.

#### Distribution Delivery Stabilization Mechanism:

A DDSM will be determined for each customer taking service under ~~Residential Service Rates 60 and 90 and Firm General Service Rates 70 and 92~~ beginning with the first billing cycle starting November 1 through the billing cycle ending May 1. The DDSM adjustment will be applied on a real-time basis as a surcharge or credit on all rate schedules to which the DDSM is applicable to the customers' bills issued each month during the weather adjustment period of November 1 through May 1.

#### DDSM Adjustment Calculation:

The DDSM Adjustment shall be determined for each customer taking service under ~~Residential Rates 60 or 90 or Firm General Services Rate 70 or 92~~. In order to calculate the respective DDSM adjustment, the ratio of the normal HDDs as compared to the actual HDDs will be determined and multiplied by the temperature sensitive consumption per customer per HDD. The resulting product shall be multiplied by the applicable Distribution Delivery Charge rate per dk.

$$DDSM_i = R_i (DDF_i ((NDD-ADD)/ADD))$$

Where:

DDSM <sub>i</sub>	=	Distribution Delivery Stabilization Adjustment
i	=	Customer served under Rate Schedules <del>60, 70, 90 or 92</del>
R <sub>i</sub>	=	Applicable Distribution Delivery Charge per dk
DDF <sub>i</sub>	=	Temperature sensitive use per customer
NDD	=	Normal degree days for the applicable bill cycle
ADD	=	Actual heating degree days for the applicable bill cycle

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Assistant Vice President -  
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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 29.1

### DISTRIBUTION DELIVERY STABILIZATION MECHANISM Rate 87

Page 2 of 2

#### Definitions:

Heating Degree Days	-	The difference between the average of the daily high and low temperatures subtracted from 60 degrees Fahrenheit. The deviation between the average daily temperatures and 60 degrees Fahrenheit.
Normal Degree Days	-	The heating degree days based on the 30-year average for the period 1970-2000. actual degree days.
Temperature Sensitive Use per Customer	-	Customer's actual use less the base use per customer per day, denoted below, multiplied by days in the billing period. Residential Rate Code 60 = .06106 Residential Rate Code 90 = .03177 Firm General Service Rate Code 700 = .0831304132 Firm General Service Rate Code 701 = .8738773346 Firm General Service Rate Code 920 = .0813902425 Firm General Service Rate Code 921 = .739842.92037
Actual Degree Days	-	The actual degree days reported by the National Weather Service Stations for applicable service areas in North Dakota.

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Assistant Vice President -  
Regulatory Affairs

Case No.: PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 30.4  
Canceling Original Sheet No. 30.4

### COST OF GAS – NATURAL GAS Rate 88

Page 5 of 6

Each month, Account 191 shall be debited (if the balance in said account is a debit balance) and shall be credited (if the balance in said account is a credit balance) for a carrying charge; which shall be the product of (i) and (ii) below:

- (i) The balance in Account 191 as of the end of the immediately preceding month, exclusive of carrying charges accrued pursuant to this Subsection (b)(2) and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.
- (ii) One-twelfth of the annual interest rate as set forth in this Subsection (b)(2). The carrying charges shall be accrued in a supplementary Account 191 for each rate schedule, and carrying charges shall not be computed on the amounts in such supplementary account.

(c) Reduction of Amounts in Account 191:

- (1) The amounts in Account 191 shall be decreased each month by an amount determined by multiplying the currently effective surcharge adjustment included in rates for that month (as calculated in Section 4) by the dks sold during that month under each rate schedule. The account shall be increased in the event the adjustment is a negative amount.
- (2) The amount amortized each month shall be applied pro rata between the amounts in Account 191 specified in Subsections 5(a)(1), (2), (3) and (5) and the amounts in the supplementary Account 191 specified in Subsection 5(a)(4).

#### 6. Market-Based Pricing Differential:

- (a) At the time of each surcharge adjustment, the Company will compute a credit to residential and firm general service rates based on 50 percent% of all distribution delivery charge revenues received from small interruptible sales and large interruptible sales customers in excess of the authorized minimum distribution delivery charge rate approved in the most recent general rate case.

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<b>Issued By:</b>	Donald R. Ball Vice President - Regulatory Affairs	<b>Case No.:</b>	PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No.30.5  
Canceling Original Sheet No. 30.5

### COST OF GAS – NATURAL GAS Rate 88

Page 6 of 6

- (b) The unit adjustment shall be determined by dividing the balance resulting under Subsection 6(a) by the residential and firm general service sales volumes estimated to be sold during the 12 months following the effective date of each adjustment.

#### **7. Margin Sharing Mechanism:**

At the time of each surcharge adjustment, pursuant to Paragraph 4, the Company will compute a credit to Rates 60, 70, 71, and 72 based on 90 percent of the margin revenues collected from Grain Drying customers served under interruptible service rates. The adjustment will be determined as follows;

- (a) (1) The initial margin credit balance shall be established in Case No. PU-13-  
—
- (2) The monthly difference between the actual margin revenues received, multiplied by 90 percent, and the actual margin credits reflected in rates based on the credit per unit established at the time of each surcharge adjustment.
- (b) The unit adjustment shall be determined by dividing the balance resulting in Subsection 7(a) by volumes estimated to be sold during the twelve months following the effective date of each adjustment under the rate schedules set forth in Paragraph 7.

#### **78. Time and Manner of Filing:**

- (a) Montana-Dakota shall file to change the COG at least 20 days prior to the proposed effective date. Each filing by Montana-Dakota shall be made by means of revised COG sheets identifying the amounts of the adjustments and the resulting currently effective COG rates.
- (b) Each filing shall be accompanied by detailed computations, which clearly show the derivation of the relevant amounts, a concise statement of the reasons for any change and copies of any relevant pipeline tariff sheets supporting costs claimed.

**Date Filed:** August 15, 2007

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Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 32  
Canceling 4<sup>th</sup> Revised Sheet No. 32

### RESIDENTIAL PROPANE SERVICE Rate 90

Page 1 of 2

#### Availability:

For the community of Hettinger for all domestic purposes. See Rate 100, §V.3, for definition on class of service.

#### Rate:

<del>Basic-Delivery</del> Service Charge:	\$0.30-6732 per day
<del>Distribution-Delivery</del> Charge:	\$-.812 per dk
Cost of Gas:	Determined Monthly- See Rate Summary Sheet for Current Rate

#### Minimum Bill:

| ~~Basic-Delivery~~ Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of gas as defined in Cost of Gas - Propane Rate 99 or any amendments or alterations thereto. The cost of propane component is subject to change on a monthly basis.

#### ~~Distribution-Delivery Stabilization Mechanism:~~

~~Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution-Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.~~

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
5<sup>th</sup> Revised Sheet No. 34  
Canceling 4<sup>th</sup> Revised Sheet No. 34

### FIRM GENERAL PROPANE SERVICE Rate 92

Page 1 of 2

#### Availability:

For the community of Hettinger for all purposes except for resale. See Rate 100, §V.3, for definition on class of service.

#### Rate:

##### Basic Service Charge:

For customers with meters rated  
under 500 cubic feet per hour

~~\$0.52-67~~ per day

For customers with meters rated  
over 500 cubic feet per hour

~~\$1.75-90~~ per day

##### Distribution Delivery Charge:

~~\$.597-617~~ per dk

##### Cost of Gas:

Determined Monthly- See Rate  
Summary Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.11, or any amendments or alterations thereto.

#### Cost of Gas:

The cost of propane as defined in Cost of Gas - Propane Rate 99 or any amendments or alterations thereto. The cost of propane component is subject to change on a monthly basis.

#### Distribution Delivery Stabilization Mechanism:

Service under this rate schedule is subject to an adjustment for the effects of weather in accordance with the Distribution Delivery Stabilization Mechanism Rate 87 or any amendments or alterations thereto.

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Vice President -  
Regulatory Affairs

Case No.: PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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### COST OF GAS – PROPANE Rate 99

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NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 41.2  
Canceling Original Sheet No. 41.2

Page 3 of 4

(on a credit balance) for a carrying charge, which shall be the product of (i) and (ii) below:

- (i) The balance on Account 191 as of the end of the immediately preceding month, exclusive of carrying charges accrued pursuant to this Subsection (b)(2) and net of the related deferred tax amounts in Accounts 283 or 190, as appropriate.
- (ii) One-twelfth of the three-month Treasury Bill rate as published monthly by the Federal Reserve Board. The carrying charges shall be accrued in a supplementary Account 191 for each rate schedule, and carrying charges shall not be computed on the amounts in such supplementary account.

(c) Reduction of Amounts in Account 191:

- (1) The amounts in Account 191 shall be decreased each month by an amount determined by multiplying the currently effective surcharge adjustment included in rates for that month (as calculated in Section 4) by the dks sold during that month under each rate schedule. The account shall be increased in the event the adjustment is a negative amount.
- (2) The amount amortized each month shall be applied pro rata between the amounts in Account 191 specified in Subsections 5(a)(1) and (2) and the amounts in the supplementary Account 191 specified in Subsection 5(b)(2)(ii).

### 6. Market-Based Pricing Differential:

(a) At the time of each surcharge adjustment pursuant to Paragraph 4 of Rate 88, the Company will compute a credit to residential and firm general service rates based on 50 percent of all distribution delivery charge revenues received from small interruptible sales and large interruptible sales customers in excess of the authorized minimum distribution delivery charge rate approved in the most recent general rate case.

(b) The unit adjustment shall be determined by dividing the balance resulting under Subsection 6(a) by the residential and firm general service sales volumes estimated to be sold during the 12 months following the effective date of each adjustment.

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Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

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**COST OF GAS – PROPANE Rate 99**

NDPSC Volume 7  
1<sup>st</sup> Revised Sheet No. 41.2  
Canceling Original Sheet No. 41.2

Page 4 of 4

### **7. Margin Sharing Mechanism:**

At the time of each surcharge adjustment, pursuant to Paragraph 4 of Rate 88, the Company will compute a credit to Rates 90 and 92 based on 90 percent of the margin revenues collected from Grain Drying customers served under interruptible service rates. The adjustment will be determined as follows:

- (a) (1) The initial margin credit balance established in Case No. PU-13-
- (2) The monthly difference between the actual margin received, multiplied by 90 percent, and the actual margin credits reflected in rates based on the credit per unit established at the time of each surcharge adjustment.
- (b) The unit adjustment shall be determined by dividing the balance resulting in Subsection 7(a) by volumes estimated to be sold during the twelve months following the effective date of each adjustment under the rate schedules set forth in Paragraph 7.

### **6. 8. Time and Manner of Filing:**

- (a) Montana-Dakota shall file each COG at least 10 days prior to the proposed effective date. Each filing by Montana-Dakota shall be made by means of revised COG sheets identifying the amounts of the adjustments and the resulting currently effective COG rates.
- (b) Each filing shall be accompanied by detailed computations, which clearly show the derivation of the relevant amounts, a concise statement of the reasons for any change and copies of any relevant material supporting costs claimed.

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Vice President -  
Regulatory Affairs

**Case No.:** PU-07-618



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
2<sup>nd</sup> Revised Sheet No. 42.10  
Canceling 1<sup>st</sup> Revised Sheet No. 42.10

### GENERAL PROVISIONS Rate 100

Page 11 of 18

the Company or a change in location covered by the guarantee agreement of thirty days after written request for termination is made to the utility by the guarantor. However, no agreement shall be terminated without the customer having made satisfactory settlement for any balance, which the customer owes the Company. Upon termination of a guarantee contract, a new contract or a cash deposit may be required by the Company.

A deposit shall earn interest at the rate paid by the Bank of North Dakota on a six-month certificate of deposit as of the first business day of each year. Interest shall be credited to the customer's account annually during the month of December.

Deposits with interest shall be refunded to customers at termination of service provided all billings for service have been paid. Deposits with interest will be refunded to all active customers, after the deposit has been held for twelve months, provided prompt payment record has been established.

#### 7. METERING AND MEASUREMENT:

(a) Company will meter the volume of natural gas delivered to customer at the delivery point. Such meter measurement will be conclusive upon both parties unless such meter is found to be inaccurate, in which case the quantity supplied to customer shall be determined by as correct an estimate as it is possible to make, taking into consideration the time of year, the schedule of customer's operations and other pertinent facts. Company will test meters in accordance with applicable state utility rules and regulations.

(b) ~~Transportation-Interruptible sales and transportation service customers agree to provide the cost of the installation of remote data acquisition equipment; as required, to the Company before transportation service is implemented as provided for in the applicable rate schedule.~~

#### 8. MEASUREMENT UNIT FOR BILLING PURPOSES – The measurement unit for billing purposes shall be one (1) decatherm (dk), unless otherwise specified. Billing will be calculated to the nearest one-tenth (1/10) dk. One dk equals 10 therms or 1,000,000 Btu's. Dk's shall be calculated by the

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Assistant Vice President -  
Regulatory Affairs

Case No.: PU-04-97



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7

2<sup>nd</sup> Revised Sheet No. 42.12

Canceling 1<sup>st</sup> Revised Sheet No. 42.12

### GENERAL PROVISIONS Rate 100

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- (d) Priority 4 – Large interruptible sales at the maximum rate on a pro rata basis.
- (e) Priority 5 – Small interruptible transportation services from the highest rate to the lowest rate and on a pro rata basis where equal rates are applicable among customers.
- (f) Priority 6 – Large interruptible transportation services from the highest rate to the lowest rate and on a pro rata basis where equal rates are applicable among customers.
- (g) Priority 7 – Gas scheduled to clear imbalances.

Montana-Dakota shall have the right, in its sole discretion, to deviate from the above schedule when necessary for system operational reasons and if following the above schedule would cause an interruption in service to a customer who is not contributing to an operational problem on Montana-Dakota's system.

Montana-Dakota reserves the right to provide service to customers with lower priority while service to higher priority customers is being curtailed due to restrictions at a given delivery or receipt point. When such restrictions are eliminated, Montana-Dakota will reinstate sales and/or transportation of gas according to each customer's original priority.

- 11. LATE PAYMENT – Amounts billed will be considered past due if not paid by the due date shown on the bill. An amount equal to 1 percent% per month will be applied to any unpaid balance existing at the immediate subsequent billing date, provided however, that such amount shall not apply where a bill is in dispute or a formal complaint is being processed. All payments received will apply to the customer's account prior to calculating the late payment charge. Those payments applied shall satisfy the oldest portion of the bill first.
- 12. RETURNED CHECK CHARGE – A charge of \$~~150~~.00 will be collected by the Company for each check charged back to the Company by a bank.
- 13. TAX CLAUSE – In addition to the charges provided for in the gas tariffs of the Company, there shall be charged pro rata amounts which, on an annual basis, shall be sufficient to yield to the Company the full amount of any sales,

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A Division of MDU Resources Group, Inc.

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use or excise taxes, whether they be denominated as license taxes, occupation taxes, business taxes, privilege taxes, or otherwise, levied against or imposed upon the Company by any municipality, political subdivision, or other entity, for the privilege of conducting its utility operations therein.

The charges to be added to the customer's service bills under this clause shall be limited to the customers within the corporate limits of the municipality, political subdivision or other entity imposing the tax.

#### 14. UTILITY CUSTOMER SERVICES:

(a) The following services will be performed at no charge regardless of the time of performance:

- (1) Fire and explosions calls.
- (2) Investigate hazardous condition on customer premises, such as gas leaks, odor complaints, combustion gas fumes.
- (3) Maintenance or repair of Company-owned facilities on the customer's premises.

(b) The following service calls will be performed at no charge during the Company's normal business hours:

- (1) Cut-ins and cut-outs.
- ~~(2) Lighting pilots, inspecting, and adjusting gas equipment in connection with establishing service when working cut-in orders.~~
- ~~(3) High bills or inadequate service complaints.~~
- ~~(4) Location of underground Company facilities and customer-owned gas service lines for contractors, builders, plumbers, etc.~~

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Bismarck, ND 58501

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15. UTILITY SERVICES PERFORMED AFTER NORMAL BUSINESS HOURS – For service requested by customers after the Company’s normal business hours and on Saturday, Sunday, or legal holidays, a charge will be made for labor at standard overtime service rates and materials at retail prices.

Customers requesting service after the Company’s normal business hours will be informed of the after hour service rate and encouraged to have the service performed during normal business hours.

16. NOTICE TO DISCONTINUE GAS SERVICE – Customers desiring to have their gas service disconnected shall notify the Company during regular business hours, one business day before service is to be disconnected. Such notice shall be by letter, personal visit or telephone call to the Company’s local business office, in communities which an office is maintained. In other communities such notice shall be given to the Company’s representative who services the community or to the nearest business office Customer Service Center. Saturdays, Sundays and legal holidays are not considered business days.

17. RECONNECTION FEE FOR SEASONAL OR TEMPORARY CUSTOMER – A customer who requests reconnection of service, during normal working hours, at a location where same customer discontinued the same service during the preceding 12-month period will be charged a reconnection fee as follows:

Residential - The Basic Service Charge applicable during the period while service was not being used or a minimum of \$30.00. The minimum will be based on standard overtime rates for reconnection of service after normal business hours.

Non-Residential – The Basic Service Charge applicable during the period while service was not being used. However, the reconnection charge applicable to seasonal business concerns such as irrigation, grain drying and asphalt processing shall be the Basic Service Charge applicable during the period while service was not being used less the Distribution Delivery Charge revenue collected during the period in-service. A minimum of \$30.00 will apply to reconnections occurring during normal

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

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business hours. The minimum will be based on standard overtime rates for reconnection of service occurring after normal business hours.

Transportation customers who cease service and then resume service within the succeeding 12 months shall be subject to a minimum reconnection charge of \$160.00 whenever reinstallation of the required remote data acquisition equipment is necessary.

18. DISCONNECTION OF SERVICE FOR NONPAYMENT OF BILLS – All amounts billed for service are due when rendered and will be considered delinquent if not paid by due date shown on the bill. If any customer shall become delinquent in the payment of amounts billed, such service may be discontinued by the Company under the applicable rules of the Commission. The Company may collect a fee of \$1220.00 before restoring gas service, which has been disconnected for nonpayment of service bills during normal business hours. Standard overtime rates will apply for services performed after normal business hours.
19. DISCONNECTION OF SERVICE FOR CAUSES OTHER THAN NONPAYMENT OF BILLS – The Company reserves the right to discontinue service for any of the following reasons:
  - (a) In the event of customer use of equipment in such a manner as to adversely affect the Company's equipment or service to others.
  - (b) In the event of tampering with the equipment furnished and owned by the Company.
  - (c) For violation of or noncompliance with the Company's rules on file with the Commission.
  - (d) For failure of the customer to fulfill the contractual obligations imposed as conditions of obtaining service.

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A Division of MDU Resources Group, Inc.

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- (e) For refusal of reasonable access to property to the agent or employee of the Company for the purpose of inspecting the facilities or for testing, reading, maintaining or removing meters.

The right to discontinue service for any of the above reasons may be exercised whenever and as often as such reasons may occur, and any delay on the part of the Company in exercising such rights, or omission of any action permissible hereunder, shall not be deemed a waiver of its rights to exercise same.

Nothing in these regulations shall be construed to prevent discontinuing service without advance notice for reasons of safety, health, cooperation with civil authorities, or fraudulent use, tampering with or destroying Company facilities.

The Company may collect a reconnect fee of \$~~1230~~.00 before restoring gas service, which has been disconnected for the above causes.

20. UNAUTHORIZED USE OF SERVICE – Unauthorized use of service is defined as any deliberate interference such as tampering with a Company meter, pressure regulator, registration, connections, equipment, seals, procedures or records that result in a loss of revenue to the Company. Unauthorized service is also defined as reconnection of service that has been terminated, without the Company's consent.

- (a) Examples of unauthorized use of service include the following, but are not limited to:

- (1) Bypass piping around meter.
- (2) Bypass piping installed in place of meter.
- (3) Meter reversed.
- (4) Meter index disengaged or removed.
- (5) Service or equipment tampered with or piping connected ahead of meter.

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- (6) Tampering with meter or pressure regulator that affects the accurate registration of gas usage.
- (7) Gas being used after service has been discontinued by the Company.
- (8) Gas being used after service has been discontinued by the Company as a result of a new customer turning gas on without the proper connect request.

(b) In the event that there has been unauthorized use of service, customer shall be charged for:

- (1) Time, material and transportation costs used in investigation.
- (2) Estimated charge for non-metered gas.
- (3) On-premise time to correct situation.
- (4) Any damage to Company property.

(c) Customer service so disconnected shall be reconnected after a customer has furnished satisfactory evidence of compliance with Company's rules and conditions of service, and paid all charges as hereinafter set forth in this procedure.

- (1) All delinquent bills, if any.
- (2) The amount of any Company revenue loss attributable to said tampering.
- (3) Expenses incurred by the Company in replacing or repairing the meter or other appliance costs incurred in preparation of the bill, plus costs as outlined in number 20.b above.
- (4) Reconnection fee applicable.
- (5) A cash deposit, the amount of which will not exceed the maximum amount determined in accordance with Commission Rules.

21. RATE FOR EMPLOYEES – A bill discount may be available for residential use only in a single family unit served by Montana-Dakota to qualifying employees and retirees of MDU Resources and its subsidiaries. The bill shall be computed at applicable rate and amount reduced by 33 1/3 percent.

21.22. SEE ALSO THE FOLLOWING RATES FOR SPECIAL PROVISIONS:

Rate 102 – Residential Rate for Regular Employees

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Rate 105 – Gas Meter Test Program  
Rate 119 – Interruptible Gas Service Extension Policy  
Rate 120 – Firm Gas Service Extension Policy  
Rate 124 – Service Lines

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### ~~RESIDENTIAL GAS SERVICE FOR REGULAR EMPLOYEES~~ ~~Rate 102~~

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~~The bill for residential gas service for regular employees of Montana-Dakota Utilities Co., MDU Resources Group, Inc., and all wholly owned subsidiaries of MDU Resources Group, Inc., shall be computed at the applicable rates and the amount reduced by 33-1/3%. This is available only for residential use, in a single family unit, served by the Company to a regular employee who has been continuously employed at least six months and is the principal support of the household in which employee resides, or is the spouse of the principal support.~~

Reserved for Future Use

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.  
400 N 4<sup>th</sup> Street  
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### INTERRUPTIBLE GAS SERVICE EXTENSION POLICY Rate 119

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The policy of Montana-Dakota Utilities Co. for gas extensions necessary to provide interruptible sales or interruptible transportation service to customers is as follows:

#### 1. Contribution

(a) Prior to construction, the customer shall contribute an amount equal to the total cost of construction including all gas main extensions, valves, service line(s), regulators, meters (~~excluding remote data acquisition equipment~~), any required payments made by the Company to the transmission pipeline to accommodate the extensions, and other costs as adjusted for federal and state income taxes. Remote data acquisition equipment cost's shall be subject to the terms and conditions specified in the applicable interruptible service rate schedule.

(b) The contribution shall be made by:

- i. A one-time payment prior to construction or,
- ii. The customer may post a bond, irrevocable letter of credit, or a written guarantee commitment in the amount of the total contribution required prior to construction. Such bond, issued by a bonding company authorized to do business in the state, or letter of credit, or written guarantee commitment, shall be effective for a five-year period commencing at the plant in service date, and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists for the subject project, the surety ~~or guarantor~~ shall pay the Company for such contribution requirement, or
- iii. ~~Customer, upon approval by Company, may finance the amount of the required contribution subject to the following conditions: 1) maximum contribution to be financed shall be determined by the Company at its sole discretion, 2) maximum term shall be five years, 3) interest will be charged at the Company's incremental weighted cost of capital.~~

(c) Upon Completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be

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### INTERRUPTIBLE GAS SERVICE EXTENSION POLICY Rate 119

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~~made. Remote data acquisition equipment costs shall be subject to the terms and conditions specified in Transportation Service Rates 81 and 82.~~

#### 2. Refund

(a) If within the five-year period from the extension(s) in service date, the total of the customer's contribution and actual margin paid to the Company equals or exceeds the total present value of the revenue requirement associated with the extension, Company shall refund the amount exceeding the revenue requirement on the following basis:

- i. Annually, beginning at the 2<sup>nd</sup> anniversary of the extension(s) in service date, the Company will refund to the customer, the amount exceeding the total present value of the revenue requirement at a rate of 50% of the current year margin associated with the customer's actual throughput.
- ii. ~~Customers who have posted a bond or letter of credit, or a written guarantee commitment will be notified of any reduction in surety or guarantee requirements based on the above calculation.~~
- iii. No refunds will be made for amounts less than \$25.

(b) Interest will be calculated annually by the Company on any refund amounts and shall be equal to the average commercial paper interest rate (A1/P1), not to exceed 12 percent per annum.

~~(c)~~ No refund shall be made by the Company after the five-year refund period has expired, and in no case shall the refund, excluding interest, exceed the amount of contribution made by the customer.

~~(e)(d)~~ The Company and customer may enter into a contract providing for a refund mechanism based on customer meeting identified minimums on the basis of specific extension characteristics.

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A Division of MDU Resources Group, Inc.

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### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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6. A refund will be made only when there is a reduction in the amount of contribution required within a five-year period from the extension(s) in service date. Interest will be calculated annually by the Company on any refund amounts and shall be equal to the average commercial paper interest rate (A1/P1), not to exceed 12 percent per annum.

No refund shall be made by Company after the five-year refund period and in no case shall the refund excluding interest, exceed the amount of the contribution.

7. The Company reserves the right to charge customer the cost associated with providing service to customer if service is not initiated within 12 months of such installation.

#### (B) Customer Extensions

Cost participation for extensions where customers will be immediately available for service is as follows:

##### 1. Contribution

- (a) When a contribution is required, the customer(s) shall pay the Company the portion of the capital expenditure not cost justified as determined in accordance with ¶ A.3.

- (b) The contribution shall be made by:

- i. A one-time payment prior to construction, or
- ii. Payment of 25% of the contribution prior to construction and the balance in no more than twenty-four equal monthly installments. If customer discontinues service within the twenty-four month period, the balance will be due and payable upon discontinuance of service, or
- iii. A minimum annual charge set forth in an agreement between customer and Company, or
- ~~iii-iv.~~ Customer may post a bond or an irrevocable letter of credit, or a written guarantee commitment in the amount of the required contribution prior to construction. Such bond, issued by a bonding company authorized

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to do business in the state, or letter of credit, ~~or written guarantee commitment,~~ shall be effective for the original five-year term and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists in the subject project based on a recalculated maximum expenditure, the surety or guarantor shall reimburse the Company for such recalculated contribution requirement, ~~or~~

~~iv. Customer, upon approval by Company, may finance the amount of the required contribution subject to the following conditions: 1) maximum contribution to be financed shall be determined by the Company at its sole discretion, 2) maximum term shall be five years, 3) interest will be charged at the Company's incremental weighted cost of capital.~~

- (c) Upon completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be made.
- (d) If within the five-year period from the extension(s) in service date, the number of active customers and related volumes exceeds the third-year projections, the Company shall recompute the contribution requirement by recalculating the maximum allowable investment.
- (e) The recalculated contribution requirement shall be collected from the new applicant(s).

#### 2. Refund

- (a) The Company will refund to the original contributor(s) the amount required to reduce their contribution to the recalculated contribution requirement. No refunds will be made for amounts less than \$25. Customers who have posted a bond or letter of credit, ~~or written guarantee commitment~~ will be notified of any reduction in surety ~~or guarantee requirements.~~
- (b) No refunds will be made until the new applicants begin taking service from the Company.

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- (d) The net present value of the Surcharge will be treated as a contribution-in-aid of construction for accounting purposes.

#### (C) Developer Extensions

Cost participation may be required for extensions such as a subdivision or a mobile home court, in which a developer is installing roads, utilizes, etc., before housing is built.

##### 1. Contribution

- (a) When a contribution is required, the developer shall pay the Company the portion of the capital expenditure not cost justified as determined in accordance with ¶A.3.

- (b) The contribution shall be made by:

- i. A one-time payment prior to construction, or
- ii. Developer may post a bond or an, irrevocable letter of credit, ~~or a written guarantee commitment~~ in the amount of the required contribution prior to construction. Such bond, issued by a bonding company authorized to do business in the state or, letter of credit, ~~or a written guarantee commitment~~, shall be effective for the original five-year term and is subject to approval and acceptance by the Company. If at the end of the original five-year term, a contribution requirement exists in the subject project based on a recalculated maximum expenditure, the surety shall reimburse the Company for such recalculated contribution requirement, ~~or~~
- iii. ~~Customer, upon approval by Company, may finance the amount of the required contribution subject to the following conditions: 1) maximum contribution to be financed shall be determined by the Company at its sole discretion, 2) maximum term shall be five years, 3) interest will be charged at the Company's incremental weighted cost of capital.~~

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# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

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### FIRM GAS SERVICE EXTENSION POLICY Rate 120

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- (c) Upon completion of construction, the contribution amount will be adjusted to reflect actual costs, and an additional charge may be levied or a refund may be made.

#### 2. Refund

- (a) If within the five-year period from the extension(s) in service date, the number of active customers and related volumes exceeds the third-year projections, the Company shall recompute the contribution requirement by recalculating the maximum allowable investment. Such recalculation shall be done annually based upon the anniversary of the extension(s) in service date.
- (b) The Company will refund to the developer the amount required to reduce their contribution to the recalculated contribution requirement. No refunds will be made for amounts less than \$25. Developers who have posted a bond, or a letter of credit, or written guarantee commitment will be notified of any reduction in surety ~~or guaranty~~ requirements.
- (c) If the addition of new customer(s) will increase the contribution required from the developer, the extension will be considered a new extension and treated separately.

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

Before the North Dakota Public Service Commission

Case No. PU-13-\_\_\_

Direct Testimony  
of  
K. Frank Morehouse

1 **Q. Please state your name and business address.**

2 A. My name is K. Frank Morehouse and my business address is 400  
3 North Fourth Street, Bismarck, North Dakota 58501.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the President and Chief Executive Officer (CEO) of Montana-  
6 Dakota Utilities Co. (Montana-Dakota), and Great Plains Natural Gas Co.,  
7 Divisions of MDU Resources Group, Inc. I am also the President and  
8 CEO of Cascade Natural Gas Corporation and Intermountain Gas  
9 Company; subsidiaries of MDU Resources Group, Inc.

10 **Q. Please describe your duties and responsibilities with Montana-**  
11 **Dakota.**

12 A. I have executive responsibility for the development, coordination,  
13 and implementation of strategies and policies relative to operations of the  
14 above mentioned Companies.

15 **Q. Please outline your educational and professional background.**

1 A. I hold a Bachelor's Degree in Business Administration from Upper  
2 Iowa University. My work experience spans 35 years in the energy  
3 business including experience with a pipeline company, gas gathering and  
4 processing, marketing and E&P as well as distribution companies. The  
5 last twenty years of my career have been within the gas and electric utility  
6 sector. I came to the MDU Resources organization in 2000 when Great  
7 Plains Natural Gas Co. was acquired, where I served as Executive Vice  
8 President. After the acquisition I became a Region Manager and was  
9 responsible for the operations for Great Plains in Minnesota and eastern  
10 North Dakota and Montana-Dakota in portions of North Dakota and South  
11 Dakota. In January of 2007 I was promoted to Vice President -  
12 Operations for Montana-Dakota and Great Plains. In October of 2008 I  
13 was appointed Executive Vice President and General Manager of the  
14 newly acquired Intermountain Gas Company (Intermountain). Additionally,  
15 in February 2009 I was appointed Executive Vice President and General  
16 Manager for the Western Region of the utility group, where I had executive  
17 responsibility for both Intermountain and Cascade Natural Gas Corp. In  
18 January of 2013 I was appointed my current position.

19 **Q. Have you testified before this Commission and other state regulatory**  
20 **bodies?**

21 A. I have previously testified before this Commission and the  
22 Commissions of Michigan, Minnesota, Montana, New Mexico and  
23 Wisconsin. I have also testified before the Federal Energy and Regulatory

1 Commission (FERC) as well as the National Energy Board (NEB) in  
2 Canada.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to provide an overview of the  
5 Company's North Dakota natural gas operations, explain our request for a  
6 natural gas distribution rate increase and discuss the policies and reasons  
7 underlying the major aspects of the request. I will also introduce the other  
8 Company witnesses that will present testimony and exhibits in further  
9 support of the Company's request.

10 **Q. Would you provide a summary of Montana-Dakota's gas operations  
11 in North Dakota?**

12 A. Montana-Dakota provides natural gas service to approximately  
13 99,000 customers in 76 communities in North Dakota. As of December  
14 31, 2012, the Company had 532 full and part time employees who live and  
15 work throughout our North Dakota electric and gas service area.  
16 Montana-Dakota's North Dakota gas service area is divided into two  
17 operating regions with regional offices located in Dickinson and Bismarck,  
18 North Dakota and a number of smaller district offices located in  
19 communities throughout North Dakota.

20 The residential, firm general service and small interruptible  
21 customers use natural gas primarily for space and water heating. As  
22 such, Montana-Dakota's system has a low load factor with peak gas  
23 requirements occurring during the winter with summer loads being small

1 by comparison. The total annual gas used by our North Dakota customers  
2 is 22.3 Mmdk as identified for the test period in this case. Consumption by  
3 customer class is as follows: 37 percent residential, 29 percent firm  
4 general service, 10 percent small interruptible, 22 percent large  
5 interruptible and 2 percent for the Air Force.

6 **Q. When was the last general natural gas rate increase for Montana-**  
7 **Dakota in North Dakota?**

8 A. Montana-Dakota's last general gas rate case was in Case No. PU-  
9 399-04-97 and the resulting increase was 2.1 percent effective in October  
10 2004.

11 **Q. Mr. Morehouse, did you authorize the filing of the rate application in**  
12 **this proceeding?**

13 A. Yes, I did.

14 **Q. Why has Montana-Dakota filed this application for a natural gas rate**  
15 **increase?**

16 A. Montana-Dakota is requesting an increase in its general gas rates  
17 at this time because our current rates do not reflect the cost of providing  
18 natural gas service to our North Dakota customers.

19 **Q. Would you please describe the basic elements that make up the total**  
20 **costs of providing natural gas service?**

21 A. For a natural gas distribution utility, the basic elements which make  
22 up the cost of providing natural gas service are the cost of gas at the town  
23 border stations in its service territory and the cost of distributing the gas

1 from the town border station to the end use customer. It is the second of  
2 these two elements, the distribution costs, which are the subject of this  
3 application for a general rate increase.

4 The natural gas we purchase from suppliers in our service area is a  
5 commodity like wheat or corn, the price of which is not regulated. The  
6 cost of delivering the gas to our distribution system at the town border  
7 station is regulated by the Federal Energy Regulatory Commission or  
8 other regulatory agencies. These gas costs are passed on to our  
9 customers on a dollar-for-dollar basis as specified in our Commission  
10 approved Cost of Gas tariff. The gas cost portion of our cost of providing  
11 natural gas service currently comprises about 71 percent of a typical  
12 residential bill for gas service.

13 The distribution cost portion of our rates is the subject of this  
14 proceeding. This portion includes operation and maintenance expenses,  
15 depreciation, taxes, and a component for the opportunity to earn a return  
16 on the investment we have in facilities to provide natural gas service. The  
17 distribution costs are currently about 29 percent of a typical residential bill.

18 The basic components are shown graphically on Exhibit No. \_\_\_\_  
19 (KFM-1).

20 **Q. What is the amount of the increase requested?**

21 A. As will be fully explained by other Company witnesses, the  
22 Company is requesting a natural gas rate increase of \$6,842,871 (a 6.4

1 percent increase over current rates) based on a projected 2014 test  
2 period.

3 **Q. How will the requested increase affect the various classes of**  
4 **customers?**

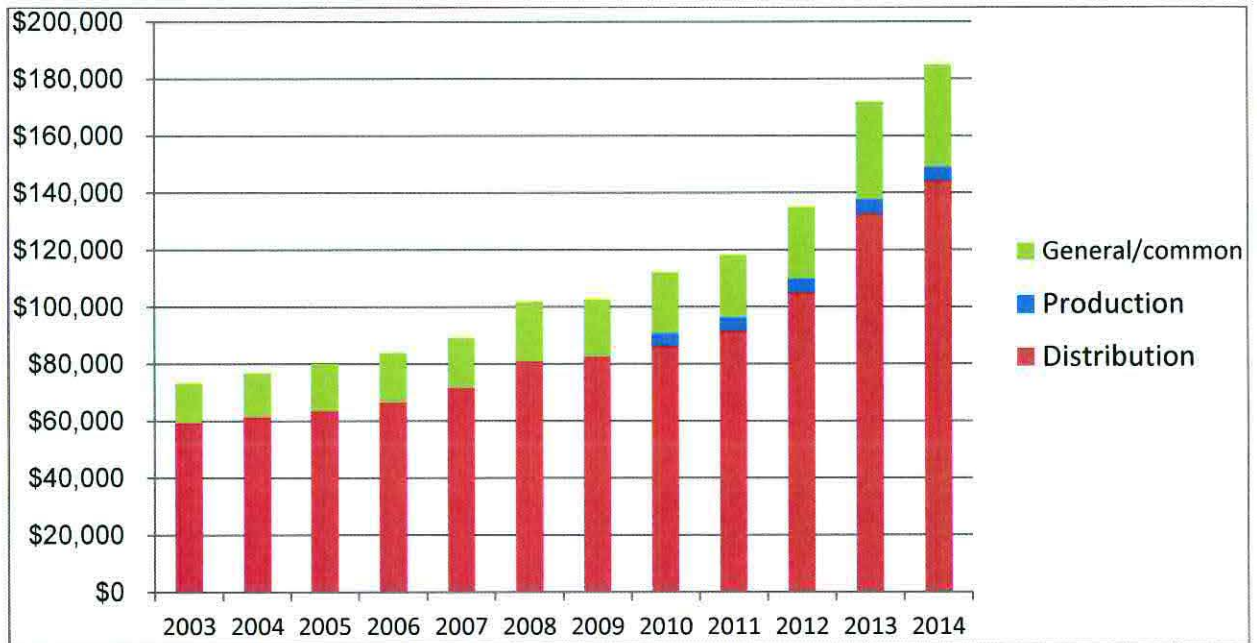
5 A. The proposed percentage change in rates by customer class is as  
6 follows:

<u>Class</u>	<u>Percent Increase</u>
Residential	9.5%
Firm General	2.2%
Air Force Delivery	1.2%
Small Interruptible	8.1%
Large Interruptible	-0.1%
Overall	6.4%

7 **Q. What are the primary reasons that Montana-Dakota needs an**  
8 **increase at this time?**

9 A. The primary reason for the increase in rates is the increased  
10 investment in facilities and the associated depreciation, operation and  
11 maintenance expenses and taxes associated with the increase in  
12 investment. The table below shows the investment in natural gas plant  
13 assigned and allocated to North Dakota gas operations. The gross  
14 investment in North Dakota gas operations has increased by  
15 approximately \$100 million, or approximately 76 percent, from 2004 to the  
16 projected levels included in this case. In addition to the ongoing  
17 investment for new customers and replacing existing facilities, investments  
18 in a landfill gas production facility, new district operation buildings, and an  
19 automated meter reading system have occurred since the last case, along

1 with a new customer billing system that was implemented in February  
2 2013.



3  
4 The increase in investment has been accompanied by a growth in  
5 customers, but we continue to see conservation by customers. In the last  
6 general rate case, Case No. PU-399-04-97, the average annual usage for  
7 a residential customer was 110 dk while in 2012, on a weather normalized  
8 basis, a residential customer used 92 dk annually, a reduction of  
9 approximately 16 percent.

10 At the same time, operation and maintenance expenses have  
11 decreased on a per customer basis, from an annual cost per customer of  
12 \$200 per customer in 2004 to an annual cost in 2012 of \$168 per  
13 customer. During this same time period the Consumer Price Index (CPI)  
14 increased by 22 percent.

1 **Q. What is the Company doing to control costs?**

2 A. Montana-Dakota works hard to control its costs by continually  
3 looking for opportunities that create efficiencies and control costs.  
4 Recently, Montana-Dakota participated in a utility integration effort, along  
5 with the three other utilities within the MDU Resources Group, Inc.'s Utility  
6 Group (Great Plains Natural Gas Co., Cascade Natural Gas Corporation  
7 and Intermountain Gas Company). Through this effort, the four utilities  
8 came together to pursue best practices and employ technological  
9 advances in an effort to streamline similar processes across all four  
10 utilities, while also addressing the current economic uncertainties being  
11 experienced today.

12 **Q. What are some of the changes that have been identified to date from  
13 this integration effort?**

14 A. A number of changes have already occurred or are in the process  
15 of being implemented. Some of the major changes are:

- 16 • *Service center consolidation.* We combined five separate  
17 call centers operated by Montana-Dakota, Cascade and  
18 Intermountain into one service center, located in Meridian,  
19 Idaho. This combined center is responsible for all incoming  
20 customer calls for the four utilities.
- 21 • *Implementation of a central credit center.* A centralized  
22 credit center for all four utilities is located in Bismarck, North  
23 Dakota, where credit representatives are available to work

1 with customers to resolve credit problems and collection  
2 issues in addition to working with Social Services, the Low  
3 Income Energy Assistance Program and other energy  
4 assistance agencies. The Bismarck Credit Center will also  
5 operate as a back-up call center to the Meridian Customer  
6 Service Center during high call times.

- 7 • *Establishment of pay stations.* Pay stations were  
8 established throughout Montana-Dakota's service territory in  
9 an effort to provide convenient bill payment options and  
10 extended hours by using established Western Union  
11 vendors.
- 12 • *Work force reductions.* In addition to the the work force  
13 requirements associated with the three changes mentioned  
14 above, the Company continues to review all aspects of the  
15 utility business to ensure Montana-Dakota is operating as  
16 efficiently as possible.
- 17 • *Comparable benefits.* The integration of processes brings  
18 with it the necessity to have comparable benefits among the  
19 utility companies. Primary changes to the benefits structure  
20 at Montana-Dakota were in the pension and post retirement  
21 areas, which reduced these costs.

22 All of these measures will provide comparable benefits across the  
23 utility group and enable the Company to control its costs.

1           The Company has also refinanced essentially all of its long term  
2 debt since 2006 and has lowered its embedded weighted average debt  
3 cost from 8.794 percent at December 31, 2005 to a projected 2014 cost of  
4 6.136 percent.

5 **Q. Mr. Morehouse, what is the compensation philosophy at Montana-**  
6 **Dakota and how does it compare with other like businesses that**  
7 **neighbor Montana-Dakota?**

8 A.           Our philosophy is to be able to attract and retain a workforce that  
9 can provide safe and reliable service to our customers. We target  
10 providing a total compensation package to our employees that is at our  
11 market average for similar utility work at other utilities. This compensation  
12 includes base pay and incentive pay along with various benefits. Ms.  
13 Jones, Vice President – Human Resources, Customer Service and Safety  
14 discusses these areas in more detail.

15 **Q. What return is Montana-Dakota requesting in this case?**

16 A.           Montana-Dakota is requesting an overall return of 7.881 percent,  
17 inclusive of a return on equity (ROE) of 10.0 percent. Dr. Gaske's  
18 analysis indicates that a 10.0 percent ROE is fully justified and supported.

19 **Q. Is Montana-Dakota seeking interim rate relief in this proceeding?**

20 A.           Yes. Interim rate relief is being sought in this case consistent with  
21 North Dakota Century Code 49-05-06. The amount of interim relief sought  
22 is \$4,457,000 or 4.2 percent and consists of the projected 2014 revenue

1 requirement with certain adjustments based on Commission guidelines as  
2 described by Ms. Mulkern.

3 **Q. Will you please identify the witnesses who will testify on behalf of**  
4 **Montana-Dakota in this proceeding?**

5 A. Yes. Following is a list of witnesses that will provide testimony  
6 and/or exhibits in support of the Company's application:

- 7 • Mr. Jay W. Skabo, Vice President – Operations will testify on the  
8 distribution operations and provide support for the distribution  
9 investment contributing to the need for the requested increase in rates.
- 10 • Ms. Anne M. Jones, Vice President – Human Resources, Customer  
11 Service and Safety, will testify regarding the Total Rewards Philosophy  
12 of the Company as it relates to base pay, variable (incentive) pay and  
13 employee benefits and the customer service function.
- 14 • Mr. Robert C. Morman, Director of Gas Supply for Montana-Dakota will  
15 discuss the plant investment required to increase capacity and  
16 reliability on the distribution system and the Billings Landfill gas  
17 production facility.
- 18 • Mr. Travis Jacobson, Manager, Financial Reporting & Planning for  
19 Montana-Dakota, will testify regarding the overall cost of capital, capital  
20 structure and overall debt and preferred equity costs.
- 21 • Dr. J. Stephen Gaske, Senior Vice President of Concentric Energy  
22 Advisors, Inc. will testify regarding the appropriate cost of common  
23 equity for Montana-Dakota's North Dakota gas operations.

- 1           • Ms. Rita A. Mulkern, Director of Regulatory Affairs for Montana-  
2           Dakota, will testify regarding the total revenue requirement and the  
3           interim revenue requirement necessary for North Dakota gas  
4           operations and the proposed margin sharing credit for grain drying  
5           margin.
- 6           • Mr. Earl Robinson, Principal and Director of AUS Consultants will  
7           testify to the Gas and Common Depreciation Studies that support the  
8           proposed depreciation rates in this filing.
- 9           • Ms. Tamie A. Aberle, Director of Regulatory Affairs for Montana-  
10          Dakota, will testify on the projected volumes, rate design, the  
11          embedded class cost of service study and proposed tariff changes.

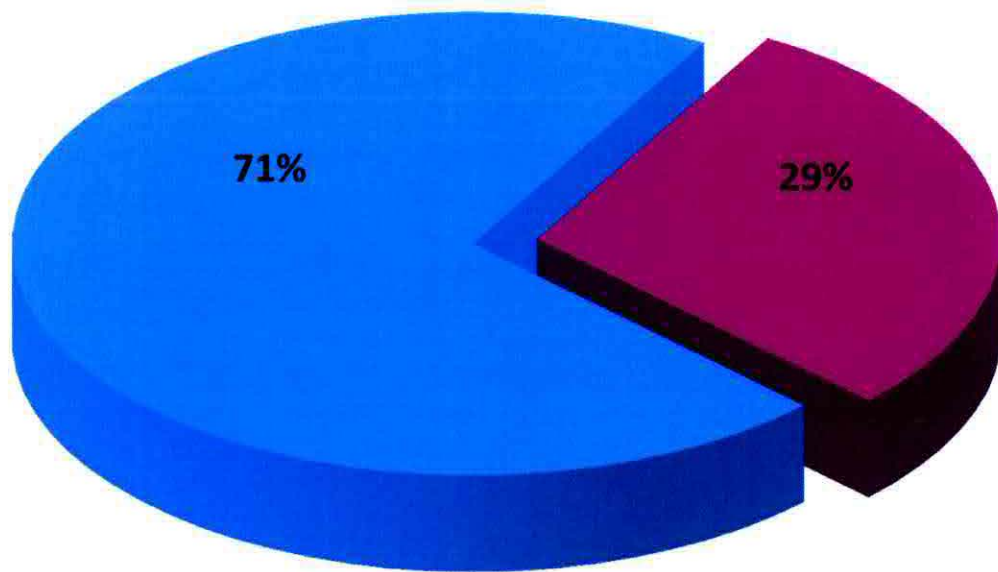
12 **Q. Mr. Morehouse, are the rates requested in this proceeding just and**  
13 **reasonable?**

14 A.           Yes. In my opinion, the proposed rates are just and reasonable as  
15 they are reflective of the total costs being incurred by Montana-Dakota in  
16 providing safe and reliable natural gas service to its customers. The  
17 proposed rates will provide Montana-Dakota the opportunity to earn a fair  
18 and reasonable return on its North Dakota natural gas operations.

19 **Q. Does this complete your direct testimony?**

20 A.           Yes, it does.

**Montana-Dakota Utilities Co.  
Gas Utility - North Dakota  
Average Residential Customer Bill**



■ Distribution Cost   ■ Gas Cost

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

Before the North Dakota Public Service Commission

Case No. PU-13-\_\_\_

Direct Testimony  
of  
Jay Skabo

1 **Q. Please state your name and business address.**

2 A. My name is Jay Skabo and my business address is 400 North  
3 Fourth Street, Bismarck, North Dakota 58501.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the Vice President - Operations of Montana-Dakota Utilities  
6 Co. (Montana-Dakota) and Great Plains Natural Gas Co., Divisions of  
7 MDU Resources Group, Inc.

8 **Q. Please describe your duties and responsibilities with Montana-**  
9 **Dakota.**

10 A. I have executive responsibility for the development, coordination,  
11 and implementation of Company strategies and policies relative to all  
12 areas of distribution operations.

13 **Q. Please outline your educational and professional background.**

14 A. I hold Bachelor's Degrees in Chemistry from Dickinson State  
15 University and Chemical Engineering from the University of North Dakota.  
16 My work experience includes three and half years as the Environmental  
17 Manager at Montana-Dakota; one and a half years as a Region Manager

1 overseeing gas and electric crews, service technicians, and office  
2 personnel in constructing and maintaining our gas and electric systems;  
3 and since 2008 in my current capacity. Prior to joining Montana-Dakota, I  
4 was the general manager of an industrial waste processing and disposal  
5 facility.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to provide an overview of our North  
8 Dakota natural gas operations, the organizational structure related to  
9 distribution operations and the distribution investments contributing to the  
10 need for an increase in gas distribution rates. I am sponsoring Exhibit No.  
11 \_\_\_\_ (JWS-1).

12 **Q. Would you provide a summary of Montana-Dakota's gas operations  
13 in North Dakota?**

14 A. Montana-Dakota provides natural gas service to approximately  
15 96,000 customers in 76 communities, operating over 2,275 miles of  
16 distribution mains and approximately 1,680 miles of service lines. The  
17 customer base is 87 percent residential customers and 13 percent  
18 commercial and industrial customers. As of December 31, 2012 the  
19 Company employed 532 full and part time employees who live and work  
20 throughout our North Dakota electric and gas service area. Montana-  
21 Dakota's North Dakota gas service area is divided into two operating  
22 regions with regional offices located in Dickinson, North Dakota, and  
23 Bismarck, North Dakota. In addition to the regional offices, there are fully

1           staffed operations centers located in the communities of Minot, Williston  
2           and Devils Lake, with satellite offices in Watford City and Jamestown.  
3           Additionally there are service technicians and construction employees  
4           dedicated to gas operations headquartered in 27 other North Dakota  
5           communities deemed strategic to the safe and reliable operation of our  
6           distribution system. There are also personnel associated with only electric  
7           operations in additional locations in North Dakota. Service technicians  
8           and construction employees in Montana, South Dakota and Minnesota  
9           also support operations in North Dakota communities close to the state  
10          border. A map of the gas distribution system in North Dakota is included  
11          as Exhibit No. \_\_\_\_ (JWS-1).

12                       Montana-Dakota's customers have toll-free access to the Customer  
13          Service Center located in Meridian, Idaho, with a backup center in  
14          Bismarck, North Dakota, to place routine utility service requests and  
15          inquiries from 7:00 am to 7:00 pm local time, Monday through Friday and  
16          emergency calls on a 24-hour basis, as discussed in more detail by Ms.  
17          Jones. A Scheduling Center, located in the Meridian, Idaho, facility,  
18          transmits electronic service orders to the mobile terminals placed in our  
19          fleet of service and construction vehicles. This network allows us to  
20          respond quickly to customer requests and emergency situations.

21   **Q.   Mr. Skabo, would you explain how Montana-Dakota strives to**  
22   **efficiently provide safe and reliable service to its North Dakota**  
23   **customers?**

1 A. Montana-Dakota has been continually reviewing its field operations  
2 for ways to operate more efficiently and has been successful in doing so.  
3 Much of this has been possible due to the advancement of cost effective  
4 technology, such as Automated Meter Reading (AMR). Montana-Dakota  
5 installed AMR technology on the vast majority of the natural gas and  
6 electric meter equipment throughout the four state service area. Montana-  
7 Dakota is able to remotely read customers' natural gas and/or electric  
8 meters without having to physically visit and read each natural gas and/or  
9 electric meter, with just a few exceptions such as the interruptible sales  
10 and transportation meters. There are approximately 450 of these large  
11 meters on the system and approximately 180 are located in North  
12 Dakota.

13 Additional automated management and recordkeeping projects  
14 include: a new mobile dispatch system called Pragma CAD, a compliance  
15 monitoring program called GL Essentials, and Mobile GIS, as discussed in  
16 more detail below.

17 Montana-Dakota has completed a project to replace the existing  
18 computer aided dispatching system for utility service orders. The existing  
19 system, Mobile Up, which replaced a paper based system in 1999, has  
20 resulted in improved customer service as well as increased operational  
21 productivity. The productivity gains achieved with MobileUp were  
22 estimated at 30 percent and the replacement project, PragmaCad, will  
23 ensure that we are able to maintain and improve upon the current level of

1 customer service and operational efficiency gains. By installing this  
2 product at all of the companies within the MDU Resources Utility Group,  
3 the purchase, installation and ongoing maintenance costs will be reduced  
4 by being shared among a larger base, as well as having a product that will  
5 be well supported by the provider.

6 Montana-Dakota is also in the process of improving its gas  
7 operations with the implementation of a software package called GL  
8 Essentials for pipeline safety compliance tracking and  
9 monitoring. Implementation of this software is to be completed in phases  
10 starting with the corrosion tracking element this year with plans to be  
11 substantially completed in 2014 or 2015.

12 The overall purpose of GL Essentials is to help automate, track,  
13 and manage work flow for distribution pipeline operations and to allow for  
14 the effective central sharing of data with the appropriate operations groups  
15 to make better evaluations and decisions to enhance the safety of  
16 customers, employees, and the general public around the distribution  
17 pipeline systems.

18 More specifically, this software system automates operations and  
19 maintenance work orders that are then electronically dispatched to  
20 technicians and the data is returned to the system and stored in a central  
21 database. The data that is captured within this system can then be used  
22 to enhance and support the existing safety programs at Montana-Dakota  
23 such as the Distribution Integrity Management Plan (DIMP), the

1 Transmission Integrity Management Plan (TIMP), the Damage Prevention  
2 Program, the Public Awareness Plan, and Emergency Response  
3 Procedures. Montana-Dakota has always worked to provide for a safe  
4 and reliable natural gas pipeline system. In recent years, the predominant  
5 view, by both regulators and utilities, is to enhance data collection and  
6 analysis of data in order to further improve safety and reliability. The GL  
7 Essentials software and system allows for an effective use of operational  
8 data to support operations plans such as DIMP and TIMP.

9 An additional enhancement that was also put into operation in 2012  
10 is the development and deployment of a mobile mapping  
11 system. Montana-Dakota made the change from paper maps to an  
12 electronic ESRI GIS based mapping system in 2005. At that time, a very  
13 simple map view product was deployed that could look at a snapshot in  
14 time of the GIS mapping system. These maps had to be manually  
15 updated and deployed to the field users periodically. In order to support  
16 the larger data needs and effectively support the requirements of new  
17 programs like DIMP and TIMP, Montana-Dakota developed and deployed  
18 a mobile map product from the 3GIS company. This new mobile map  
19 product enhances Montana-Dakota's field mapping in several ways. First,  
20 the map updates are now available on a real time basis in the field.  
21 Second, it gives the field users an ability to mark up the map with critical  
22 information such as leak location, damage location, pipe inspection  
23 location, or indicate map conflict or errors. Third, it gives the operations

1 group a mechanism to share location information with field  
2 personnel. Essentially, the addition and deployment of the 3GIS products  
3 has allowed for the needed data support for enhancing pipeline safety  
4 through the DIMP and TIMP programs.

5 Pay stations have also been established throughout Montana-  
6 Dakota's service territory in an effort to provide convenient bill payment  
7 options and extended hours by using established Western Union vendors.  
8 Through this arrangement, payments are electronically transmitted to  
9 Montana-Dakota, and are available for viewing by Montana-Dakota  
10 personnel within an hour of when the payment is made and are posted to  
11 customer accounts by the next business day. The number of locations in  
12 North Dakota increased from six Montana-Dakota offices to sixteen pay  
13 station locations in seven communities. The number of employees  
14 handling payments companywide was reduced from approximately thirty-  
15 five to three. In addition, these pay stations are open longer hours and on  
16 weekends, providing more and better options for customers who prefer to  
17 pay in person. The Company is currently working with Western Union  
18 throughout the Company's service territory in order to expand the number  
19 of locations at which customers can pay their bills. A new agreement with  
20 Western Union is pending, and will offer many additional payment  
21 locations, including communities such as Cavalier, Grafton, Langdon,  
22 Valley City, Beach, Watford City and Beulah. In addition, most of the

1 office locations continue to maintain a payment drop box located on or  
2 near the building.

3 The Company continues to review all aspects of the utility business  
4 to ensure Montana-Dakota is operating as efficiently as possible.

5 **Q. Have the enhancements and changes you just described helped to**  
6 **hold the line on operation and maintenance (O&M) costs?**

7 Several factors have allowed us to be much more efficient and  
8 allow us to maintain the increase in O&M costs at a rate below the rate of  
9 inflation, even with an increase in customers of approximately 14 percent.  
10 These factors included the migration to a more “paperless” work  
11 environment; providing customers the option to use pay stations rather  
12 than staffing for cashiers and walk-in office traffic; adding Automated  
13 Meter Reading; and our Utility Group integration efforts. In 2004, the  
14 average distribution O&M cost per customer was \$72.99 and in 2012 that  
15 cost had increased to \$77.55, representing an increase of less than 1  
16 percent on average per year.

17 **Q. Has Montana-Dakota made investments in the gas distribution**  
18 **system in North Dakota, and how have these investments affected**  
19 **the cost of operation and maintenance of the system?**

20 **A.** Yes, we have made significant investments into the gas distribution  
21 infrastructure as well as investing in the efficiency measures discussed  
22 above. The investments in efficiency have contributed to the Company’s

1 success in holding the line on O&M costs, while the investments in  
2 infrastructure allow us to operate the system safely and reliably.

3 From 2005 to 2011, customer growth was stable in North Dakota,  
4 with most of the growth occurring in the Bismarck-Mandan area. During  
5 this period an average of 183,000 feet of main was installed  
6 annually. This increased significantly in 2012, and from 2005 through  
7 2012, just under 2 million feet of main was installed. Nearly 94 percent of  
8 this main installation was due to system growth and just over 6 percent  
9 was for replacements for system improvement or relocation of pipe due to  
10 other construction. Approximately 1,400 new customers were connected  
11 annually during this period and \$18 million was invested in gas mains  
12 during this period for both growth and replacement projects. While the  
13 growth related main investment was supported by customer additions  
14 and/or customer contributions, there was a continued decline in natural  
15 gas usage per customer as a result of conservation efforts, including  
16 improved appliance efficiency.

17 **Q. What additional investments are being made to continue to operate**  
18 **the system safely and reliably?**

19 A. The rapid growth in the Bakken area in the past few years has  
20 required significant investment in gas mains throughout North Dakota with  
21 primary emphasis in Williston and Dickinson. This investment includes  
22 looping the distribution systems around Williston and Dickinson to provide  
23 for much improved reliability of the system in addition to allowing new

1 customer extensions. A looped system provides the ability to maintain  
2 service to customers in the event of a required planned outage or in the  
3 event of an unplanned outage due to a failure or a line hit that could  
4 otherwise result in an extended outage to customers while repairs are  
5 made. As discussed in more detail by Mr. Morman, new border stations,  
6 providing additional capacity into Montana-Dakota's distribution systems,  
7 have also been installed in the communities of Stanley, Tioga, Watford  
8 City, Alexander, Ray, Dickinson, Williston and Watford City and border  
9 station upgrades have been performed in Dickinson, Killdeer, Watford  
10 City, Trenton, and Williston. Additional border station upgrades are  
11 planned to be completed in 2014 as the growth has caused demand to  
12 exceed existing capacity. In other areas, the combination of a large  
13 number of customers still converting from another heating source due to  
14 the competitive price of natural gas along with providing service to the  
15 majority of new homes and businesses being built has driven the growth in  
16 customers and capacity requirements.

17 The replacement work was typically driven by projects where  
18 existing gas main must be relocated to make way for street projects and  
19 the rebuilding of the Minot system affected by the flood in 2011.

20 These replacement projects result in improvements to safety and  
21 reliability by replacing older pipe with new pipe and by allowing a re-  
22 engineering of the system when needed. Other replacement projects  
23 were selected based on making improvements to portions of the system

1 deemed to require upgrades. As discussed later, the process of selecting  
2 areas of the system for replacements has become more standardized and  
3 data-driven with the implementation of the DIMP.

4 Due to the significant customer growth in North Dakota, primarily in  
5 the Bakken area, in the past few years, the Company has been required to  
6 make investments in its operations support in addition to the distribution  
7 system. New operations centers are underway in Williston and Watford  
8 City and employee housing has been purchased for new employees in the  
9 area. Employee turnover has been extremely high in the Bakken area due  
10 to the adverse living conditions. In order to attract and retain qualified  
11 individuals to permanent positions, we have begun to offer moving  
12 allowances, sign-on bonuses, retention bonuses, location allowances and  
13 housing allowances. These programs are covered in more detail in  
14 testimony from Ms. Jones. Due to the unavailability or high price of  
15 housing, prospective employees have started work and immediately left,  
16 as they were not able find housing, or were not able to afford what they  
17 could find. Beginning in 2010, local management began securing  
18 apartments for new employees, which quickly became unworkable as  
19 apartments were becoming impossible to find or afford at utility wages. As  
20 new employees were hired, and housing was becoming more unavailable  
21 or unaffordable, the remaining option was to purchase housing as the oil  
22 companies were doing. Options were considered – building and owning  
23 personal residences to rent to employees, building and owning apartment

1 buildings and purchasing mobile homes to place in mobile home parks.  
2 The first two options were rejected as the Company did not want to be left  
3 with with permanent structures that would no longer be required if or when  
4 the oil boom collapsed or more attractive housing became available. The  
5 mobile home option allowed for the relatively easy disposal of the assets if  
6 necessary. This option was also quicker to fill the need for the incoming  
7 employees, and was able to be completed in stages, versus building a  
8 large apartment building or permanent homes. Mobile homes were  
9 purchased as necessary, and have been located in Williston, Dickinson,  
10 Watford City, Tioga, and Kenmare.

11 Eventually, the mobile home parks in Williston filled up and no more  
12 lots were available. In order to accommodate additional incoming  
13 employees, a private mobile home park was built on land that Montana-  
14 Dakota owned west of Williston. To date, Montana-Dakota has 12 homes  
15 in this location. There are also seven other mobile homes in other parks  
16 in Williston, 15 in Dickinson, four in Watford City, and one in Tioga. We  
17 have purchased an existing double wide home in Kenmare. In addition,  
18 due to the extreme shortage of hotel rooms in Williston and Dickinson, we  
19 were not able to send employees from the General Office or other districts  
20 to help in these areas. Two mobile homes were purchased, designed as  
21 four-plexes, to serve as motel rooms for visiting employees or contractors.  
22 Finally, at the Company-owned mobile home park in Williston, a camper  
23 area was constructed for contractors who could not find camping spots in

1 Williston, due to lack of space and a moratorium imposed by the city and  
2 county.

3 We are charging employees rent for the company owned housing.  
4 The intent is to provide the employees with a cost of living that is similar to  
5 that in other communities in Montana-Dakota's service area.

6 **Q. Would you describe the new operation centers in Williston and**  
7 **Watford City?**

8 A. In Williston, there is a new combined office/warehouse building  
9 under construction. Groundbreaking for the facility occurred on March 28,  
10 2013. The current Williston warehouse is extremely outdated, and does  
11 not have adequate room to house the equipment needed to maintain the  
12 district's operations. This requires diesel trucks and equipment to be  
13 parked outside during the cold winter months, which slows response time  
14 to emergency situations due to the need to allow equipment to warm up  
15 before safely traveling/operating. In addition, the trucks that are able to  
16 park in the warehouse have to maneuver into the warehouse with very  
17 little clearance on all sides. This is very time consuming and unproductive  
18 and potentially damaging to vehicles or the building.

19 Along with the size constraints, the warehouse is in poor structural  
20 condition due to its age. The welding shop does not have the electrical  
21 receptacles and voltages needed to adequately weld pipe with an electric  
22 welder, requiring personnel to park welding trucks outside to utilize the  
23 gas welders on the welding truck for even the smallest welding jobs. This

1 also limits our ability to pre-fabricate work in the shop simultaneously with  
2 field work being performed. This greatly reduces operating efficiency.

3 The Williston office was built in 1972 and is located roughly eight  
4 blocks away from the current warehouse, creating communication  
5 challenges. Even with the addition of several new employees in the past  
6 three years, the size of the staff is significantly smaller than when the  
7 building was built, so the existing office building is quite larger than  
8 needed. Some of the excess space in the building was rented to the City  
9 of Williston, however, the City has since moved out.

10 The new Office/Warehouse will allow all Williston operations to  
11 work under the same roof, improving communication, efficiency and  
12 safety, and will be sized appropriately. The Williston Office/Warehouse is  
13 scheduled for completion by the end of 2013 at a total cost of \$9 million.

14 In Watford City, a new facility is also in the planning stages, with  
15 completion expected by spring 2014 at an estimated cost of \$2.7 million.  
16 Planning for a new Watford City Office/Warehouse started in June of  
17 2013. The shop attached to the current Watford City office only has  
18 enough room to store one small pickup in it. With that size constraint,  
19 equipment must be stored outside during all seasons which reduces  
20 response times to emergencies and subjects equipment to vandalism.  
21 The work load in Watford City has required the addition of several  
22 personnel in that community, which is accompanied by additional  
23 equipment and material requirements. An additional Service Technician

1 has been added in Watford City, requiring an additional full size truck. An  
2 electric line crew has also been added, and it is expected that a gas  
3 construction crew will be added soon. In addition, several contract crews  
4 have been hired to perform construction of gas and electric systems. The  
5 current Watford City operations facility does not have enough shop and/or  
6 storage to support the daily operations in the communities it serves and is  
7 in need of mechanical and appearance upgrades. Also, the Watford City  
8 shop area does not have adequate room and ventilation required for pipe  
9 project prefabrication.

10 **Q. Has Montana-Dakota made changes to other offices and warehouses**  
11 **outside of the Bakken?**

12 A. In Jamestown, the downtown office which was built by Montana-  
13 Dakota in 1970 was sold in 2012 as the reduced staff size no longer  
14 required the amount of space. The office was moved to a 1940-1950  
15 vintage warehouse that Montana-Dakota acquired in 1971. Some space  
16 in the warehouse was remodeled into office space so the building now  
17 functions as a combined office and operations center for the Jamestown  
18 District. This has resulted in improved efficiency as management and  
19 operations personnel are in a single location resulting in better  
20 communications and less time spent traveling between locations. The  
21 payment drop box that was located near the office building was moved  
22 across the street to Hugo's Grocery Store, which is a more convenient  
23 location for customers.

1           We also have closed the shop in Park River and consolidated  
2 operations into the Grafton location. The Park River shop was leased and  
3 the Grafton shop is owned by Montana-Dakota, so lease payments will be  
4 eliminated.

5           With the change in our business model in 2009 and no longer  
6 accepting walk-in payments, there was no longer a need for the downtown  
7 office building in Bismarck. Employee numbers had decreased over the  
8 years and adequate space had become available at our Service Center on  
9 Airport Road for the management, marketing and accounting personnel  
10 that remained downtown. The downtown office building was sold and  
11 space was remodeled in the Service Center to accommodate the staff.  
12 Efficiency has been gained by having these employees in the same  
13 building as the construction, service and engineering departments.

14 **Q. The Pipeline and Hazardous Materials Safety Administration has**  
15 **promulgated a regulation requiring natural gas distribution**  
16 **companies to develop what is known as a Distribution Integrity**  
17 **Management Plan (DIMP). How has Montana-Dakota responded to**  
18 **this regulation?**

19 A.           DIMP is a Federal requirement issued as Subpart P of 49 CFR 192  
20 pertaining to all gas distribution system operators. DIMP requires  
21 operators to know the make-up of their distribution system. The objective  
22 of the plan is to develop a model to assist in determining which areas of  
23 the gas distribution system to focus operation, maintenance and repair

1 efforts and resources due to known or predicted threats to the distribution  
2 system. The Montana-Dakota plan was implemented on August 1, 2011.

3 The model assesses eight different threat categories: Corrosion,  
4 Natural Forces, Equipment Failure, Excavation, Incorrect Operation, Joint  
5 Failure, Outside Force, and Other, all equally weighted.

6 A detailed geographical information system (GIS) map, with every  
7 piece or component that makes up the gas distribution system, both above  
8 and below ground, and with as much information about each piece as is  
9 available is used as the basis of the model. Scores for various factors  
10 were determined by a group of subject matter experts including office  
11 engineers, field engineers and field technicians.

12 The model sets a 50 foot by 50 foot grid to analyze all components.  
13 Each grid is then analyzed by eight individual sub-models with up to 150  
14 calculations in each sub-model. This in turn produces a very  
15 comprehensive look at the entire system with each component compared  
16 equally to the others across the entire four state operating areas.

17 In North Dakota, 314,983 separate components totaling 12,489,540  
18 feet of pipe were analyzed.

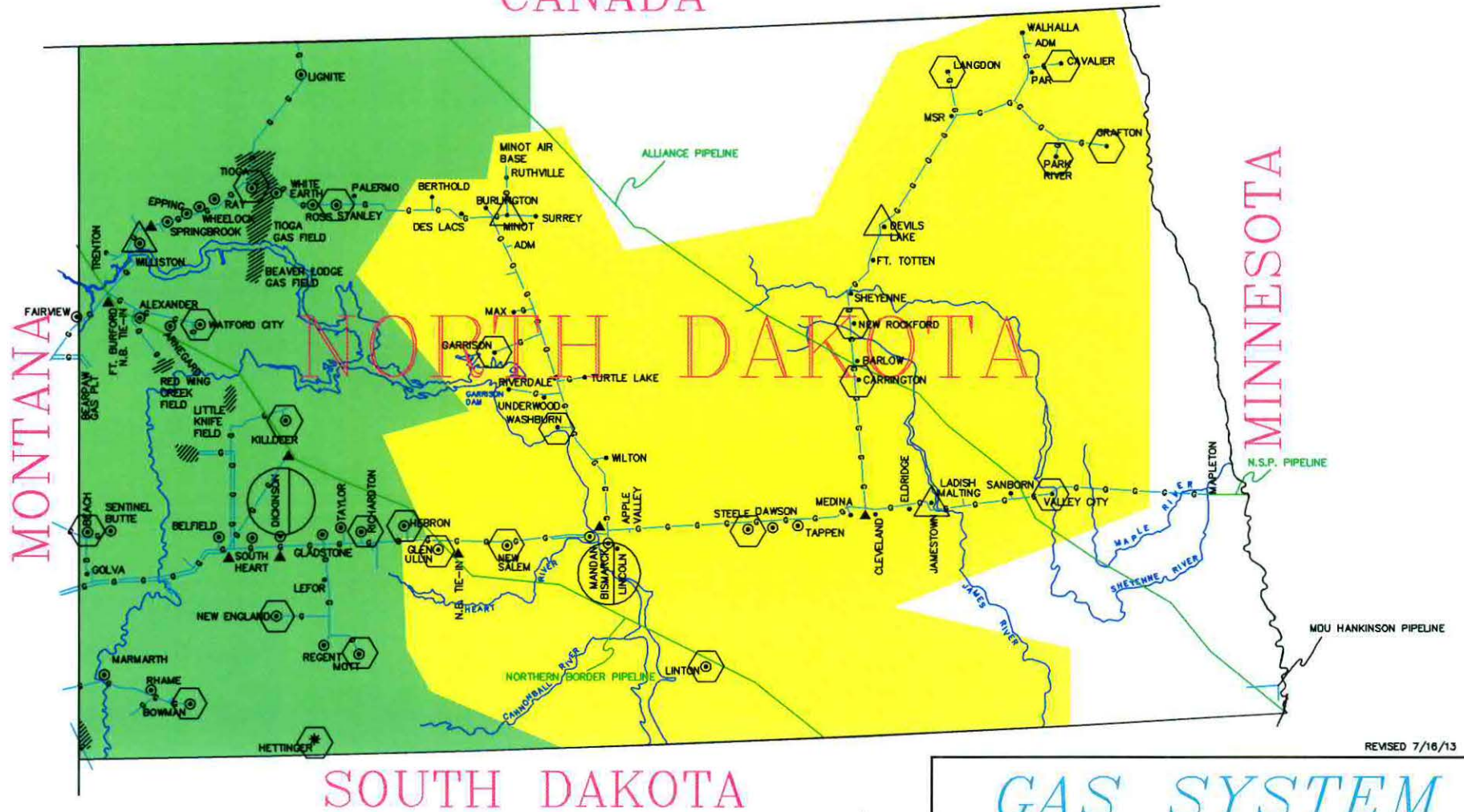
19 The results obtained from the DIMP modeling are consistent with  
20 what our subject matter experts expected it to produce. The components  
21 that score the highest are generally located near district regulator stations  
22 where there are concentrations of different components such as fittings  
23 and valves, above ground piping, and elevated pressures.

1                    Going forward, the DIMP results will be used as an operational tool  
2                    to aid in directing resources to reduce pipeline risks. The results will be  
3                    consistently analyzed to determine accelerated actions to the pipeline so  
4                    that changes to resource planning and budgeting can be made to carry  
5                    out the reduction in risks from pipeline threats.

6    **Q.        Does this complete your direct testimony?**

7    **A.            Yes, it does.**

CANADA



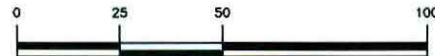
REVISED 7/16/13

# GAS SYSTEM

MDU RESOURCES GROUP, INC.

- REGION OFFICE
- △ DISTRICT OFFICE
- ⬡ TOWNS WITH DISTRICT REPRESENTATIVE /SERVICE PERSONNEL

GRAPHIC SCALE  
IN MILES



- ▲ GAS COMPRESSOR PLANTS
- ▨ NATURAL GAS FIELDS
- TOWNS SERVED WITH NATURAL GAS
- ⊙ TOWNS SERVED WITH ELECTRICITY & NATURAL GAS
- ⊛ TOWNS SERVED WITH ELECTRICITY & PROPANE
- WILLISTON BASIN NATURAL GAS PIPELINES
- OTHER COMPANIES PIPELINES

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

Before the Public Service Commission of North Dakota

Direct Testimony  
of  
Anne M. Jones

1 **Q. Would you please state your name and business address?**

2 A. Yes, my name is Anne M. Jones. My business address is 400  
3 North Fourth Street, Bismarck, North Dakota 58501.

4 **Q. What is your position with Montana-Dakota Utilities Co?**

5 A. I am the Vice President – Customer Service, Human Resources  
6 and Safety for Montana-Dakota Utilities Co. (Montana-Dakota) and Great  
7 Plains Natural Gas Co., Divisions of MDU Resources Group, Inc.

8 **Q. What are your duties and responsibilities?**

9 A. I am responsible for all disciplines associated with the Human  
10 Resources (HR) function including compensation and benefits,  
11 organization development and training, labor and employee relations, and  
12 compliance with employment and employee relation's laws and practices.

13 I am also responsible for our Customer Service Center, Credit and  
14 Collections Team as well as Safety and Technical training functions.

15 **Q. Would you please outline your educational and professional  
16 background?**

17 A. Yes. I have a Bachelor's Degree in Management with an emphasis  
18 in Human Resources from the University of Mary. I began my career with

1 Montana-Dakota 30 years ago and have held a variety of positions of  
2 increasing responsibility throughout the Company. I have worked within  
3 Human Resources since 1997; most recently as Director of Human  
4 Resources since 2008; and just promoted to my new role effective July 1,  
5 2013.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to provide an overview of the Total  
8 Rewards Philosophy of the Company as it relates to base pay, variable  
9 (incentive) pay and employee benefits. It is important for the Company to  
10 not only to attract talent to its organization, but also to retain the highly  
11 skilled talent which it has today. I will also speak on our customer  
12 services area, including information on our customer service model and  
13 the measurement of customer satisfaction.

14 **Q. Would you explain how compensation is reviewed at Montana-**  
15 **Dakota?**

16 A. Montana-Dakota's compensation philosophy is to compensate  
17 employees at the market average for similar positions, which is consistent  
18 or slightly more conservative than most utility organizations. According to  
19 the 2010 Watson Wyatt Survey Series which includes companies such as  
20 Xcel Energy, NW Natural, Black Hills, and many others, approximately half  
21 of the participating organizations strive to provide a total compensation  
22 package that is above the market average.

1           Each year, HR reviews standard benchmark jobs in the corporation  
2 such as engineers, construction supervisors and system analysts. It  
3 compares the Company's total compensation package for the benchmark  
4 jobs to market compensation for comparable positions to insure that the  
5 Company is compensating employees at the appropriate pay grade and  
6 range. HR also reviews positions on an "as needed" basis throughout the  
7 year to ensure we are competitively compensating within the established  
8 pay ranges. The Company uses many reputable industry surveys when  
9 determining pay levels, including the American Gas Association (AGA),  
10 Salary.com data, Mercer Benchmark, Milliman, Towers Watson and World  
11 at Work, among others. This year, we are in the process of reviewing our  
12 positions and pay ranges with Aon-Hewitt and expect a final report to be  
13 issued by year end.

14 **Q.    Would you please explain why total compensation at Montana-**  
15 **Dakota includes incentive compensation?**

16 A.       Yes. Montana-Dakota's incentive plans are a critical part of total  
17 compensation which is comprised of base pay, incentive pay and benefits.  
18 Incentive compensation is offered to all employees in an effort to remain  
19 competitive within the industry at the lowest reasonable cost and to focus  
20 employee efforts on achieving important objectives. The Employee  
21 Incentive Plan (Plan) for Utility employees encourages continued  
22 improvement in standards for performance that leads to positive business  
23 results and benefits customers.

1 The Plan is designed to:

- 2 • Establish a strong relationship between pay and Company performance
- 3 • Provide focus on Utility strategic initiatives that increase effectiveness and
- 4 efficiency
- 5 • Promote superior customer service
- 6 • Deliver labor market competitive rewards that attract, retain and motivate
- 7 talented employees to higher levels of performance

8 The efforts of employees, both individually and as team members,  
9 are key to this success. The Plan provides an opportunity for employees  
10 to receive additional compensation if pre-established financial results are  
11 achieved as well as the achievement of important organizational and  
12 customer satisfaction goals. Through the design of incentive plans, part of  
13 the employees' total compensation package is "at risk". The interests of  
14 shareholders and customers are not counter to each other; they are  
15 strongly intertwined. When Montana-Dakota serves the customer well, the  
16 Company and thus, the shareholders benefit. The customer and  
17 shareholder measures used to define organization success are not  
18 mutually exclusive; they affect and support each other. Earnings and  
19 return levels are an effective measure of balanced performance in use of  
20 resources, customer service and safety. Results indicate how efficiently  
21 the utility is using its resources. Earnings performance and return levels  
22 are the industry standard measure of utility success. Consideration of  
23 earnings leads to process improvements and efficiencies that are passed

1 on to the customer. Factors affecting costs and earnings also affect  
2 service to customers: minimization of downtime, efficient customer  
3 service, efficient electric generation, safety, and environmental protection

4 **Q. What alternatives are there to incentive pay to achieve a reasonable**  
5 **compensation package for employees?**

6 A. In the absence of incentive compensation based on performance,  
7 the only viable alternative is to increase base pay to remain competitive in  
8 the labor market and retain a viable, qualified work force. Base pay is the  
9 most expensive way to compensate employees because other benefits  
10 such as the Company's 401K contributions are dependent on base salary.  
11 These increases in benefit costs increase the fixed costs of the utility and  
12 are ultimately passed on to customers. For this reason, it makes sense to  
13 seek to minimize base pay and increase variable (at risk) pay in order to  
14 stay competitive in the labor market.

15 **Q. Please discuss the changes in Montana-Dakota's the pension plan.**

16 A. The Company's defined benefit pension plan was closed to new  
17 entrants in January of 2006. Additionally, both the non-union (2009) and  
18 union (2011) plans have been frozen to significantly reduce future liability  
19 and the volatile funding swings which were occurring. There was no  
20 change for employees to the pension benefits earned as of December 31,  
21 2009 (non-union) and December 31, 2011 (union), but those benefits will  
22 remain frozen until retirement. The Company now offers a retirement  
23 contribution to employees that is age based and ranges from 5 percent to

1 11.5 percent of base pay and is contributed annually to most employee's  
2 401K account, or annually for highly compensated employees.

3 **Q. Has the Company also made changes to medical plan benefits?**

4 A. Yes. The medical plans for active employees continue to change  
5 under the new healthcare legislation. The Company has structured and  
6 priced the benefit plans in a manner that encourages employees to  
7 strongly consider a higher deductible medical plan paired with a Health  
8 Savings Account (HSA). The migration of employees to a high deductible  
9 medical plan encourages employees to be wise consumers of medical  
10 services and also will allow employees to build HSA accounts that may be  
11 used into retirement. The high deductible plan also decreases the medical  
12 liability of the Company under the self-insured plans because first dollar  
13 coverage is limited to preventative care.

14 In 2009, the medical retiree plan was changed in order to decrease  
15 future liability. Beginning on January 1, 2010, retiree medical insurance is  
16 no longer offered to new hires and employees who had attained age 55 by  
17 December 31, 2009, are grandfathered and will be required to transition to  
18 a retiree reimbursement account (RRA) at age 60. All other employees  
19 can only receive the RRA if they retire at age 60.

20 In 2012, Montana-Dakota implemented another change to reduce  
21 post-retirement benefit liability. Medicare eligible retirees that retired after  
22 December 31, 1993 are required to move from the Company sponsored  
23 retiree medical plan to a Medicare Supplemental Plan. The Company will

1 continue to fund a portion of the retiree's premium through a Health  
2 Reimbursement Account.

3 **Q. What other changes have been made to employee benefits?**

4 A. As part of the integration efforts to provide comparable benefits to  
5 employees within the utility group, Montana-Dakota employees received  
6 two additional holidays beginning in 2010. The Company also eliminated  
7 the employee discount on the Montana-Dakota utility bill in 2010 for those  
8 employees that were active customers as part of its integration efforts

9 **Q. What benefit does Montana-Dakota's Total Rewards Package provide  
10 its North Dakota gas customers?**

11 A. The Total Rewards Philosophy employed by Montana-Dakota is  
12 cost effective for the Company and customers because it provides a  
13 means to control costs while continuing to attract and retain the work force  
14 necessary to provide safe and reliable service to its customers.

15 This competitive total reward philosophy is key to maintaining a  
16 highly skilled workforce to operate and maintain the utility. Montana-  
17 Dakota's workforce and operations have been significantly impacted by  
18 the highly competitive labor market in western North Dakota due to the  
19 Bakken oil boom. High paying oilfield jobs are plentiful and our work force  
20 is viewed by many companies as an ideal feeder pool for their vacant  
21 positions.

22 It is prudent and of benefit to utility customers to leverage all three  
23 components of our Total Rewards Philosophy to minimize turnover.

1           Compensating employees competitively achieves this objective and in turn  
2           helps the distribution system remain safe and keeps operational costs  
3           lower.

4   **Q.        Would you discuss what Montana-Dakota has done to address**  
5           **employment in the Bakken?**

6   A.           Yes. When I refer to the Bakken, I am referring to our main areas  
7           of service, including small town in-between. These areas are Minot,  
8           Williston, Watford City and Dickinson. We have increased our staffing  
9           needs to meet customer demands. In order to increase and/or maintain  
10          staffing we have had to work with a recruiter, implement retention  
11          programs, initiate an employee referral program, provide rental subsidies,  
12          and in some cases actual housing.

13                We have tried to initiate programs to lock new hires in for a two  
14                year period, we have offered programs to current employees to encourage  
15                those with experience to transition to Bakken locations and yet many are  
16                not interested. We are in the midst of challenging times in hiring and  
17                retaining employees in the Bakken that meet the needs of the Company  
18                and our Customers.

19                Another example of how we have addressed our customer needs is  
20                to add 10 employees in our Customer Service Center who are specifically  
21                in place to handle calls from customers in the Bakken and work with  
22                engineering staff to address requests as quickly as possible.

23   **Q.                A new portion of your responsibilities includes the Customer**

1           **Service Center. Can you tell us about this Center?**

2    A.           Montana-Dakota operates a single service center for all inbound  
3           communications from customers of all the Utility Group companies on a  
4           24/7/365 basis. The center is physically located in Meridian, Idaho.  
5           Customer service agents are initially trained for one company and  
6           eventually many are trained to take calls for more than one company,  
7           which increases the efficiency of the center. Customer satisfaction is a  
8           high priority. Our internal goal is to answer over 80 percent of all calls in  
9           60 seconds or less. In order to monitor customer satisfaction and ensure  
10          we are meeting the needs of customers, we survey our customers,  
11          historically through mailed postcards and currently through JD Power and  
12          Associates. The Customer Services Department is also responsible for  
13          credit and collection activities through a credit center located in Bismarck,  
14          North Dakota, as well as all customer programs, such as automated  
15          customer information, continuous service, and level pay options. During  
16          2011 and 2012 customer service enhancements were implemented that  
17          benefit our customers. We expanded the hours of standard operation to  
18          7:00 a.m. to 7:00 pm local time. We have also added Interactive Voice  
19          Response (IVR) for Montana-Dakota customers. This allows our  
20          customers to handle some issues, such as bill payment, requesting a copy  
21          of the bill, inquiries regarding a due date, or even making payment  
22          arrangements 24/7 without speaking to an agent. This year, we have  
23          actually rolled out, in response to customer feedback, or on-line payment

1 system and bill viewing. We knew from customer feedback that this was a  
2 highly requested service.

3 **Q. What are the service levels for inbound calls at the service center?**

4 A. In 2011, 82.2 percent of all inbound calls were answered in 60  
5 seconds or less and in 2012 that number was 80.02 percent. Our  
6 customers have continued to increase our service scores as we roll out  
7 the new systems. In 2012, customer satisfaction for Montana-Dakota  
8 ranked in the top 50 percent of combined utilities as measured by JD  
9 Power and Associates.

10 **Q. What are some of the factors measured in determining customer  
11 satisfaction?**

12 A. One of the reasons we moved to JD Power & Associates for  
13 measuring customer service was to be sure that we were capturing what  
14 is necessary to better measure customer satisfaction and identify what we  
15 can do better across all aspects of the operation. The survey questions  
16 represent a broad spectrum of customer concerns including billing and  
17 payment, price, corporate citizenship, communications, customer service  
18 and field service. For example, under billing and payment, drivers include  
19 providing a variety of methods to pay the customer's bill, ease of finding  
20 the exact amount due, and the usefulness of information on the bill.  
21 Under price, drivers include total cost, fairness of pricing, ease of  
22 understanding pricing options, and the effort of the utility to help manage  
23 monthly usage. Montana-Dakota customers gave particularly good

1 scores, well above the national average, in the area of field customer  
2 service and phone customer service, as well as corporate citizenship.  
3 Montana-Dakota gave scores below the national average on the bill itself  
4 and options to pay their bill. Both of these areas have been addressed in  
5 the new customer information and billing system.

6 **Q. Does this complete your direct testimony?**

7 **A.** Yes, it does.

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

Before the North Dakota Public Service Commission

Case No. PU-13-\_\_\_

Direct Testimony  
of  
Robert C. Morman

1 **Q. Please state your name and business address.**

2 My name is Robert C. Morman and my business address is 400  
3 North Fourth Street, Bismarck, North Dakota 58501.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the Director of Gas Supply for Montana-Dakota Utilities Co.  
6 (Montana-Dakota) and Great Plains Natural Gas Co., Divisions of MDU  
7 Resources Group, Inc., as well as Intermountain Gas Company and  
8 Cascade Natural Gas Corp., subsidiaries of MDU Resources Group, Inc.

9 **Q. Please describe your duties and responsibilities with Montana-**  
10 **Dakota.**

11 A. As Director of Gas Supply, I have oversight responsibility for the  
12 day-to-day and long range planning for the purchase of natural gas and  
13 obtaining interstate transportation and storage capacity to meet the  
14 demand of Montana-Dakota's natural gas customers.

15 **Q. Please outline your educational and professional background.**

16 A. I hold a Bachelor's Degree in Accounting and Business  
17 Administration from the University of Mary. My work experience includes  
18 eighteen years of experience with Williston Basin Interstate Pipeline

1 Company, now WBI Energy Transmission, in areas of operations,  
2 measurement accounting and gas control. I also have thirteen years of  
3 experience with Montana-Dakota in the measurement and gas supply  
4 departments. For the past nine years I have been the Manager/Director of  
5 Gas Supply.

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. The purpose of my testimony is to describe the investments in town  
8 border stations and pipeline facilities in North Dakota and particularly  
9 related to the expansion in the Bakken or northwestern part of the state. I  
10 will also discuss the Billings Landfill methane gas production facility and  
11 how it fits in with Montana-Dakota's overall gas supply portfolio

12 **Bakken Expansion**

13 **Q. Please explain how the expansion in the Bakken area has affected**  
14 **gas supply considerations.**

15 A. Throughout all areas of Montana-Dakota, the Gas Supply  
16 Department continually monitors the need for required capacity to serve its  
17 firm sales customers on a design or peak day. The two distinct areas  
18 reviewed are 1) the need for additional upstream transportation capacity to  
19 provide firm service to sales customer and 2) adequate capacity through  
20 the town border station (TBS) equipment serving the associated town.

21 With the rapid customer growth and related demand for natural gas  
22 in the Bakken area, Montana-Dakota reviewed the capacity of its current  
23 infrastructure to determine the need for system upgrades and/or

1 expansions to meet the increased demand. The remainder of the state  
2 has experienced a more steady growth over the long run with investments  
3 being made on an ongoing basis. Potential shortfalls were identified in the  
4 western portion of North Dakota and the majority of the required upgrades  
5 were completed in 2012 and 2013. The expansion projects included  
6 replacement and/or updating of 10 TBS and installation of new main or  
7 replacement of existing distribution main to meet the growth. A TBS, or  
8 also often referred to as a gate station, is a facility that can include a  
9 meter, regulators, pressure limiting devices and line heaters. The meters  
10 are required to measure the volumetric amount of gas transferring from  
11 the upstream pipeline to, in this case, Montana-Dakota's distribution  
12 system. Regulators are required to reduce the pressure of the natural gas  
13 from the higher pressure of the upstream pipeline to the lower pressures  
14 normally used in Local Distribution Company's distribution system, in this  
15 case Montana-Dakota. Pressure limiting devices are installed to ensure  
16 the pressure in a pipeline does not exceed the Maximum Allowable  
17 Operating Pressure (MAOP) each system is designed for. Line heaters  
18 may be required at certain locations to reheat the natural gas once it has  
19 passed through the regulators.

20 TBS replacement or upgrades were required as existing station  
21 equipment would not have adequate capacity to meet downstream  
22 customer demand during projected peak day conditions. With capacity at  
23 or near the maximum flow levels it was necessary to either increase

1 capacity of the TBS to meet the increase demand or decline natural gas  
2 service to new customers or existing customers that were expanding their  
3 businesses to meet their increasing needs. Communities identified to date  
4 as requiring upgraded or replacement in the 2012 through 2014 time  
5 frame include Stanley, Tioga, Killdeer, Watford City, Alexander, Trenton,  
6 Ray and Belfield.

7 In addition to the existing TBS upgrades the cities of Williston,  
8 Dickinson and Watford City required new TBS from the upstream pipeline  
9 as well as downstream piping or 'loop lines' to supply additional natural  
10 gas to meet the increase in demand. The new TBS and loop lines are  
11 connected to the existing distribution system which provides additional  
12 capacity as well as additional security to Montana-Dakota customers. The  
13 Williston and Dickinson loop lines were installed prior to the heating  
14 season of 2012 and the TBS and associated loop line to Watford City is  
15 being installed in 2013. In addition, the lateral serving the town of  
16 Trenton was replaced with a larger diameter pipe to meet the growth in  
17 this area. The Alexander lateral will be replaced in 2013 or 2014.

18 When determining which towns required replacement or upgrades  
19 to the TBS or if looping was required for reliability purposes to meet  
20 projected increases in demand Montana-Dakota worked with WBI Energy  
21 Transmission and reviewed the current capacity of each station and what  
22 equipment or station modifications were required to increase capacity.  
23 Some stations required minimal upgrades such as a regulator or meter

1 replacement while other stations required a complete rebuild. As stated  
2 above, the cities of Dickinson, Williston and Watford City required an  
3 additional feed into the respective town to meet the rapidly increasing  
4 demand caused by the increase in residential, commercial and industrial  
5 growth. At Williston and Watford City the cost of the new TBS and loop  
6 lines were partially offset by contributions from the customers who had  
7 requested service in these areas. These contributions help mitigate the  
8 cost to all customers.

9  
10 **Billings Landfill.**

11 **Q. Would you describe the development of the Billings Landfill project?**

12 A. Montana-Dakota approached Wenck Engineering (Wenck),  
13 established in 1985 and who has experience in developing landfill  
14 methane, in the 2007 time frame to determine if there was interest in  
15 partnering in a project(s) capable of capturing methane gas from landfills  
16 located in Montana-Dakota's service territory. Wenck was involved in the  
17 initial analysis of the methane potential from the landfill site, as well as in  
18 the construction of the facility. Wenck provides engineering services  
19 which include landfill design and construction, permitting and  
20 environmental monitoring as well as development of operating plans. To  
21 date Wenck has provided services to more than 20 landfill projects  
22 throughout the upper Midwest.

1 Methane gas is produced in landfills, along with carbon dioxide  
2 (CO<sub>2</sub>) and other gases, as the garbage breaks down once it is covered.  
3 The amount of methane produced varies with each landfill dependent on  
4 the age of the landfill, the makeup of the garbage as well as the moisture  
5 content of the garbage. Landfills can generate large amounts of methane  
6 gas and studies indicate the emissions from this gas can be up to 21 times  
7 more damaging to environment if it is not captured and destroyed.  
8 Depending on the amount of methane produced from a landfill, the  
9 Environmental Protection Agency (EPA) regulatory requirements may  
10 require certain landfills to capture and destroy the methane gas. Landfills  
11 throughout the U.S. have conducted reviews in accordance with  
12 environmental regulations and if they are not required to capture and  
13 destroy methane, they may choose to capture the methane voluntarily.  
14 The cities of Billings, Montana and Rapid City, South Dakota were  
15 approached by Montana-Dakota to gauge their interest in pursuing such a  
16 project because of the size, age and future expansion of their respective  
17 landfills.

18 **Q. Why was Montana-Dakota interested in developing a methane gas**  
19 **facility?**

20 The high price of natural gas at the time and the effects on  
21 customer bills were of concern to Montana-Dakota, as well as other  
22 utilities, and the commissions. Montana-Dakota was at the North Dakota  
23 Public Service Commission in August 2008 and informed the Commission

1 that natural gas prices were projected to increase from \$7.89 per  
2 dekatherm in January 2008 to around \$12.00 per dekatherm in January  
3 2009. In addition, the Wyoming Public Service Commission held public  
4 meetings, which Montana-Dakota participated in, throughout the state to  
5 hear customer concerns regarding the high commodity cost of natural gas  
6 that appeared to be facing customers in the foreseeable future. Montana-  
7 Dakota also discussed the projected high costs of gas with the Public  
8 Service Commission of Montana and the Public Utilities Commission of  
9 South Dakota. While natural gas was beginning to be produced from  
10 shale fields throughout the U.S. there was concern over production costs  
11 as well as decline curves of the gas produced from these formations.  
12 Liquefied natural gas (LNG) liquefaction plants were being built in  
13 countries such as Qatar, Indonesia and Malaysia to meet the anticipated  
14 shortfall of natural gas in the United States. LNG was projected to meet  
15 up to 12 percent of the required supply and there would be competition for  
16 the LNG shipments from countries such as China and Japan.

17 When Montana-Dakota approached the City of Billings (City) to  
18 gauge its interest in partnering with Montana-Dakota to develop its landfill  
19 methane, the City confirmed that methane capture was not required,  
20 however, as it is the largest landfill in Montana it is probably the landfill in  
21 the state that would most likely be required to capture emissions in the  
22 future. It was determined that a gas production facility solution would  
23 serve both the City and Montana-Dakota well as the landfill gases would

1 be captured and destroyed and Montana-Dakota would be able to extract  
2 the methane and use the gas to generate electricity, direct the raw  
3 methane gas to an end user for consumption in a boiler or dryer, or  
4 condition the gas to pipeline quality gas where it could be injected into a  
5 distribution system for customer use.

6 During the 2008-2009 period, Montana-Dakota worked with Wenck,  
7 who had experience in the development of landfill methane, and  
8 researched the different methods to capture and produce methane gas  
9 from the landfill. There were no industrial or commercial facilities near the  
10 Billings landfill to utilize a direct burn of the raw gas in a boiler, dryer or  
11 other commercial usage. During the time of the evaluation, the commodity  
12 cost of natural gas was in excess of \$6.00 and the monthly index price at  
13 Henry Hub had averaged approximately \$7.45 for the previous five years.  
14 As a result of the past high prices and apparent continuation of such  
15 pricing, Montana-Dakota explored the option of conditioning the landfill  
16 methane and using the resultant pipeline quality gas in the gas distribution  
17 system where it would be blended with natural gas and consumed by  
18 sales customers. A series of wells were drilled and flow tested to  
19 determine the amount of gas in the landfill and the results indicated  
20 adequate gas was present to pursue a project.

21 Montana-Dakota and Wenck personnel visited a molecular gate  
22 facility to gain a better understanding of the process to condition the gas to  
23 a pipeline quality product. It was determined that the process was

1 legitimate and a study was completed to determine the cost effectiveness  
2 of moving forward with this project.

3 **Q. How did you determine that the project was beneficial to customers?**

4 At the time the project was studied in 2008-2009, the monthly  
5 commodity price of natural gas had reached highs in excess of \$10 per dkt  
6 and there were concerns nationally and in our region of long term natural  
7 gas supply and price volatility. The Henry Hub twelve month average  
8 index cost of gas in 2008 was \$9.04 with the monthly indexes ranging  
9 from a low of \$6.47 to a high of \$13.11. The Billings landfill project was  
10 determined to be a long term supply of natural gas as the facility is a  
11 regional landfill and would continue to receive garbage for the next 40-50  
12 years. As the landfill increases in size and additional collection wells are  
13 installed, the molecular gate facility would be able to expand to capture  
14 the methane as it is produced. The studies indicated the gas could initially  
15 be developed for around \$6 per dkt and the cost of production would  
16 decrease as the size of the landfill grew and produced more methane and  
17 efficiencies of scale were realized. The supply of methane gas from the  
18 landfill would be at a cost that would reduce exposure to the volatile price  
19 swings we were seeing throughout the United States. It would serve as a  
20 physical hedge as the price would remain relatively stable and known.

21 Because of the volatility of natural gas prices, Montana-Dakota did  
22 not complete a detailed study for the use of methane for power generation

1           although a portion of the lower BTU tailgas from the molecular gate facility  
2           is used to generate electricity which supplies power to the site.

3                       In addition to being a benefit to Montana-Dakota's natural gas  
4           customers, the City of Billings also benefits from the installation of the  
5           landfill facility. We entered into a long term agreement with the City of  
6           Billings to capture and produce the methane which makes this an  
7           environmentally friendly project. Montana-Dakota reimburses the City of  
8           Billings an amount similar to a royalty payment for the amount of natural  
9           gas that is delivered to natural gas customers.

10                      The Billings Landfill project is a long lived physical asset with the  
11           life span of the landfill approaching or exceeding fifty years. Because utility  
12           ratemaking in North Dakota utilizes original cost depreciated, the  
13           Company's investment cost in the Billings Landfill Project declines over  
14           time until it is reduced to zero. The Company's initial investment in the  
15           Billings Landfill facility is being depreciated over 30 years, and its  
16           projected additional investment in the project will similarly be depreciated  
17           over a 30 year time frame. Once the investment cost is fully depreciated,  
18           the cost of producing gas from the landfill will be reduced to operation and  
19           maintenance expense. In contrast, open market purchases of natural gas  
20           in the field will be at whatever price the market dictates. The twin forces of  
21           supply and demand, forces which Montana-Dakota cannot control, will  
22           dictate the price Montana-Dakota must pay for open market purchases.

1 Montana-Dakota is also identifying the value of carbon credits,  
2 environmental attributes and/or renewable energy credits that are  
3 associated with this facility. By capturing the greenhouse gases that are  
4 naturally emitted from the landfill, the Company may be able to market  
5 these credits or attributes and obtain a monetary value that will be shared  
6 by Montana-Dakota's customers and the City of Billings.

7 **Q. Would you describe the current operations at the landfill production**  
8 **site?**

9 A. Yes. The facility commenced producing methane gas in December  
10 2010 and approximately 129,200 dk of gas were extracted from the landfill  
11 and delivered into Montana-Dakota's distribution system for use by its  
12 sales customers in 2011. There are currently two full time employee  
13 equivalents assigned to operate the plant. Initially, 63 wells were drilled  
14 and gas is currently being extracted from these wells.

15 The system utilizes a molecular gate process to convert the landfill  
16 gas to pipeline quality gas that can be consumed in Montana-Dakota's  
17 natural gas distribution system. Montana-Dakota drilled 63 wells in  
18 phases 1 and 2 of the Billings Landfill from which methane gas that is  
19 being produced from decomposing garbage, is brought to the surface and  
20 transferred to the gas processing facility. The depth of these wells range  
21 from a minimum of 40 feet up to 133 feet with most wells exceeding 100  
22 feet in depth. A series of gathering lines, ranging in size from six inch  
23 lines going to the individual wells to as large as 24 inch and 30 inch pipe

1 which is considered the main trunk line, receive all of the gas from the  
2 wells and delivers the gas to the processing facility. A blower at the  
3 processing facility draws a vacuum on the field wells, which draws the  
4 landfill gas to the plant. As there are liquids entrained in the gas  
5 withdrawn from the landfill, a separator at the inlet of the process facility  
6 removes the majority of liquids prior to the gas entering the molecular gate  
7 system.

8 The landfill gas that is drawn from the wells contains approximately  
9 50 percent methane molecules with the remaining 50 percent consisting of  
10 CO<sub>2</sub>, nitrogen, oxygen and a variety of other gases. Natural gas that is  
11 delivered to Montana-Dakota's customers from conventional wells and  
12 processing plants is composed of up to 95 percent methane molecules.  
13 After a series of processes that 'chill' the gas to remove additional liquids,  
14 the gas is then introduced to the Pressure Swing Adsorption (PSA)  
15 system. The PSA separates the different sized molecules of landfill gas  
16 with the intent to allow only methane molecules to transfer into Montana-  
17 Dakota's distribution system for use by residential, commercial and  
18 industrial customers. The goal of the processing facility is to clean the gas  
19 to a point where more than 95 percent of the molecules are methane. The  
20 undesirable gas is sent to a thermal oxidizer and burned to reduce the  
21 amount of emissions entering the atmosphere.

22 **Q. Have there been changes in the operation of the landfill since**  
23 **operation commenced that have affected the production of methane?**

1           Yes. In 2010 the City changed its operation of the landfill which  
2 affected how Montana-Dakota operated the wells. The City began to flat  
3 pack garbage at the landfill instead of slope packing garbage. With flat  
4 packing garbage, the landfill was able to increase the density from 514  
5 pounds of garbage per cubic yard of air space to around 1,000 pounds per  
6 cubic yard of air space, with a goal of 1,300 pounds per cubic yard of air  
7 space. The garbage to dirt ratio increased from 2:1 to 3:1 with a goal of  
8 5:1. The result is that the landfill will be able to extend the life of the  
9 landfill and create more methane. Additionally, the landfill is adding water  
10 with the alternate daily cover.

11           In order to achieve the density goals, a larger area is needed for flat  
12 packing, and the phases will be filled simultaneously, rather than phase by  
13 phase. Horizontal pipe can be laid to collect the methane as the phases  
14 are filled. In order to use vertical pipe, a wait of 5-7 years would be  
15 required until the phases would be filled to the height required for a  
16 vertical well.

17           In June of 2012 Montana-Dakota installed additional piping in the  
18 area of the landfill that is currently receiving garbage and began drawing  
19 methane in August from this new area. As more cover is added to this  
20 new section Montana-Dakota will draw additional methane which will  
21 increase the throughput and efficiency of the methane recovery facility.  
22 To date Montana-Dakota has invested approximately \$11 million in the  
23 facility.

1                   The production facility, as well as the gas from the facility are  
2 considered part of Montana-Dakota's integrated system and as such, are  
3 allocated to the four jurisdictions that make up the integrated gas system.

4 **Q. How does the gas from the Billings landfill fit into the gas supply  
5 portfolio?**

6 A.               As noted above, the Billings landfill currently produces  
7 approximately 130,000 dk annually, which represents 0.5 percent of  
8 Montana-Dakota's total system requirements. As additional phases of the  
9 landfill are developed Montana-Dakota expects the production to provide  
10 1.5 – 2.0 percent of total system requirements. The addition of the Billings  
11 landfill provides supply diversity, a cost competitive gas supply, and an  
12 environmentally friendly fuel source.

13 **Q. Does this complete your direct testimony?**

14 A.               Yes, it does.

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

Before the North Dakota Public Service Commission

Case No. PU-10-\_\_\_\_

Direct Testimony  
of  
Travis Jacobson

1 **Q. Would you please state your name, business address and position?**

2 A. Yes. My name is Travis Jacobson and my business address is 400  
3 North Fourth Street, Bismarck, North Dakota 58501. I am Manager,  
4 Financial Reporting & Planning for Montana-Dakota Utilities Co.  
5 (Montana-Dakota), a division of MDU Resources Group, Inc.

6 **Q. Would you please describe your duties?**

7 A. As Manager, Financial Reporting & Planning, I am responsible for  
8 managing the accounting and the financial forecasting/planning functions,  
9 including the analysis and reporting of all financial transactions for Montana-  
10 Dakota and Great Plains.

11 **Q. Would you please outline your educational and professional  
12 background?**

13 A. I graduated from Minot State University with a Bachelor of Science  
14 degree in Accounting and am a Certified Public Accountant (CPA). I  
15 started my career with Montana-Dakota in 1999 as a financial analyst in  
16 the Financial Reporting area and during my tenure with the Company  
17 have held positions of increasing responsibility, including Supervisor,  
18 Financial Reporting & Planning and Manager, Financial Reporting &

1 Planning.

2 **Q. What is the purpose of your testimony in this proceeding?**

3 A. I am responsible for presenting Statement A, Statement B, and  
4 Statement F.

5 **Q. Were these statements and the data contained therein prepared by  
6 you or under your supervision?**

7 A. Yes, they were.

8 **Q. Are they true to the best of your knowledge and belief?**

9 A. Yes, they are.

10 **Q. Would you describe Statement A and Statement B?**

11 A. Statement A, pages 1 and 2 show Montana-Dakota's balance sheet  
12 as of December 31, 2011 and December 31, 2012 with June 30, 2012 and  
13 June 30, 2013 information shown on pages 3 and 4, with notes to the  
14 financial statements following. Statement B consists of Montana-Dakota's  
15 income statement for the twelve months ended December 31, 2012 and  
16 the six months ended June 30, 2013. These statements have been  
17 prepared from the Company's books and records that are maintained in  
18 accordance with the Federal Energy Regulatory Commission (FERC)  
19 Uniform System of Accounts.

20 **Q. Would you please explain Statement F?**

21 A. Statement F shows the utility capital structure of Montana-Dakota  
22 for the twelve months ended December 31, 2012 and the projected capital  
23 structure for 2013 and 2014. Statement F includes the associated costs of

1 debt, preferred stock and common equity. This capital structure and the  
2 associated costs serve as the basis for the overall rate of return requested  
3 by Montana-Dakota in this rate filing of 7.881%. As explained later, as a  
4 result of the Company's efforts to reduce its long term debt costs, this  
5 overall rate of return is a reduction from the overall rate of return adopted  
6 for use in Case No. PU-399-04-97. The basis for the requested 10.00%  
7 return on common equity contained within the overall requested rate of  
8 return is supported by the testimony of Dr. J. Stephen Gaske

9 Page 1 of Statement F summarizes the actual gas utility capital  
10 structure at December 31, 2012 and the projected capital structure and  
11 the related utility costs of capital for 2013 and 2014. As shown on page 1,  
12 the components of the 2014 projected overall annual rate of return, which  
13 are used by Ms. Mulkern to calculate the revenue requirement, are:

	Weighted Cost of Capital
14 Long Term Debt	2.716%
15 Short Term Debt	0.062%
16 Preferred Stock	0.076%
17 Common Equity	5.027%
18 Required Rate of Return	<u>7.881%</u>

19 The debt costs reflected on Statement F, page 1 represent the actual  
20 weighted embedded costs of the long-term debt at December 31, 2012  
21 and those projected to be outstanding at December 31, 2013 and  
22 December 31, 2014 and are supported by Statement F, Schedule F-1. In  
23 calculating the debt costs the "Yield-to-Maturity" method (also referred to

1 as the Internal Rate of Return ("IRR") method) is used to determine the  
2 total cost for each respective debt issue as presented on Schedule F-1,  
3 page 2 of 6, page 3 of 6, and page 4 of 6. The yield-to-maturity calculation  
4 of each debt issue outstanding gives consideration to the stated rates of  
5 interest being paid on such debt, the timing of the interest payments,  
6 related issuance expenses, underwriters' commissions, the discount or  
7 premium realized upon issuance and the amortization of losses on bond  
8 redemption transactions.

9 Statement F, Schedule F-2, supports the cost of Montana-Dakota's  
10 preferred stock capital, representing the weighted cost of the issues at  
11 December 31, 2012 and projected to be outstanding at December 31,  
12 2013 and December 31, 2014.

13 Statement F, Schedule F-3, supports the Company's utility common  
14 equity balance at December 31, 2012, and the projected balance as of  
15 December 31, 2013 and December 31, 2014.

16 **Q. How does the Company finance its gas utility operations and**  
17 **determine the amount of common equity, debt and preferred stock to**  
18 **be included in its capital structure?**

19 A. As a regulated public utility, the Company has a duty and obligation  
20 to provide safe and reliable service to its customers across its service  
21 territory while prudently balancing cost and risk. In order to fulfill its  
22 service obligations the Company is making significant capital expenditures  
23 for new plant investment in North Dakota and throughout its service

1 territory. These new investments also have associated operating and  
2 maintenance costs. Through its financial planning process the Company  
3 determines the amounts of necessary financing required to support these  
4 activities. Montana-Dakota finances its operations targeting a 50/50 debt  
5 to equity ratio capital structure. Capital expenditure investments are  
6 financed through a mix of internally generated funds, the utilization of its  
7 short term credit line and the issuance of additional debt and equity  
8 financing as required to maintain its targeted capital ratios and finance its  
9 combined utility operations. In December 2012, the Company obtained  
10 \$5 million of common equity, and between July and October 2009, the  
11 Company obtained \$29 million of common equity through new stock  
12 issuances. Also, in 2009 the Company issued \$50 million of unsecured  
13 senior notes in two \$25 million private placements with a seven year  
14 maturity, at interest rates of 6.66% and 6.61% respectively. In 2008  
15 through a private placement the Company issued \$100 million of 10 year  
16 unsecured senior notes at an interest rate of 6.04%.

17 The Company plans to issue \$100 million in December 2013 at an  
18 interest rate of 4.25% and \$50 million in October 2014 at an interest rate  
19 of 5.00% as well as obtain equity of \$30 million in October 2013 and \$45  
20 million in September 2014, again to achieve and maintain the targeted  
21 50/50 capital structure.

22 Since 2006 the Company has refinanced essentially all of its long  
23 term debt and has lowered its embedded weighted average debt cost from

1 8.713% at December 31, 2005 to a projected 6.136% at December 31,  
2 2014. The mix of securities employ various maturity dates in order to  
3 provide flexibility and mitigate refinancing risks.

4 **Q. What does Statement F, Schedule F-1 show?**

5 A. Page 1 is a summary showing the Company's long-term debt at  
6 December 31, 2012 and associated cost of debt, and it shows the  
7 projected long-term debt and associated costs for 2013 and 2014. Page 2  
8 shows the cost and the debt balance by issue at December 31, 2012, and  
9 pages 3 and 4 show the projected cost and the debt balance by issue at  
10 December 31, 2013 and December 31, 2014, respectively.

11 **Q. How did you derive the projected cost of debt for 2013 and 2014?**

12 A. The projected cost of debt for 2013 and 2014 is based upon the  
13 yield to maturity of each debt issue outstanding.

14 **Q. Would you please describe Statement F, Schedule F-1, page 5 and  
15 explain the amortization method utilized?**

16 A. Page 5 reflects the annual amortization of net discounts (losses)  
17 and unamortized issuance expenses on the redemption of long term debt.  
18 For this proceeding, the amortization has been computed on a straight-line  
19 basis over the remaining life of the issues, the same calculation as used  
20 by the Company for accounting purposes.

21 **Q. Would you please describe Statement F, Schedule F-1, page 6?**

22 A. Page 6 presents the projected average short term debt balance for  
23 2012, 2013 and 2014 as well as the average cost of short term debt. A

1 twelve month average of short term debt is used in the cost of capital  
2 calculation to reflect the seasonality in the short term debt balance. Short  
3 term debt is historically at or near its peak in December and the twelve  
4 month average calculation is more reflective of the borrowing level than a  
5 year-end balance.

6 **Q. What does Statement F, Schedule F-2 show?**

7 A. Page 1 presents the preferred stock balances at December 31,  
8 2012 and the projected balances for December 31, 2013 and December  
9 31, 2014. The anticipated weighted cost of preferred stock is also shown.  
10 Page 2 sets forth the various preferred stock issues outstanding at  
11 December 31, 2012 and pages 3 and 4 set forth the projected issues  
12 outstanding at December 31, 2013 and December 31, 2014, respectively.

13 **Q. What does Statement F, Schedule F-3 show?**

14 A. Page 1 presents the common equity balance at December 31, 2012  
15 and the projected balance for 2013 and 2014 reflecting the projected  
16 activity in the balance.

17 **Q. Montana-Dakota is proposing new depreciation rates in this filing,**  
18 **based on plant for the twelve months ending December 31, 2008, and**  
19 **supported by Mr. Earl Robinson in his testimony. Has Montana-**  
20 **Dakota implemented the new depreciation rates developed by Mr.**  
21 **Robinson?**

22 A. The new rates were implemented effective January 2010 based on  
23 the referenced study, with the exception of the cost of removal rates on

1 distribution plant. Montana-Dakota implemented the new rates because  
2 overall, absent the cost of removal rates on distribution plant, the study  
3 resulted in lower depreciation rates. Montana-Dakota made the decision  
4 to implement the lower rates and elected to use the cost of removal on  
5 distribution rates that were in effect at the time until the new depreciation  
6 study could be reviewed in a general rate case.

7 **Q. Does this conclude your direct testimony?**

8 A. Yes, it does.

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

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

Case No. PU-13-\_\_\_

PREPARED DIRECT TESTIMONY OF

J. STEPHEN GASKE

1 **Q1. Please state your name, position and business address.**

2 A1. My name is J. Stephen Gaske and I am a Senior Vice President of Concentric  
3 Energy Advisors, Inc., 1130 Connecticut Avenue NW, Suite 850, Washington,  
4 DC 20036.

5 **Q2. Would you please describe your educational and professional background?**

6 A2. I hold a B.A. degree from the University of Virginia and an M.B.A. degree with a  
7 major in finance and investments from George Washington University. I also  
8 earned a Ph.D. degree from Indiana University where my major field of study was  
9 public utilities and my supporting fields were finance and economics.

10 From 1977 to 1980, I worked for H. Zinder & Associates (“HZA”) as a research  
11 assistant and later as supervisor of regulatory research. Subsequently, I spent a  
12 year assisting in the preparation of cost of capital studies for presentation in  
13 regulatory proceedings.

14 From 1982 to 1986, I undertook graduate studies in economics and finance at  
15 Indiana University where I also taught courses in public utilities, transportation,  
16 and physical distribution. During this time, I also was employed as an

1 independent consultant on a number of projects involving public utility  
2 regulation, rate design, and cost of capital. From 1983 to 1986, I was coordinator  
3 for the Edison Electric Institute Electric Rate Fundamentals course. In 1986, I  
4 accepted an appointment as assistant professor at Trinity University in San  
5 Antonio, Texas, where I taught courses in financial management, investments,  
6 corporate finance, and corporate financial theory.

7 In 1988, I returned to HZA and was President of the company from 2000 to 2008.  
8 In May 2008, HZA merged with Concentric Energy Advisors, Inc. (“Concentric”)  
9 and I became a Senior Vice President of Concentric.

10 **Q3. Have you presented expert testimony in other proceedings?**

11 A3. Yes. I have filed testimony on the cost of capital and capital structure issues for  
12 electric and natural gas distribution and oil and natural gas pipeline operations  
13 before 11 state and provincial regulatory bodies, including the North Dakota  
14 Public Service Commission. I also have testified or filed testimony or affidavits  
15 before various federal regulators, including the Federal Energy Regulatory  
16 Commission on more than thirty occasions, the National Energy Board of Canada,  
17 and the Comisión Reguladora de Energía of México. Topics covered in these  
18 submissions have included rate of return, capital structure, cost allocation, rate  
19 design, revenue requirements, and market power. In addition, I have testified or  
20 submitted testimony on issues such as cost allocation, rate design, pricing and  
21 generating plant economics before the U.S. Postal Rate Commission, regulators in  
22 four Canadian provinces, and seven U.S. state public utility commissions. During  
23 the course of my consulting career, I have conducted many studies on issues

1 related to regulated industries and have served as an advisor to numerous clients  
2 on economic, competitive, and financial matters. I also have spoken and lectured  
3 before many professional groups including the American Gas Association and the  
4 Edison Electric Institute Rate Fundamentals courses. Finally, I am a member of  
5 the American Economic Association, the Financial Management Association, and  
6 the American Finance Association.

7 **I. INTRODUCTION**

8 A. Scope and Overview

9 **Q4. What is the scope of your testimony in this proceeding?**

10 A4. I have been asked by Montana-Dakota Utilities Co. (“Montana-Dakota” or the  
11 “Company”) to estimate the cost of common equity capital for the Company’s  
12 natural gas distribution operations in the state of North Dakota. In this testimony,  
13 I calculate the cost of common equity capital for Montana-Dakota’s North Dakota  
14 natural gas distribution operations based on a Discounted Cash Flow (“DCF”)  
15 analysis of a group of proxy companies that have risks similar to those of  
16 Montana-Dakota’s North Dakota natural gas distribution operations. The results  
17 of this DCF study are supported by various benchmark criteria that I have used to  
18 test the reasonableness of the DCF study results.

19 **Q5. What rate of return is Montana-Dakota requesting in this proceeding?**

20 A5. Based on its test period capital structure, Montana-Dakota is requesting the  
21 following rate of return:

1 **Table 1: Requested Rate of Return – North Dakota Natural Gas Operations<sup>1</sup>**

Source	Amount	Percent	Cost	Overall Rate of Return
Long-Term Debt	\$405,469,139	44.257%	6.136%	2.716%
Short-Term Debt	\$34,867,366	3.806%	1.616%	0.062%
Preferred Stock	\$15,236,100	1.663%	4.578%	0.076%
Common Equity	\$460,591,083	50.274%	10.000%	5.027%
TOTAL	\$916,163,688	100.000%		7.881%

2

3 As my testimony discusses, an overall allowed rate of return of 7.881 percent,  
4 with a 10.00 percent return on common equity, represents the cost of capital for  
5 Montana-Dakota at this time.

6 B. Company Background

7 **Q6. Please describe Montana-Dakota's operations and those of its parent**  
8 **company, MDU Resources Group, Inc.**

9 A6. Montana-Dakota is a wholly-owned division of MDU Resources Group, Inc.  
10 ("MDU Resources") that is engaged in the generation, transmission, and  
11 distribution of electricity, and the distribution of natural gas in the states of  
12 Montana, North Dakota, South Dakota, and Wyoming. MDU Resources also  
13 owns Cascade Natural Gas Co., which distributes natural gas in the states of  
14 Oregon and Washington; Intermountain Gas Company, which distributes natural  
15 gas in the state of Idaho; and Great Plains Natural Gas Co., which distributes  
16 natural gas in western Minnesota and southeastern North Dakota. Through other  
17 divisions and subsidiaries, MDU Resources is engaged in utility infrastructure  
18 construction, natural gas and oil exploration and production, natural gas gathering

<sup>1</sup> Projected average capital structure and rate of return for 2014.

1 and transmission, and produces and markets aggregates and other construction  
2 materials.

3 In 2012, the utility companies within MDU Resources provided natural gas  
4 distribution service to over 859,000 residential, commercial, and industrial  
5 customers in 334 communities across eight states.<sup>2</sup> In addition, Montana-Dakota  
6 provided electric utility service to over 131,000 residential, commercial,  
7 industrial, and municipal customers in 177 communities and adjacent rural areas  
8 across four states.<sup>3</sup> Natural gas distribution assets comprised 25.5 percent<sup>4</sup> of  
9 MDU Resources' total assets in 2012, and natural gas distribution revenues  
10 comprised 18.5 percent<sup>5</sup> of total operating revenues. North Dakota accounted for  
11 12.0 percent of the natural gas distribution operating sales revenues, while Idaho  
12 (33.0 percent), Washington (27.0 percent), Oregon (9.0 percent), Montana (8.0  
13 percent), South Dakota (6.0 percent), Minnesota (3.0 percent), and Wyoming (2.0  
14 percent) accounted for the other 88 percent of natural gas distribution operating  
15 sales revenues.<sup>6</sup>

16 **Q7. Would you please describe Montana-Dakota's North Dakota natural gas**  
17 **service territory?**

18 A7. Montana-Dakota provides natural gas distribution service to approximately  
19 99,000 customers<sup>7</sup> in 76 communities in North Dakota,<sup>8</sup> including the cities of

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<sup>2</sup> MDU Resources Group, Inc., 2012 SEC Form 10-K, at 13.

<sup>3</sup> *Ibid.*, at 9.

<sup>4</sup> *Ibid.*, at 92.

<sup>5</sup> *Ibid.*, at 91.

<sup>6</sup> *Ibid.*, at 13.

<sup>7</sup> Montana-Dakota Utilities Co., Annual Report to the North Dakota Public Service Commission for the Year Ended December 31, 2012, at 7.

1 Bismarck, Mandan, Dickinson, Williston, Minot, Jamestown, and many small  
2 towns and rural areas.<sup>9</sup> Although Montana-Dakota's North Dakota natural gas  
3 distribution operations tend to be concentrated in cities and towns, a large portion  
4 of the local economies are based on agricultural and minerals production.  
5 Western North Dakota is experiencing a classic economic boom due to rapid  
6 development of oil in the Bakken Shale formation and this activity is spurring  
7 rapid growth in portions of Montana-Dakota's service territory. North Dakota  
8 also has some manufacturing, particularly in food processing and farm equipment.

9 Montana-Dakota's North Dakota natural gas distribution operations have  
10 experienced growth in recent years as a slowly growing customer base has been  
11 offset by declining average use per customer due to energy efficiency and  
12 conservation. As discussed in the Direct Testimony of Montana-Dakota  
13 witnesses Mr. Jay W. Skabo and Mr. Robert C. Morman, most of the recent  
14 investment in this jurisdiction has been for new distribution plant to accommodate  
15 customer growth and support reliability, and also the installation of an automated  
16 meter reading system and a new customer billing system. Significant investment  
17 will continue to be required in coming years to support customer growth and to  
18 replace aging plant so that the Company can continue to provide safe, reliable and  
19 efficient natural gas distribution service to its North Dakota customers.

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<sup>8</sup> Montana-Dakota Utilities Co., State of North Dakota Gas Rate Schedule, NDPSC Volume 7, 2<sup>nd</sup> Revised Sheet No. 2.

<sup>9</sup> MDU Resources Group, Inc., 2012 SEC Form 10-K, at 13.

1 **II. FINANCIAL MARKET STUDIES**

2 A. Criteria for a Fair Rate of Return

3 **Q8. Please describe the criteria which should be applied in determining a fair**  
4 **rate of return for a regulated company.**

5 A8. The United States Supreme Court has provided general guidance regarding the  
6 level of allowed rate of return that will meet constitutional requirements. In  
7 *Bluefield Water Works & Improvement Company v. Public Service Commission of*  
8 *West Virginia (262 U.S. 679, 693 (1923))*, the Court indicated that:

9           The return should be reasonably sufficient to assure confidence in  
10           the financial soundness of the utility, and should be adequate,  
11           under efficient and economical management, to maintain and  
12           support its credit and enable it to raise the money necessary for the  
13           proper discharge of its public duties. A rate of return may be  
14           reasonable at one time and become too high or too low by changes  
15           affecting opportunities for investment, the money market, and  
16           business conditions generally.

17           The Court has further elaborated on this requirement in its decision in *Federal*  
18           *Power Commission v. Hope Natural Gas Company (320 U.S. 591, 603 (1944))*.

19           There the Court described the relevant criteria as follows:

20           From the investor or company point of view, it is important that  
21           there be enough revenue not only for operating expenses, but also  
22           for the capital costs of the business. These include service on the  
23           debt and dividends on the stock.... By that standard, the return to  
24           the equity owner should be commensurate with returns on  
25           investments in other enterprises having corresponding risks. That  
26           return, moreover, should be sufficient to assure confidence in the  
27           financial integrity of the enterprise, so as to maintain its credit and  
28           to attract capital.

1 Thus, the standards established by the Court in Hope and Bluefield consist of  
2 three requirements. These are that the allowed rate of return should be:

- 3 1. commensurate with returns on enterprises with corresponding  
4 risks;
- 5 2. sufficient to maintain the financial integrity of the regulated  
6 company; and
- 7 3. adequate to allow the company to attract capital on reasonable  
8 terms.

9 These legal criteria will be satisfied best by employing the economic concept of  
10 the “cost of capital” or “opportunity cost” in establishing the allowed rate of  
11 return on common equity. For every investment alternative, investors consider  
12 the risks attached to the investment and attempt to evaluate whether the return  
13 they expect to earn is adequate for the risks undertaken. Investors also consider  
14 whether there might be other investment opportunities that would provide a better  
15 return relative to the risk involved. This weighing of alternatives and the highly  
16 competitive nature of capital markets causes the prices of stocks and bonds to  
17 adjust in such a way that investors can expect to earn a return that is just adequate  
18 for the risks involved. Thus, for any given level of risk, there is a return that  
19 investors expect in order to induce them to voluntarily undertake that risk and not  
20 invest their money elsewhere. That return is referred to as the “opportunity cost”  
21 of capital or “investor required” return.

22 **Q9. How should a fair rate of return be evaluated from the standpoint of**  
23 **consumers and the public?**

24 A9. The same standards should apply. When an unregulated entity faces competition,  
25 the pressure of that competition and consumer choices will combine to determine

1 the fair rate of return. However, when regulation is appropriate, consumers and  
2 the public have a long-term interest in seeing that the regulated company has an  
3 opportunity to earn returns that are not so high as to be excessive, but that also are  
4 sufficient to encourage continued replacement and maintenance, as well as needed  
5 expansions, extensions, and new services. Thus, both the consumer and the  
6 public interest depend on establishing a return that will readily attract capital  
7 without being excessive.

8 **Q10. How are the costs of preferred stock and long-term debt determined?**

9 A10. For purposes of setting regulated rates, the current embedded costs of preferred  
10 stock and long-term debt are used in order to ensure that the company receives a  
11 return that is sufficient to pay the fixed dividend and interest obligations that are  
12 attached to these sources of capital.

13 **Q11. How is the cost of common equity determined?**

14 A11. The practice in setting a fair rate of return on common equity is to use the current  
15 market cost of common equity in order to ensure that the return is adequate to  
16 attract capital and is commensurate with returns available on other investments  
17 with similar levels of risk. However, determining the market cost of common  
18 equity is a relatively complicated task that requires analysis of many factors and  
19 some degree of judgment by an analyst. The current market cost of capital for  
20 securities that pay a fixed level of interest or dividends is relatively easy to  
21 determine. For example, the current market cost of debt for publicly-traded bonds  
22 can be calculated as the yield-to-maturity, adjusted for flotation costs, based on  
23 the current market price at which the bonds are selling. In contrast, because

1 common stockholders receive only the residual earnings of the company, there are  
2 no fixed contractual payments which can be observed. This uncertainty  
3 associated with the dividends that eventually will be paid greatly complicates the  
4 task of estimating the cost of common equity capital. For purposes of this  
5 testimony, I have relied on several analytical approaches for estimating the cost of  
6 common equity. My primary approach relies on three DCF analyses. In addition,  
7 I have conducted a risk premium analysis and a market DCF analysis of the S&P  
8 500 as benchmarks to assess the reasonableness of the DCF results. Each of these  
9 approaches is described later in this testimony.

10 B. Interest Rates and the Economy

11 **Q12. What are the general economic factors that affect the cost of capital?**

12 A12. Companies attempting to attract common equity must compete with a variety of  
13 alternative investments. Prevailing interest rates and other measures of economic  
14 trends influence investors' perceptions of the economic outlook and its  
15 implications on both short- and long-term capital markets. Page 1 of Schedule 1  
16 of Exhibit No. \_\_ (JSG-2) shows various general economic statistics. Real  
17 growth in the Gross Domestic Product ("GDP") has averaged 2.9 percent annually  
18 during the past 30 years, 2.5 percent for the past 20 years, and 1.7 percent for the  
19 past 10 years. Economic growth remained sluggish in the first quarter of 2013,  
20 with real GDP increasing at an annual rate of only 1.8 percent, as the economy  
21 continues to slowly recover from the 2008-09 recession.<sup>10</sup> According to Blue

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<sup>10</sup> U.S. Department of Commerce, Bureau of Economic Analysis, GDP News Release, June 26, 2013.

1 Chip Economic Indicators, the consensus forecast for expected growth in real  
2 GDP is 2.0 percent in 2013<sup>11</sup> and 2.7 percent in 2014,<sup>12</sup> respectively. Likewise,  
3 the U.S. unemployment rate has improved slightly in recent months to 7.6 percent  
4 as of May 2013,<sup>13</sup> but remains at unusually high levels after the recession. In  
5 light of these weak economic conditions, the Federal Reserve has maintained its  
6 federal funds rate of 0.00 percent to 0.25 percent for overnight loans to banks in  
7 order to provide continued liquidity to the U.S. financial markets.<sup>14</sup>

8 As pages 2 to 3 of Schedule 1 of Exhibit No. \_\_\_(JSG-2) show, interest rates on  
9 longer-term public utility bonds have declined substantially since the first half of  
10 2011, with average 2013 yields on A-rated public utility bonds at 4.14 percent and  
11 yields on Baa-rated public utility bonds at 4.65 percent. Although current credit  
12 spreads remain lower than during the peak of the global economic crisis in late  
13 2008 and the first half of 2009, Baa-rated credit spreads are significantly higher  
14 than before the financial crisis while A-rated spreads have returned to pre-  
15 recession levels. Many market experts have attributed these increased credit  
16 spreads to the “flight to safety” which began in the aftermath of the global  
17 economic crisis that commenced in the third quarter of 2008 with the failure of  
18 many borrowers to make payments on sub-prime mortgages. The concept of the  
19 “flight to safety” is that risk-averse investors flock to the least risky government-  
20 backed securities, lowering the yield on those securities, but significantly

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<sup>11</sup> Blue Chip Economic Indicators, Vol. 38, No. 5, May 10, 2013, at 2.

<sup>12</sup> *Ibid.*, at 3.

<sup>13</sup> U.S. Department of Labor, Bureau of Labor Statistics.

<sup>14</sup> Statement of the Federal Open Market Committee, May 1, 2013.

1 increasing the relative capital costs associated with the more risky corporate  
2 securities.

3 Investors also are influenced by both the historical and projected level of  
4 inflation. During the past decade, the Consumer Price Index has increased at an  
5 average annual rate of 2.5 percent and the GDP Implicit Price Deflator, a measure  
6 of price changes for all goods produced in the United States, has increased at an  
7 average rate of 2.3 percent. According to Blue Chip Economic Indicators, the  
8 Consumer Price Index is forecasted to increase by 1.7 percent<sup>15</sup> and 2.0 percent<sup>16</sup>  
9 for 2013 and 2014, respectively. Over the intermediate and longer-term,  
10 however, investors can expect higher inflation rates as the Federal Reserve's  
11 accommodative monetary policy since 2008 places upward pressure on consumer  
12 and producer prices once economic growth returns to historical levels. According  
13 to Blue Chip Financial Forecasts, the projected yield on 30-year U.S. Treasury  
14 bonds from 2014 to 2018 is 4.7 percent and from 2019 to 2023 it is 5.5 percent.<sup>17</sup>  
15 These interest rates are significantly higher than the current yield on the 30-year  
16 U.S. Treasury bond, suggesting that investors expect a substantial increase in  
17 inflationary pressure over the intermediate and long-term periods.

18 **Q13. How are current economic conditions reflected in the equity markets?**

19 A13. Although corporate bond yields are lower than pre-crisis levels, primarily due to  
20 Federal Reserve monetary policy, credit spreads for intermediate quality corporate  
21 bonds remain somewhat higher than pre-crisis levels as investors remain risk

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<sup>15</sup> Blue Chip Economic Indicators, Vol. 38, No. 5, May 10, 2013, at 2.

<sup>16</sup> *Ibid.*, at 3.

<sup>17</sup> Blue Chip Financial Forecasts, Vol. 31, No. 12, December 1, 2012, at 14.

1           averse and inflation fears increase. The equity markets generally have recovered  
2           from the large stock market decline in 2008 and 2009. However, the premium  
3           required in the cost of common equity generally is higher than it was before the  
4           significant risks of equity investment were emphasized during the recent market  
5           downturn. In addition, the Federal Reserve’s massive purchases of federal debt  
6           have created artificially low interest rates that do not reflect the risks and returns  
7           required in the equity market.

8    C.    Discounted Cash Flow (“DCF”) Method

9    **Q14. Please describe the DCF method of estimating the cost of common equity**  
10   **capital.**

11   A14. The DCF method reflects the assumption that the market price of a share of  
12   common stock represents the discounted present value of the stream of all future  
13   dividends that investors expect the firm to pay. The DCF method suggests that  
14   investors in common stocks expect to realize returns from two sources: a current  
15   dividend yield plus expected growth in the value of their shares as a result of  
16   future dividend increases. Estimating the cost of capital with the DCF method,  
17   therefore, is a matter of calculating the current dividend yield and estimating the  
18   long-term future growth rate in dividends that investors reasonably expect from a  
19   company.

20   The dividend yield portion of the DCF method utilizes readily-available  
21   information regarding stock prices and dividends. The market price of a firm’s  
22   stock reflects investors’ assessments of risks and potential earnings as well as

1 their assessments of alternative opportunities in the competitive financial markets.  
2 By using the market price to calculate the dividend yield, the DCF method  
3 implicitly recognizes investors' market assessments and alternatives. However,  
4 the other component of the DCF formula, investors' expectations regarding the  
5 future long-run growth rate of dividends, is not readily apparent from stock  
6 market data and must be estimated using informed judgment.

7 **Q15. What is the appropriate DCF formula to use in this proceeding?**

8 A15. There can be many different versions of the basic DCF formula, depending on the  
9 assumptions that are most reasonable regarding the timing of future dividend  
10 payments. In my opinion, it is most appropriate to use a model that is based on  
11 the assumptions that dividends are paid quarterly and that the next annual  
12 dividend increase is a half year away. One version of this quarterly model  
13 assumes that the next dividend payment will be received in three months, or one  
14 quarter. This model multiplies the dividend yield by  $(1 + 0.75g)$ . Another  
15 version assumes that the next dividend payment will be received today. This  
16 model multiplies the dividend yield by  $(1 + 0.5g)$ . Since, on average, the next  
17 dividend payment is a half quarter away, the average of the results of these two  
18 models is a reasonable approximation of the average timing of dividends and  
19 dividend increases that investors can expect from companies that pay dividends  
20 quarterly. The average of these two quarterly dividend models is:

$$K = \frac{D_0(1 + 0.625g)}{P} + g$$

21



1 One purpose of a flotation cost adjustment is to compensate common equity  
2 investors for past flotation costs by recognizing that their real investment in the  
3 company exceeds the equity portion of the rate base by the amount of past  
4 flotation costs. For example, the proxy companies generally have incurred  
5 flotation costs in the past and, thus, the cost of capital invested in these companies  
6 is the investor return requirement plus an adjustment for flotation costs. A more  
7 important purpose of a flotation cost adjustment is to establish a return that is  
8 sufficient to enable a company to attract capital on reasonable terms. This  
9 fundamental requirement of a fair rate of return is analogous to the well-  
10 understood basic principle that a firm, or an individual, should maintain a good  
11 credit rating even when they do not expect to be borrowing money in the near  
12 future. Regardless of whether a company can confidently predict its need to issue  
13 new common stock several years in advance, it should be in a position to do so on  
14 reasonable terms at all times without dilution of the book value of the existing  
15 investors' common equity. This requires that the flotation cost adjustment be  
16 applied to the entire common equity investment and not just a portion of it.

17 E. DCF Study of Natural Gas Utility Companies

18 **Q17. Would you please describe the overall approach used in your DCF analysis**  
19 **of Montana-Dakota's cost of common equity for its North Dakota natural gas**  
20 **distribution operations?**

21 A17. Because Montana-Dakota's North Dakota natural gas distribution business must  
22 compete for capital with many other potential projects and investments, it is  
23 essential that it have an allowed return that matches returns potentially available

1 from other similarly risky investments. The DCF method provides a good  
2 measure of the returns required by investors in the financial markets. However,  
3 the DCF method requires a market price of common stock to compute the  
4 dividend yield component. Since Montana-Dakota is a division of MDU  
5 Resources and does not have publicly-traded common stock, a direct, market-  
6 based DCF analysis of Montana-Dakota's North Dakota natural gas distribution  
7 operations as a stand-alone company is not possible. As an alternative, I have  
8 used a group of natural gas distribution companies that have publicly-traded  
9 common stock as a proxy group for purposes of estimating the cost of common  
10 equity for Montana-Dakota's North Dakota natural gas distribution operations.

11 **Q18. How did you select a group of natural gas distribution proxy companies?**

12 A18. I started with the eleven companies that Value Line classifies as Natural Gas  
13 Utilities to ensure that the company is considered to be primarily engaged in the  
14 natural gas distribution business and that retention growth rate projections are  
15 available. From that group, I eliminated any companies that did not have  
16 investment-grade credit ratings from either Standard & Poor's ("S&P") or  
17 Moody's Investors Service ("Moody's") because such companies are not  
18 sufficiently comparable in terms of business and financial risk to Montana-  
19 Dakota. In addition, I excluded any companies that did not pay dividends or that  
20 did not have future growth rate estimates provided by both Value Line and Zacks.  
21 In order to ensure that the company is primarily engaged in the natural gas  
22 distribution business, I eliminated any company that did not derive at least 70  
23 percent of its operating income from regulated natural gas distribution operations

1 in 2012, or that did not have at least 70 percent of its total assets devoted to the  
2 provision of natural gas distribution service in 2012. As shown on page 1 of  
3 Schedule 3 of Exhibit No.\_\_(JSG-2), nine companies met these criteria for  
4 inclusion in the proxy group.

5 **Q19. How did you calculate the dividend yields for the companies in your proxy**  
6 **group?**

7 A19. These calculations are shown on page 1 of Schedule 4 of Exhibit No.\_\_(JSG-2).  
8 For the price component of the calculation, I used the average of the high and low  
9 stock prices for each month during the six-month period from December 2012  
10 through May 2013. The average monthly dividend yields were calculated for  
11 each company by dividing the prevailing annualized dividend for the period by  
12 the average of the stock prices for each month. These dividend yields were then  
13 multiplied by the quarterly DCF model factor  $(1 + 0.625g)$  to arrive at the  
14 projected dividend yield component of the DCF model.

15 **Q20. Please describe the method you used to estimate the future growth rate that**  
16 **investors expect from this group of companies.**

17 A20. I developed three different DCF analyses of the proxy companies based on three  
18 different growth rate estimation methods. There are many methods that  
19 reasonably can be employed in formulating a growth rate estimate, but an analyst  
20 must attempt to ensure that the end result is an estimate that fairly reflects the  
21 forward-looking growth rate that investors expect.

1 In the first approach, I calculated retention growth (also known as “sustainable  
2 growth”) forecasts from Value Line forecasts of dividends, earnings, and returns  
3 on equity to derive the DCF rate of return estimate. As a second approach, I  
4 conducted a Basic DCF analysis that relied on analysts’ earnings forecasts for the  
5 growth rate component of the model. My third approach used a combination of  
6 the Value Line retention growth forecasts and analysts’ earnings growth  
7 projections to produce a Blended Growth Rate Analysis.

8 F. Retention Growth Analysis

9 **Q21. What approach did you use in calculating the long-term growth rate in your  
10 Retention Growth DCF analysis?**

11 A21. In the Retention Growth DCF analysis, the long-term growth rate component is  
12 based on the calculation of retention growth rates using Value Line forecasts for  
13 each company. This Retention Growth DCF analysis better reflects investors’  
14 inflation expectations and the real requirements for long-term investments in plant  
15 under current market conditions.

16 **Q22. Please describe the Retention Growth rate component of your analysis.**

17 A22. I have relied upon Value Line projections of the retention growth rates that the  
18 proxy companies are expected to begin maintaining three to five years in the  
19 future. Although companies may experience extended periods of growth for other  
20 reasons, in the long-run, growth in earnings and dividends per share depends in  
21 part on the amount of earnings that is being retained and reinvested in a company.  
22 Thus, the primary determinants of growth for the proxy companies will be (i) their

1 ability to find and develop profitable opportunities; (ii) their ability to generate  
2 profits that can be reinvested in order to sustain growth; and, (iii) their willingness  
3 and inclination to reinvest available profits. Expected future retention rates  
4 provide a general measure of these determinants of expected growth, particularly  
5 items (ii) and (iii).

6 **Q23. How can a company's earnings retention rate affect its future growth?**

7 A23. Retention of earnings causes an increase in the book value per share and, other  
8 factors being equal, increases the amount of earnings that is generated per share of  
9 common stock. The retention growth rate can be estimated by multiplying the  
10 expected retention rate (*b*) by the rate of return on common equity (*r*) that a  
11 company is expected to earn in the future. For example, a company that is  
12 expected to earn a return of 12 percent and retain 75 percent of its earnings might  
13 be expected to have a growth rate of 9 percent, computed as follows:

$$0.75 \times 12\% = 9\%$$

14  
15 On the other hand, another company that is also expected to earn 12 percent but  
16 only retains 25 percent of its earnings might be expected to have a growth rate of  
17 3.0 percent, computed as follows:

$$0.25 \times 12\% = 3\%$$

18  
19 Thus, the rate of growth in a firm's book value per share is primarily determined  
20 by the level of earnings and the proportion of earnings retained in the company.

1 **Q24. How did you calculate the expected future retention rates of the proxy**  
2 **companies?**

3 A24. For most companies, Value Line publishes forecasts of data that can be used to  
4 estimate the retention rates that its analysts expect individual companies to have  
5 three to five years in the future. Since these retention rates are projected to occur  
6 several years in the future, they should be indicative of a normal expectation for a  
7 primary underlying determinant of growth that would be sustainable indefinitely  
8 beyond the period covered by analysts' forecasts. While companies may have  
9 either accelerating or decelerating growth rates for extended periods of time, the  
10 retention growth rates expected to be in effect three to five years in the future  
11 generally represent a minimum "cruising speed" that companies can be expected  
12 to maintain indefinitely. The derivation of Value Line's retention growth rate  
13 forecasts for each of the proxy companies is shown on page 4 of Schedule 4 of  
14 Exhibit No.\_\_(JSG-2). The projected earnings per share and projected dividends  
15 per share can be used to calculate the percentage of earnings per share that is  
16 being retained and reinvested in the company. This earnings retention rate is  
17 multiplied by the projected return on common equity to arrive at the projected  
18 retention growth rate. The average retention growth rate for the proxy companies  
19 is 4.95 percent.

20 **Q25. How did you calculate the cost of capital using the Retention Growth DCF**  
21 **analysis?**

22 A25. These calculations are shown on page 6 of Schedule 4 of Exhibit No.\_\_(JSG-2).  
23 Again, the annual dividend yield is multiplied by the quarterly dividend

1 adjustment factor  $(1 + 0.625g)$  and this product is added to the growth rate  
2 estimate to arrive at the investor-required return. Then, the investor return  
3 requirement is multiplied by the flotation cost adjustment factor, 1.04, to arrive at  
4 the Retention Growth DCF estimate of the cost of common equity capital for the  
5 proxy companies. The Retention Growth DCF analysis indicates a cost of  
6 common equity for the proxy companies in a range from 7.01 percent to 11.40  
7 percent. In this analysis, the median for the group is 9.10 percent and the third  
8 quartile is 10.01 percent.

9 G. Basic DCF Analysis

10 **Q26. How did you estimate the expected future growth rate in your Basic DCF**  
11 **analysis?**

12 A26. In my Basic DCF analysis, I have estimated expected future growth based on  
13 long-term earnings per share growth rate forecasts of investment analysts, which  
14 are an important source of information regarding investors' growth rate  
15 expectations. This Basic DCF analysis assumes that the analysts' earnings growth  
16 forecasts incorporate all information required to estimate a long-term expected  
17 growth rate for a company. Zacks is a service that collects earnings growth  
18 estimates by professional investment analysts and publishes a summary of the  
19 consensus forecasts. I have used the Zacks consensus forecasts as the primary  
20 source for analysts' forecasts in my calculations. As shown on page 5 of  
21 Schedule 4 of Exhibit No.\_\_(JSG-2), the average of the analysts' long-term  
22 earnings growth rate estimates for the natural gas distribution proxy companies is  
23 4.52 percent.

1 **Q27. How did you calculate the cost of capital using the Basic DCF analysis?**

2 A27. These calculations are shown on page 7 of Schedule 4 of Exhibit No.\_\_(JSG-2).  
3 Again, the annual dividend yield is multiplied by the quarterly dividend  
4 adjustment factor  $(1 + 0.625g)$  and this product is added to the growth rate  
5 estimate to arrive at the investor-required return. Then, the investor return  
6 requirement is multiplied by the flotation cost adjustment factor, 1.04, to arrive at  
7 the Basic DCF estimate of the cost of common equity capital for the proxy  
8 companies. The Basic DCF analysis indicates a cost of common equity for the  
9 proxy companies in a range from 7.45 percent to 10.10 percent. In this analysis,  
10 the median for the group is 8.45 percent and the third quartile is 9.60 percent.

11 H. Blended Growth Rate Analysis

12 **Q28. How did you use your Blended Growth Rate Analysis to estimate investors'  
13 long-term growth rate expectations for the proxy companies?**

14 A28. The Blended Growth Rate approach combines: (i) Value Line retention growth  
15 forecasts; and (ii) estimates of long-term earnings growth for each company that  
16 are published by various investment analysts.

17 **Q29. How did you utilize the analysts' projected earnings growth rates and the  
18 projected earnings retention growth rates in estimating expected growth for  
19 the proxy companies in the Blended Growth Rate Analysis?**

20 A29. As shown on page 5 of Schedule 4 of Exhibit No.\_\_(JSG-2), I calculated a  
21 weighted average of the analysts' projected earnings growth rates and the  
22 projected retention growth rates to derive long-term growth rate estimates for

1 each of the proxy companies. In these calculations, I gave a one-half weighting to  
2 the analysts' earnings growth rate projections and one-half weighting to the  
3 projected retention growth rates. In the current environment, this weighting  
4 reflects my view that analysts' earnings growth forecasts may tend to understate  
5 long-term sustainable growth rates at this time, and that projected retention  
6 growth rates are as valid as analysts' growth rates because they reflect investor  
7 expectations with regard to future inflation and capital investment. The average  
8 of the blended growth rates for the proxy companies is 4.74 percent and the  
9 median is 4.61 percent.

10 **Q30. How did you utilize these Blended Growth Rate estimates in estimating the**  
11 **return on common equity capital that investors require from the proxy**  
12 **companies?**

13 A30. These calculations are shown on page 8 of Schedule 4 of Exhibit No.\_\_(JSG-2).  
14 Again, the annual dividend yield for each company is multiplied by the quarterly  
15 dividend adjustment factor  $(1 + 0.625g)$ , and this product is added to the growth  
16 rate estimate to arrive at the investor-required return. Finally, the investor return  
17 requirement is multiplied by the flotation cost adjustment factor, 1.04, to arrive at  
18 the cost of common equity capital for the proxy companies. This Blended Growth  
19 Rate Analysis indicates that the cost of common equity capital for the natural gas  
20 distribution proxy companies is in a range between 7.73 percent and 10.56  
21 percent. In this analysis, the median for the group is 8.73 percent and the third  
22 quartile is 9.17 percent.

1 I. Risk Premium Analysis

2 **Q31. Have you conducted additional analyses in determining the cost of equity**  
3 **capital for Montana-Dakota?**

4 A31. Yes. The risk premium approach provides a general guideline for determining the  
5 level of returns that investors expect from an investment in common stocks.  
6 Investments in the common stocks of companies carry considerably greater risk  
7 than investments in bonds of those companies since common stockholders receive  
8 only the residual income that is left after the bondholders have been paid. In  
9 addition, in the event of bankruptcy or liquidation of the company, the  
10 stockholders' claims on the assets of a company are subordinate to the claims of  
11 bondholders. This priority standing provides bondholders with greater assurances  
12 that they will receive the return on investment that they expect and that they will  
13 receive a return of their investment when the bonds mature. Accompanying the  
14 greater risk associated with common stocks is a requirement by investors that they  
15 can expect to earn, on average, a return that is greater than the return they could  
16 earn by investing in less risky bonds. Thus, the risk premium approach estimates  
17 the return investors require from common stocks by utilizing current market  
18 information that is readily available in bond yields and adding to those yields a  
19 premium for the added risk of investing in common stocks.

20 Investors' expectations for the future are influenced to a large extent by their  
21 knowledge of past experience. Ibbotson Associates annually publishes extensive  
22 data regarding the returns that have been earned on stocks, bonds and U.S.  
23 Treasury bills since 1926. Historically, the annual return on large company

1 common stocks has exceeded the return on long-term corporate bonds by a  
2 premium of 540 basis points (5.4 percent) per year from 1926-2012.<sup>18</sup> When this  
3 premium is added to the average yield on Moody's corporate bonds for the period  
4 from January 2013 through May 2013 of 4.21 percent,<sup>19</sup> the result is an investor  
5 return requirement for large company stocks of approximately 9.6 percent.  
6 However, investors in smaller companies expect higher returns over the long-  
7 term, due to the additional business and financial risks that smaller companies  
8 face. According to Ibbotson Associates, companies in the same size range as  
9 Montana-Dakota's North Dakota natural gas distribution operations have had a  
10 premium of 1,420 basis points (14.2 percent) over the average return on long-term  
11 corporate bonds.<sup>20</sup> When added to the recent average corporate bond yield, this  
12 size-related premium suggests an expected return of 18.4 percent. This analysis  
13 indicates that the rate of return that I am proposing in this proceeding would be  
14 low relative to the historic risk premiums earned by similarly-sized unregulated  
15 companies.

16 J. Market DCF Analysis

17 **Q32. What other analysis did you conduct in determining the cost of equity capital**  
18 **for Montana-Dakota?**

19 A32. For an additional benchmark of the reasonableness of my DCF results, I  
20 calculated the current required return for the companies contained in the S&P

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<sup>18</sup> Ibbotson SBBI 2013 Valuation Yearbook, at 23. Calculation: (11.8 percent – 6.4 percent = 5.4 percent)

<sup>19</sup> Exhibit No. \_\_\_(JSG-2), Schedule 1, at 3.

<sup>20</sup> Ibbotson SBBI 2013 Valuation Yearbook, at 23 and 88. Calculation: (20.6 percent – 6.4 percent = 14.2 percent)

1 500. Using data provided by the Bloomberg Professional service, I performed a  
2 market capitalization-weighted DCF calculation on the S&P 500 companies based  
3 on the current dividend yields and long-term growth rate estimates as of May 31,  
4 2013. These calculations are shown in Schedule 5 of Exhibit No.\_\_(JSG-2).  
5 The current secondary market required ROE for the S&P 500 is 12.62 percent.  
6 This analysis indicates that the rate of return that I am proposing in this  
7 proceeding is low relative to the return required by investors who invest in the  
8 S&P 500.

9 K. Relative Risk Analysis

10 **Q33. Have you compared the risks faced by Montana-Dakota's North Dakota**  
11 **natural gas distribution operations with the risks faced by the proxy group of**  
12 **companies?**

13 A33. Yes. There are four broad categories of risk that concern investors. These  
14 include:

- 15 1. Business Risk;
- 16 2. Regulatory Risk;
- 17 3. Financial Risk; and,
- 18 4. Market Risk.

19 **Q34. Please describe the business risks inherent in the natural gas distribution**  
20 **industry.**

21 A34. Business risk refers to the ability of the firm to generate revenues that exceed its  
22 cost of operations. Business risk exists because forecasts of both demand and  
23 costs are inherently uncertain. Markets change and the level of demand for the  
24 firm's output may be sufficient to cover its costs at one time and later become

1 insufficient. Sunk investments in long-lived natural gas distribution assets, for  
2 which cost recovery occurs over a period of thirty years or more, are subject to  
3 enormous uncertainties and risks that demand, costs, supply, and competition may  
4 change in ways that adversely affect the value of the investment.

5 **Q35. What are some of the business risks faced by Montana-Dakota's North**  
6 **Dakota natural gas distribution operations?**

7 The Company's natural gas distribution operations in North Dakota face many of  
8 the same business risks that are associated with other natural gas distribution  
9 companies. However, as shown on page 1 of Schedule 3 of Exhibit No.\_\_(JSG-  
10 2), Montana-Dakota's North Dakota natural gas distribution operations are  
11 considerably smaller than the operations of any of the proxy companies and a  
12 small fraction of the size of the typical proxy company. For example, Montana-  
13 Dakota's North Dakota natural gas distribution rate base is equal to only 1.50  
14 percent of the assets of the median proxy company. Similarly, Montana-Dakota's  
15 North Dakota natural gas distribution operating revenues and operating income  
16 are only 4.40 percent and 3.45 percent of the level for the median proxy company,  
17 respectively. Thus, depending upon the measure of size, the typical proxy  
18 company is somewhere between 23 and 67 times the size of Montana-Dakota's  
19 North Dakota natural gas distribution operations. The Company's smaller size  
20 has significant implications for business risks. As noted earlier, Ibbotson  
21 Associates has documented the significantly higher returns that generally have  
22 been associated with small companies.

1 In order to mitigate business risks and to increase the likelihood of recovering its  
2 fixed costs from customers, Montana-Dakota is proposing to implement a straight  
3 fixed-variable rate design for its residential natural gas customers in North  
4 Dakota. As discussed in more detail in the Direct Testimony of Montana-Dakota  
5 witness Tamie A. Aberle, a straight fixed-variable rate design is a form of revenue  
6 decoupling that severs the link between fixed cost recovery and customer usage.  
7 If approved, residential natural gas customers will only pay a fixed monthly  
8 customer charge plus the cost of natural gas, and a portion of the Company's  
9 fixed costs will no longer be recovered on a volumetric basis. For purposes of my  
10 recommended rate of return in this proceeding, I have assumed that the  
11 Company's straight fixed-variable rate design proposal will be approved.  
12 Because I have estimated the required rate of return on common equity for  
13 Montana-Dakota's North Dakota natural gas distribution operations using a proxy  
14 group of natural gas distribution companies, the business risks faced by Montana-  
15 Dakota's North Dakota natural gas distribution operations cannot be analyzed in  
16 isolation, but rather must be analyzed relative to the proxy group companies. In  
17 particular, I reviewed the tariffs of each of the operating utilities owned by the  
18 proxy group companies to determine whether the utility has implemented a  
19 revenue decoupling mechanism or a straight fixed-variable rate design.

20 As shown on Schedule 6 of Exhibit No.\_\_(JSG-2), 69.4 percent of the customers  
21 served by the proxy companies are located in jurisdictions that have revenue  
22 decoupling mechanisms that allow their rate designs to reflect the fixed cost  
23 nature of their operations, similar to Montana-Dakota's proposal for its North

1 Dakota natural gas distribution operations. Therefore, if Montana-Dakota's  
2 request to implement a straight fixed-variable rate design for residential natural  
3 gas customers in North Dakota is approved, all else being equal, the Company  
4 will not be less risky than the proxy group companies and no adjustment to the  
5 required rate of return on common equity is necessary unless the proposed rate  
6 design is rejected.

7 In summary, given the Company's smaller size, Montana-Dakota's North Dakota  
8 natural gas distribution operations are riskier than the operations of the proxy  
9 companies and require a return that is more than 100 basis points higher than the  
10 return required for the typical proxy company.

11 **Q36. What are the regulatory risks faced by Montana-Dakota's North Dakota**  
12 **natural gas utility operations?**

13 A35. Regulatory risk is closely related to business risk and might be considered just  
14 another aspect of business risk. To the extent that the market demand for a  
15 natural gas distribution company's services is sufficiently strong that the company  
16 could conceivably recover all of its costs, regulators may nevertheless set the rates  
17 at a level that will not allow for full cost recovery. In effect, the binding  
18 constraint on natural gas distribution companies is often posed by regulation  
19 rather than by the working of market forces. One purpose of regulation is to  
20 provide a substitute for competition where markets are not workably competitive.  
21 As such, regulation often attempts to replicate the type of cost discipline and risks  
22 that might typically be found in highly competitive industries.

1 Moreover, there is the perceived risk that regulators may set allowed returns so  
2 low as to effectively undermine investor confidence and jeopardize the ability of  
3 natural gas distribution companies to finance their operations. Thus, in some  
4 instances, regulation may substitute for competition and in other instances it may  
5 limit the potential returns available to successful competitors. In either case,  
6 regulatory risk is an important consideration for investors and has a significant  
7 effect on the cost of capital for all firms in the natural gas distribution industry.

8 The regulatory environment can significantly affect both the access to, and cost of  
9 capital in several ways. As noted by Moody's, "the predictability and  
10 supportiveness of the regulatory framework in which it [a regulated utility]  
11 operates is a key credit consideration and the one that differentiates the industry  
12 from most other corporate sectors."<sup>21</sup> Moody's further noted that:

13 For a regulated utility company, we consider the characteristics of  
14 the regulatory environment in which it operates. These include  
15 how developed the regulatory framework is; its track record for  
16 predictability and stability in terms of decision making; and the  
17 strength of the regulator's authority over utility regulatory issues.  
18 A utility operating in a stable, reliable, and highly predictable  
19 regulatory environment will be scored higher on this factor than a  
20 utility operating in a regulatory environment that exhibits a high  
21 degree of uncertainty or unpredictability. Those utilities operating  
22 in a less developed regulatory framework or one that is  
23 characterized by a high degree of political intervention in the  
24 regulatory process will receive the lowest scores on this factor.<sup>22</sup>

25 Regulatory Research Associates assigns a rating of Average / 1 to the North  
26 Dakota Public Service Commission, its fourth highest rating. This rating suggests

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<sup>21</sup> Moody's Global Infrastructure Finance, *Regulated Electric and Gas Utilities*, August 2009, at 6.

<sup>22</sup> *Ibid.*

1 average regulatory risk for Montana-Dakota's North Dakota natural gas  
2 distribution operations.

3 **Q37. Would you please describe Montana-Dakota's relative financial risks?**

4 A36. Financial risk exists to the extent that a company incurs fixed obligations in  
5 financing its operations. These fixed obligations increase the level of income  
6 which must be generated before common stockholders receive any return and  
7 serve to magnify the effects of business and regulatory risks. Fixed financial  
8 obligations also increase the probability of bankruptcy by reducing the company's  
9 financial flexibility and ability to respond to adverse circumstances. One possible  
10 indicator of investors' perceptions of relative financial risk in this case might be  
11 obtained from credit ratings. Because Montana-Dakota, as a division of MDU  
12 Resources, does not have its own bonds outstanding, it is difficult to make direct  
13 comparisons between the ratings of Montana-Dakota and the proxy group.  
14 However, page 2 of Schedule 3 of Exhibit No.\_\_(JSG-2) shows the credit ratings  
15 assigned by S&P and Moody's to each of the companies in the comparison group  
16 and MDU Resources.

17 The median S&P credit rating for companies in the proxy group is A. By  
18 comparison, MDU Resources' senior unsecured debt carries an S&P rating of  
19 BBB+. This suggests that the perceived business and financial risk of MDU  
20 Resources' bonds is slightly higher than that of the typical company in the  
21 comparison group.

1 The capital structure data on Schedule 7 of Exhibit No.\_\_(JSG-2) show that  
2 Montana-Dakota's filed common equity ratio of 50.27 percent is slightly greater  
3 than the 48.61 percent median for the proxy companies as of March 31, 2013.  
4 This above-average common equity ratio, which is offset somewhat by the  
5 Company's below-average credit rating, suggests average financial risk for  
6 Montana-Dakota's North Dakota natural gas distribution operations.

7 **Q38. Would you please describe Montana-Dakota's market risks?**

8 A37. Market risk is associated with the changing value of all investments because of  
9 business cycles, inflation, and fluctuations in the general cost of capital  
10 throughout the economy. Different companies are subject to different degrees of  
11 market risk largely as a result of differences in their business and financial risks.  
12 Overall, the market risk of Montana-Dakota's North Dakota natural gas  
13 distribution business is comparable to that of the companies in the natural gas  
14 distribution comparison group.

15 **Q39. How do the overall risks of the proxy companies compare with the risks**  
16 **faced by Montana-Dakota's North Dakota natural gas distribution**  
17 **operations?**

18 A38. Montana-Dakota's North Dakota natural gas distribution operations face overall  
19 risks that are near the top of the range relative to those of the proxy companies.  
20 Although it has financial risks that are essentially average relative to the proxy  
21 companies, Montana-Dakota's North Dakota natural gas distribution operations  
22 have business risks that are above average due to its exceptionally small size  
23 relative to the proxy companies. These considerations lead me to conclude that

1 investors appraise the overall risks of Montana-Dakota's North Dakota natural gas  
 2 distribution operations to be above average relative to those of the proxy  
 3 companies. Consequently, Montana-Dakota's North Dakota natural gas  
 4 distribution business requires an allowed rate of return that is in the upper portion  
 5 of the range for the companies in the proxy group indicated by my DCF analyses.

### 6 III. SUMMARY AND CONCLUSIONS

#### 7 Q40. Please summarize the results of your cost of capital study.

8 A39. I conducted three DCF analyses on a group of natural gas distribution companies  
 9 that have a range of risks that is roughly comparable to those of Montana-  
 10 Dakota's North Dakota natural gas distribution operations. These results are  
 11 summarized as follows:

12 **Table 2: Summary of DCF Results**

	Retention Growth DCF Analysis	Basic DCF Analysis	Blended Growth Rate DCF Analysis
High	11.40%	10.10%	10.56%
3 <sup>rd</sup> Quartile	10.01%	9.60%	9.17%
Median	9.10%	8.45%	8.73%
1 <sup>st</sup> Quartile	8.24%	8.11%	8.45%
Low	7.01%	7.45%	7.73%

13  
 14 In addition, I conducted two risk premium analyses and a market DCF analysis of  
 15 the S&P 500 to test the reasonableness of my DCF analyses. Those results are  
 16 summarized as follows:

**Table 3: Benchmark Risk Premium and Market DCF Analyses**

	Return
Risk Premium (Long-Term Corporate Bonds)	
vs. Large Company Stocks	9.60%
vs. Small Company Stocks	18.40%
Market DCF (S&P 500)	12.62%

In developing my recommendation I have given slightly greater weight to retention growth forecasts because projected retention growth is sustainable indefinitely and it is a good indicator of the minimum growth rate that a company can maintain in the very long-run. Moreover, in the current financial climate, which is dominated by short-term Federal Reserve policies designed to artificially depress interest rates, the retention growth rates used in my Retention Growth DCF analysis are most consistent with investors' inflation and long-term growth expectations for these natural gas distribution companies.

My risk premium and market DCF analyses suggest that the DCF results generally are low relative to current market benchmarks. In particular, all of the DCF return estimates are considerably below the 18.40 percent risk premium return benchmark for companies in Montana-Dakota's relative size range. Similarly, the DCF estimates for the gas distribution proxy companies are well below the 12.62 percent market DCF estimate for the S&P 500 companies.

**Q41. What rate of return on common equity do you recommend for Montana-Dakota's North Dakota natural gas distribution operations in this proceeding?**

1 A40. My analyses indicate that an appropriate rate of return on common equity for  
2 Montana-Dakota's North Dakota natural gas distribution operations at this time is  
3 10.00 percent, which is above the median, but comfortably below the top of the  
4 range for my Retention Growth and Blended Growth DCF analyses. This  
5 recommended return reflects my assessment that the overall risks of Montana-  
6 Dakota's North Dakota natural gas distribution operations are above average  
7 relative to those of the proxy companies. Although the Company has financial  
8 risks that are average relative to the proxy companies, it has business risks that are  
9 above average. In addition to its exceptionally small size relative to the proxy  
10 companies, Montana-Dakota's North Dakota natural gas distribution operations  
11 are faced with elevated capital expenditures to accommodate customer growth.  
12 Thus, my recommended return is appropriately positioned to reflect the risks  
13 faced by Montana-Dakota's North Dakota natural gas distribution operations  
14 relative to the risks faced by the proxy companies and assumes that the  
15 Company's request to implement a straight fixed-variable rate design for  
16 residential natural gas customers is approved.

17 **Q42. Does this conclude your Prepared Direct Testimony?**

18 A41. Yes.

## Montana-Dakota Utilities Co.

### General Economic Statistics

1982-2012

Year	[1]	[2]	[3]	[4]	[5]
	Percentage Price Changes		Real	Nominal	Nominal
	Consumer	GDP	GDP	GDP	GDP
	Price	Implicit Price	GDP	GDP	GDP
	Index	Deflator	Growth	(\$Billions)	Growth
1982	6.2%	6.1%	-1.9%	3,253.2	
1983	3.2%	4.0%	4.5%	3,534.6	8.6%
1984	4.3%	3.8%	7.2%	3,930.9	11.2%
1985	3.6%	3.0%	4.1%	4,217.5	7.3%
1986	1.9%	2.2%	3.5%	4,460.1	5.8%
1987	3.6%	2.9%	3.2%	4,736.4	6.2%
1988	4.1%	3.4%	4.1%	5,100.4	7.7%
1989	4.8%	3.8%	3.6%	5,482.1	7.5%
1990	5.4%	3.9%	1.9%	5,800.5	5.8%
1991	4.2%	3.5%	-0.2%	5,992.1	3.3%
1992	3.0%	2.4%	3.4%	6,342.3	5.8%
1993	3.0%	2.2%	2.9%	6,667.4	5.1%
1994	2.6%	2.1%	4.1%	7,085.2	6.3%
1995	2.8%	2.1%	2.5%	7,414.7	4.7%
1996	3.0%	1.9%	3.7%	7,838.5	5.7%
1997	2.3%	1.8%	4.5%	8,332.4	6.3%
1998	1.6%	1.1%	4.4%	8,793.5	5.5%
1999	2.2%	1.5%	4.8%	9,353.5	6.4%
2000	3.4%	2.2%	4.1%	9,951.5	6.4%
2001	2.8%	2.3%	1.1%	10,286.2	3.4%
2002	1.6%	1.6%	1.8%	10,642.3	3.5%
2003	2.3%	2.1%	2.5%	11,142.2	4.7%
2004	2.7%	2.8%	3.5%	11,853.3	6.4%
2005	3.4%	3.3%	3.1%	12,623.0	6.5%
2006	3.2%	3.2%	2.7%	13,377.2	6.0%
2007	2.8%	2.9%	1.9%	14,028.7	4.9%
2008	3.8%	2.2%	-0.3%	14,291.5	1.9%
2009	-0.4%	0.9%	-3.1%	13,973.7	-2.2%
2010	1.6%	1.3%	2.4%	14,498.9	3.8%
2011	3.2%	2.1%	1.8%	15,075.7	4.0%
2012	2.1%	1.8%	2.2%	15,684.8	4.0%
Average Rate of Change [6]:					
1983-2012	2.9%	2.5%	2.9%	5.3%	5.4%
1993-2012	2.5%	2.1%	2.5%	4.6%	4.7%
2003-2012	2.5%	2.3%	1.7%	3.9%	4.0%

**Notes:**

- [1] U.S. Department of Labor, Bureau of Labor Statistics;  
U.S. city average, all urban consumers, all items, not seasonally adjusted
- [2] U.S. Department of Commerce, Bureau of Economic Analysis,  
National Income and Product Accounts Tables, Table 1.1.9
- [3] U.S. Department of Commerce, Bureau of Economic Analysis,  
National Income and Product Accounts Tables, Table 1.1.1
- [4] U.S. Department of Commerce, Bureau of Economic Analysis,  
National Income and Product Accounts Tables, Table 1.1.5
- [5] Equals annual percent change of Column [4]
- [6] Nominal GDP growth rates based on geometric average rate of change

**Montana-Dakota Utilities Co.**

**Bond Yield Averages**  
*January 2007 - May 2013*

		[1]	[2]	[3]	[4]	[5]	[6]
		30-year U.S. Treasury Bond	Average Corporate	Public Utility Bonds		Credit Spreads	
				A-Rated	Baa-Rated	A-Rated	Baa-Rated
2007	JAN	4.85	5.92	5.96	6.16	1.10	1.31
	FEB	4.82	5.88	5.90	6.10	1.08	1.28
	MAR	4.72	5.84	5.85	6.10	1.13	1.38
	APR	4.87	5.99	5.97	6.24	1.10	1.37
	MAY	4.90	6.00	5.99	6.23	1.08	1.33
	JUN	5.20	6.32	6.30	6.54	1.10	1.34
	JUL	5.11	6.26	6.25	6.49	1.14	1.38
	AUG	4.93	6.26	6.24	6.51	1.30	1.58
	SEP	4.79	6.21	6.18	6.45	1.39	1.66
	OCT	4.77	6.12	6.11	6.36	1.34	1.59
	NOV	4.52	5.97	5.97	6.27	1.45	1.75
	DEC	4.53	6.15	6.16	6.51	1.63	1.98
2008	JAN	4.33	6.02	6.02	6.35	1.68	2.01
	FEB	4.52	6.24	6.21	6.60	1.70	2.08
	MAR	4.39	6.23	6.21	6.68	1.82	2.29
	APR	4.44	6.29	6.29	6.81	1.85	2.37
	MAY	4.60	6.31	6.28	6.79	1.68	2.20
	JUN	4.69	6.43	6.38	6.93	1.69	2.24
	JUL	4.57	6.44	6.40	6.97	1.83	2.39
	AUG	4.50	6.42	6.37	6.98	1.87	2.48
	SEP	4.27	6.50	6.49	7.15	2.22	2.88
	OCT	4.17	7.56	7.56	8.58	3.39	4.41
	NOV	4.00	7.65	7.60	8.98	3.60	4.98
	DEC	2.87	6.71	6.52	8.11	3.65	5.24
2009	JAN	3.13	6.59	6.39	7.90	3.26	4.77
	FEB	3.59	6.64	6.30	7.74	2.72	4.16
	MAR	3.64	6.84	6.42	8.00	2.78	4.35
	APR	3.76	6.85	6.48	8.03	2.72	4.27
	MAY	4.23	6.79	6.49	7.76	2.26	3.53
	JUN	4.52	6.52	6.20	7.30	1.68	2.78
	JUL	4.41	6.17	5.97	6.87	1.56	2.46
	AUG	4.37	5.83	5.71	6.36	1.34	1.99
	SEP	4.19	5.61	5.53	6.12	1.34	1.93
	OCT	4.19	5.63	5.55	6.14	1.36	1.95
	NOV	4.31	5.68	5.63	6.17	1.32	1.86
	DEC	4.49	5.78	5.79	6.26	1.29	1.77
2010	JAN	4.60	5.76	5.77	6.16	1.17	1.55
	FEB	4.62	5.86	5.87	6.25	1.25	1.63
	MAR	4.64	5.81	5.84	6.22	1.20	1.58
	APR	4.69	5.80	5.81	6.19	1.12	1.49
	MAY	4.29	5.52	5.50	5.97	1.21	1.68
	JUN	4.13	5.52	5.46	6.18	1.34	2.05
	JUL	3.99	5.32	5.26	5.98	1.26	1.98
	AUG	3.80	5.05	5.01	5.55	1.20	1.74
	SEP	3.77	5.05	5.01	5.53	1.24	1.76
	OCT	3.87	5.15	5.10	5.62	1.23	1.75
	NOV	4.19	5.37	5.37	5.85	1.18	1.67
	DEC	4.42	5.55	5.56	6.04	1.14	1.62

**Montana-Dakota Utilities Co.**

**Bond Yield Averages**  
*January 2007 - May 2013*

		[1]	[2]	[3]	[4]	[5]	[6]
		30-year U.S. Treasury Bond	Average Corporate	Public Utility Bonds		Credit Spreads	
				A-Rated	Baa-Rated	A-Rated	Baa-Rated
2011	JAN	4.52	5.56	5.57	6.06	1.05	1.54
	FEB	4.65	5.66	5.68	6.10	1.03	1.45
	MAR	4.51	5.55	5.56	5.97	1.05	1.46
	APR	4.50	5.56	5.55	5.98	1.05	1.48
	MAY	4.29	5.33	5.32	5.74	1.03	1.45
	JUN	4.23	5.30	5.26	5.67	1.03	1.44
	JUL	4.27	5.30	5.27	5.70	0.99	1.43
	AUG	3.65	4.79	4.69	5.22	1.04	1.57
	SEP	3.18	4.60	4.48	5.11	1.30	1.93
	OCT	3.13	4.60	4.52	5.24	1.39	2.11
	NOV	3.02	4.39	4.25	4.93	1.23	1.92
	DEC	2.98	4.47	4.33	5.07	1.35	2.09
2012	JAN	3.03	4.45	4.34	5.06	1.31	2.04
	FEB	3.11	4.42	4.36	5.02	1.25	1.91
	MAR	3.28	4.54	4.48	5.13	1.20	1.85
	APR	3.18	4.49	4.40	5.11	1.21	1.93
	MAY	2.93	4.33	4.20	4.97	1.27	2.03
	JUN	2.70	4.22	4.08	4.91	1.38	2.21
	JUL	2.59	4.03	3.93	4.85	1.34	2.26
	AUG	2.77	4.09	4.00	4.88	1.23	2.11
	SEP	2.88	4.09	4.02	4.81	1.14	1.93
	OCT	2.90	3.97	3.91	4.54	1.01	1.64
	NOV	2.80	3.92	3.84	4.42	1.03	1.61
	DEC	2.88	4.05	4.00	4.56	1.12	1.67
2013	JAN	3.08	4.19	4.15	4.66	1.07	1.58
	FEB	3.17	4.27	4.18	4.74	1.02	1.58
	MAR	3.16	4.29	4.20	4.72	1.04	1.56
	APR	2.93	4.07	4.00	4.49	1.07	1.55
	MAY	3.11	4.23	4.17	4.65	1.05	1.54
2013	AVG	3.09	4.21	4.14	4.65	1.05	1.56

Notes:

- [1] Bloomberg Finance L.P., 30-Year U.S. Treasury Bond
- [2] Bloomberg Finance L.P., Moody's Average Corporate Bond Index
- [3] Bloomberg Finance L.P., Moody's A-Rated Utility Bond Index
- [4] Bloomberg Finance L.P., Moody's Baa-Rated Utility Bond Index
- [5] Equals Column [3] - Column [1]
- [6] Equals Column [4] - Column [1]

**Montana-Dakota Utilities Co.**  
**Common Equity Flotation Costs of**  
**Natural Gas Distribution Companies**  
2000-2013

Issuer	Date of Offering	Number of Shares	Issue Price	Net Proceeds Per Share	Financing Costs as a Percent of Net Proceeds
SEMCO Energy, Inc.	6/12/2000	9,000,000	\$10.000	\$9.600	4.17%
NiSource Inc.	11/30/2000	10,000,000	\$25.250	\$24.430	3.36%
Atmos Energy Corporation	12/14/2000	6,000,000	\$22.250	\$21.140	5.25%
Vectren Corporation	2/8/2001	5,500,000	\$21.270	\$20.530	3.60%
UtiliCorp United, Inc.	3/5/2001	10,000,000	\$29.760	\$28.940	2.83%
WGL Holdings, Inc.	6/20/2001	1,790,000	\$26.730	\$25.835	3.46%
UtiliCorp United, Inc.	1/25/2002	11,000,000	\$23.000	\$22.253	3.36%
NUI Corporation	3/14/2002	1,500,000	\$22.500	\$21.430	4.99%
Aquila, Inc.	6/27/2002	37,500,000	\$7.500	\$7.256	3.36%
NiSource Inc.	11/6/2002	36,000,000	\$18.300	\$17.751	3.09%
MDU Resources Group, Inc.	11/19/2002	2,100,000	\$24.000	\$23.280	3.09%
KeySpan Corporation	1/13/2003	13,900,000	\$34.500	\$34.070	1.26%
Cinergy Corporation	1/31/2003	5,700,000	\$31.100	\$30.850	0.81%
AGL Resources Inc.	2/11/2003	5,600,000	\$22.000	\$21.230	3.63%
Delta Natural Gas Company, Inc.	4/29/2003	525,000	\$21.600	\$20.650	4.60%
Southern Union Company	6/5/2003	9,500,000	\$16.000	\$15.440	3.63%
Atmos Energy Corporation	6/17/2003	4,000,000	\$25.310	\$24.298	4.17%
Vectren Corporation	8/7/2003	6,500,000	\$22.810	\$22.012	3.63%
Sempra Energy	10/8/2003	15,000,000	\$28.000	\$27.160	3.09%
Unitil Corporation	10/23/2003	624,000	\$25.400	\$24.130	5.26%
Piedmont Natural Gas Company, Inc.	1/20/2004	4,250,000	\$42.500	\$41.010	3.63%
MDU Resources Group, Inc.	2/4/2004	2,000,000	\$23.320	\$22.527	3.52%
UGI Corporation	3/18/2004	7,500,000	\$32.100	\$30.696	4.58%
Northwest Natural Gas Company	3/30/2004	1,200,000	\$31.000	\$29.990	3.37%
The Laclde Group, Inc.	5/25/2004	1,500,000	\$26.800	\$25.929	3.36%
Atmos Energy Corporation	7/13/2004	8,650,000	\$24.750	\$23.760	4.17%
Southern Union Company	7/26/2004	11,000,000	\$18.750	\$18.094	3.63%
Aquila, Inc.	8/18/2004	40,000,000	\$2.550	\$2.451	4.04%
Atmos Energy Corporation	10/21/2004	14,000,000	\$24.750	\$23.760	4.17%
AGL Resources Inc.	11/19/2004	9,600,000	\$31.010	\$30.080	3.09%
Cinergy Corporation	12/9/2004	6,100,000	\$41.000	\$40.510	1.21%
Southern Union Company	2/7/2005	14,910,000	\$23.000	\$22.300	3.14%
SEMCO Energy, Inc.	8/10/2005	4,300,000	\$6.320	\$6.067	4.17%
Chesapeake Utilities Corporation	11/16/2006	600,300	\$30.100	\$28.975	3.88%
Atmos Energy Corporation	12/7/2006	5,500,000	\$31.500	\$30.398	3.63%
Vectren Corporation	2/22/2007	4,600,000	\$28.330	\$27.338	3.63%
Unitil Corporation	12/10/2008	2,000,000	\$20.000	\$18.950	5.54%
Unitil Corporation	5/20/2009	2,400,000	\$20.000	\$18.950	5.54%
CenterPoint Energy, Inc.	9/10/2009	21,000,000	\$12.000	\$11.580	3.63%
CenterPoint Energy, Inc.	6/9/2010	22,000,000	\$12.900	\$12.449	3.63%
NiSource Inc.	9/8/2010	21,100,000	\$16.500	\$15.964	3.36%
Gas Natural Inc.	11/10/2010	2,100,000	\$10.000	\$9.400	6.38%
Unitil Corporation	5/10/2012	2,400,000	\$25.250	\$23.988	5.26%
Gas Natural Inc.	6/27/2012	700,000	\$10.100	\$9.494	6.38%
Piedmont Natural Gas Company, Inc.	1/29/2013	4,000,000	\$32.000	\$30.880	3.63%
The Laclde Group, Inc.	5/22/2013	8,700,000	\$44.500	\$42.780	4.02%
Average 2000-2013:					3.81%
Selected Flotation Costs for Cost of Equity:					4.00%

Sources: EBASCO, *Analysis of Public Utility Financing* and *Public Utility Financing Tracker*; Bloomberg Finance L.P.

**Montana-Dakota Utilities Co.**

**Selected Natural Gas Distribution Companies  
Fiscal Year 2012 Operating Data**

Company	Ticker	Total Assets (\$million)	Operating Revenues (\$million)	Operating Income (\$million)	
AGL Resources Inc.	GAS	\$14,141.0	\$3,922.0	\$610.0	1/
Atmos Energy Corp.	ATO	\$7,495.7	\$3,438.5	\$446.2	2/
Laclede Group, Inc.	LG	\$1,880.3	\$1,125.5	\$110.6	2/
New Jersey Resources Corp.	NJR	\$2,770.0	\$2,248.9	\$108.7	2/
Northwest Natural Gas Company	NWN	\$2,813.1	\$749.0	\$142.2	1/
Piedmont Natural Gas Company, Inc	PNY	\$3,769.9	\$1,122.8	\$125.7	3/
South Jersey Industries, Inc.	SJI	\$2,631.4	\$706.3	\$109.9	1/
Southwest Gas Corp.	SWX	\$4,488.1	\$1,927.8	\$271.5	1/
WGL Holdings, Inc.	WGL	\$4,110.9	\$2,425.3	\$266.0	2/
High		\$14,141	\$3,922	\$610	
<b>Average</b>		<b>\$4,900</b>	<b>\$1,963</b>	<b>\$243</b>	
<b>Median</b>		<b>\$3,770</b>	<b>\$1,928</b>	<b>\$142</b>	
Low		\$1,880	\$706	\$109	
Montana-Dakota Utilities Co.					
- North Dakota Natural Gas Distribution		<b>\$56.5</b>	<b>\$84.8</b>	<b>\$4.9</b>	4/
MDU Resources Group, Inc.		\$6,682.5	\$4,075.4	\$19.2	1/
<u>Montana-Dakota North Dakota Natural Gas Distribution % of:</u>					
- Proxy Company Median		1.50%	4.40%	3.45%	
- MDU Resources Group, Inc.		0.85%	2.08%	25.53%	

Notes:

1/ Source: SNL Financial LC; data as of December 31, 2012

2/ Source: SNL Financial LC; data as of September 30, 2012

3/ Source: SNL Financial LC; data as of October 31, 2012

4/ Source: Annual Report to the North Dakota Public Service Commission for the Year Ended December 31, 2012

## Montana-Dakota Utilities Co.

### Selected Natural Gas Distribution Companies Credit Ratings

Company	Ticker	Standard & Poor's	Moody's
AGL Resources Inc.	GAS	BBB+	Baa1
Atmos Energy Corp.	ATO	BBB+	Baa1
Laclede Group, Inc.	LG	A	Baa2
New Jersey Resources Corp.	NJR	A	Aa3
Northwest Natural Gas Company	NWN	A+	A3
Piedmont Natural Gas Company, Inc	PNY	A	A3
South Jersey Industries, Inc.	SJI	BBB+	--
Southwest Gas Corp.	SWX	A-	Baa1
WGL Holdings, Inc.	WGL	A+	--
<b>Average</b>		<b>A-</b>	<b>A3</b>
<b>Median</b>		<b>A</b>	<b>Baa1</b>
MDU Resources Group, Inc.		BBB+	--

Notes:

Source: Bloomberg Finance L.P. and SNL Financial LC

New Jersey Resources Corp. uses rating for New Jersey Natural Gas Company





**Montana-Dakota Utilities Co.**

**Selected Natural Gas Distribution Companies**

**Dividend Yields**

*December 2012 - May 2013*

Company	Ticker	Average Dividend Yield
AGL Resources Inc.	GAS	4.52%
Atmos Energy Corp.	ATO	3.58%
Laclede Group, Inc.	LG	4.09%
New Jersey Resources Corp.	NJR	3.71%
Northwest Natural Gas Company	NWN	4.07%
Piedmont Natural Gas Company, Inc	PNY	3.72%
South Jersey Industries, Inc.	SJI	3.22%
Southwest Gas Corp.	SWX	2.63%
WGL Holdings, Inc.	WGL	3.85%
<b>Average</b>		<b>3.71%</b>
<b>Median</b>		<b>3.72%</b>

			Price			Annualized Dividend	Dividend Yield
			Low	High	Average		
South Jersey Industries, Inc.	SJI	Dec-12	\$ 49.03	\$ 51.92	\$ 50.48	\$ 1.77	3.51%
		Jan-13	50.52	54.55	52.54	1.77	3.37%
		Feb-13	53.46	55.87	54.66	1.77	3.24%
		Mar-13	54.12	56.21	55.17	1.77	3.21%
		Apr-13	54.11	61.71	57.91	1.77	3.06%
		May-13	57.81	61.78	59.80	1.77	2.96%
						<b>3.22%</b>	
Southwest Gas Corp.	SWX	Dec-12	\$ 41.42	\$ 43.29	\$ 42.35	\$ 1.18	2.79%
		Jan-13	42.02	44.89	43.46	1.18	2.72%
		Feb-13	44.20	45.55	44.88	1.18	2.63%
		Mar-13	45.07	48.11	46.59	1.18	2.53%
		Apr-13	46.84	50.71	48.78	1.18	2.42%
		May-13	46.66	51.52	49.09	1.32	2.69%
						<b>2.63%</b>	
WGL Holdings, Inc.	WGL	Dec-12	\$ 38.22	\$ 40.13	\$ 39.18	\$ 1.60	4.08%
		Jan-13	38.30	42.17	40.24	1.60	3.98%
		Feb-13	41.19	43.33	42.26	1.60	3.79%
		Mar-13	41.61	44.30	42.96	1.60	3.72%
		Apr-13	43.08	46.22	44.65	1.68	3.76%
		May-13	42.55	46.22	44.39	1.68	3.79%
						<b>3.85%</b>	

Source: Bloomberg Finance L.P.

## Montana-Dakota Utilities Co.

### Selected Natural Gas Distribution Companies Projected Earnings Retention Growth Rates

Company	Ticker	Value Line Forecast 2016-2018			Retention Rate	Retention Growth
		EPS	DPS	ROE		
AGL Resources Inc.	GAS	\$4.10	\$2.04	11.50%	50.24%	5.78%
Atmos Energy Corp.	ATO	\$3.00	\$1.50	8.50%	50.00%	4.25%
Laclede Group, Inc.	LG	\$3.75	\$1.82	10.50%	51.47%	5.40%
New Jersey Resources Corp.	NJR	\$2.95	\$1.72	12.50%	41.69%	5.21%
Northwest Natural Gas Company	NWN	\$3.25	\$2.00	11.50%	38.46%	4.42%
Piedmont Natural Gas Company, Inc	PNY	\$1.90	\$1.39	11.00%	26.84%	2.95%
South Jersey Industries, Inc.	SJI	\$4.80	\$2.45	15.50%	48.96%	7.59%
Southwest Gas Corp.	SWX	\$3.75	\$1.60	10.50%	57.33%	6.02%
WGL Holdings, Inc.	WGL	\$2.65	\$1.83	9.50%	30.94%	2.94%
<b>Average</b>						<b>4.95%</b>
<b>Median</b>						<b>5.21%</b>

Source: Value Line, March 8, 2013

## Montana-Dakota Utilities Co.

### Selected Natural Gas Distribution Companies Blended Growth Rate Estimates

Company	Ticker	1/2	1/2	Weighted Average
		Zacks 5-Yr Earnings Growth Est.	Retention Growth	
AGL Resources Inc.	GAS	3.53%	5.78%	4.65%
Atmos Energy Corp.	ATO	6.00%	4.25%	5.13%
Laclede Group, Inc.	LG	3.00%	5.40%	4.20%
New Jersey Resources Corp.	NJR	4.00%	5.21%	4.61%
Northwest Natural Gas Company	NWN	3.83%	4.42%	4.13%
Piedmont Natural Gas Company, Inc	PNY	4.30%	2.95%	3.63%
South Jersey Industries, Inc.	SJI	6.00%	7.59%	6.79%
Southwest Gas Corp.	SWX	4.80%	6.02%	5.41%
WGL Holdings, Inc.	WGL	5.25%	2.94%	4.09%
<b>Average</b>		<b>4.52%</b>	<b>4.95%</b>	<b>4.74%</b>
<b>Median</b>		<b>4.30%</b>	<b>5.21%</b>	<b>4.61%</b>

Source: Zacks.com and page 4.

## Montana-Dakota Utilities Co.

### Selected Natural Gas Distribution Companies Retention Growth DCF Calculation

Company	Ticker	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market:	Primary Market:	
					Investor Required Return	Flotation Cost Adjustment	Cost of Capital
AGL Resources Inc.	GAS	4.52%	4.68%	5.78%	10.46%	1.0400	10.88%
Atmos Energy Corp.	ATO	3.58%	3.67%	4.25%	7.92%	1.0400	8.24%
Laclede Group, Inc.	LG	4.09%	4.22%	5.40%	9.63%	1.0400	10.01%
New Jersey Resources Corp.	NJR	3.71%	3.83%	5.21%	9.04%	1.0400	9.40%
Northwest Natural Gas Company	NWN	4.07%	4.18%	4.42%	8.61%	1.0400	8.95%
Piedmont Natural Gas Company, Inc	PNY	3.72%	3.79%	2.95%	6.74%	1.0400	7.01%
South Jersey Industries, Inc.	SJI	3.22%	3.38%	7.59%	10.96%	1.0400	11.40%
Southwest Gas Corp.	SWX	2.63%	2.73%	6.02%	8.75%	1.0400	9.10%
WGL Holdings, Inc.	WGL	3.85%	3.92%	2.94%	6.86%	1.0400	7.14%
High					10.96%		11.40%
3 <sup>rd</sup> Quartile					9.63%		10.01%
<b>2<sup>nd</sup> Quartile (Median)</b>					<b>8.75%</b>		<b>9.10%</b>
1 <sup>st</sup> Quartile					7.92%		8.24%
Low					6.74%		7.01%

## Montana-Dakota Utilities Co.

### Selected Natural Gas Distribution Companies Basic DCF Calculation

Company	Ticker	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market:	Flotation Cost Adjustment	Primary Market:
					Investor Required Return		Cost of Capital
AGL Resources Inc.	GAS	4.52%	4.62%	3.53%	8.15%	1.0400	8.47%
Atmos Energy Corp.	ATO	3.58%	3.71%	6.00%	9.71%	1.0400	10.10%
Laclede Group, Inc.	LG	4.09%	4.16%	3.00%	7.16%	1.0400	7.45%
New Jersey Resources Corp.	NJR	3.71%	3.80%	4.00%	7.80%	1.0400	8.11%
Northwest Natural Gas Company	NWN	4.07%	4.17%	3.83%	8.00%	1.0400	8.32%
Piedmont Natural Gas Company, Inc	PNY	3.72%	3.82%	4.30%	8.12%	1.0400	8.45%
South Jersey Industries, Inc.	SJI	3.22%	3.34%	6.00%	9.34%	1.0400	9.72%
Southwest Gas Corp.	SWX	2.63%	2.71%	4.80%	7.51%	1.0400	7.81%
WGL Holdings, Inc.	WGL	3.85%	3.98%	5.25%	9.23%	1.0400	9.60%
High					9.71%		10.10%
3 <sup>rd</sup> Quartile					9.23%		9.60%
<b>2<sup>nd</sup> Quartile (Median)</b>					<b>8.12%</b>		<b>8.45%</b>
1 <sup>st</sup> Quartile					7.80%		8.11%
Low					7.16%		7.45%

## Montana-Dakota Utilities Co.

### Selected Natural Gas Distribution Companies Blended Growth Rate DCF Calculation

Company	Ticker	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market:	Flotation Cost Adjustment	Primary Market:
					Investor Required Return		Cost of Capital
AGL Resources Inc.	GAS	4.52%	4.65%	4.65%	9.30%	1.0400	9.67%
Atmos Energy Corp.	ATO	3.58%	3.69%	5.13%	8.82%	1.0400	9.17%
Laclede Group, Inc.	LG	4.09%	4.19%	4.20%	8.40%	1.0400	8.73%
New Jersey Resources Corp.	NJR	3.71%	3.82%	4.61%	8.42%	1.0400	8.76%
Northwest Natural Gas Company	NWN	4.07%	4.18%	4.13%	8.30%	1.0400	8.63%
Piedmont Natural Gas Company, Inc	PNY	3.72%	3.81%	3.63%	7.43%	1.0400	7.73%
South Jersey Industries, Inc.	SJI	3.22%	3.36%	6.79%	10.15%	1.0400	10.56%
Southwest Gas Corp.	SWX	2.63%	2.72%	5.41%	8.13%	1.0400	8.45%
WGL Holdings, Inc.	WGL	3.85%	3.95%	4.09%	8.05%	1.0400	8.37%
High					10.15%		10.56%
3 <sup>rd</sup> Quartile					8.82%		9.17%
<b>2<sup>nd</sup> Quartile (Median)</b>					<b>8.40%</b>		<b>8.73%</b>
1 <sup>st</sup> Quartile					8.13%		8.45%
Low					7.43%		7.73%

Montana-Dakota Utilities Co.

Market DCF Calculation

		[1]	[2]	[3]	[4]				
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return				
S&P 500		2.43%	2.59%	10.03%	12.62%				

		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization- Weighted Dividend Yield	Market Capitalization- Weighted BEst Long-Term Growth Estimate
3M Co	MMM	690.195	110.270	76,108	0.5775%	2.30%	11.88%	0.0133%	0.0686%
Abbott Laboratories	ABT	1,558.865	36.670	57,164	0.4337%	1.53%	11.65%	0.0066%	0.0505%
AbbVie Inc	ABBV	1,583.729	42.690	67,609	0.5130%	3.75%	6.38%	0.0192%	0.0327%
Abercrombie & Fitch Co	ANF	78.167	50.080	3,915	0.0297%	1.60%	16.54%	0.0005%	0.0049%
Accenture PLC	ACN	650.078	82.110	53,378	0.4050%	1.97%	12.60%	0.0080%	0.0510%
ACE Ltd	ACE	340.173	89.680	30,507	0.2315%	2.27%	9.17%	0.0053%	0.0212%
Actavis Inc	ACT	133.305	123.290	16,435	0.0000%	n/a	11.28%	n/a	0.0000%
Adobe Systems Inc	ADBE	501.936	42.910	21,538	0.0000%	n/a	11.67%	n/a	0.0000%
ADT Corp/The	ADT	218.786	40.590	8,881	0.0674%	1.23%	9.33%	0.0008%	0.0063%
Advanced Micro Devices Inc	AMD	714.486	4.000	2,858	0.0000%	n/a	10.75%	n/a	0.0000%
AES Corp/VA	AES	746.541	12.200	9,108	0.0691%	1.31%	9.50%	0.0009%	0.0066%
Aetna Inc	AET	378.246	60.380	22,838	0.1733%	1.32%	11.60%	0.0023%	0.0201%
Aflac Inc	AFL	466.226	55.690	25,964	0.1970%	2.51%	11.75%	0.0050%	0.0231%
Agilent Technologies Inc	A	345.000	45.450	15,680	0.1190%	1.06%	6.73%	0.0013%	0.0080%
AGL Resources Inc	GAS	118.181	42.330	5,003	0.0380%	4.44%	2.94%	0.0017%	0.0011%
Air Products & Chemicals Inc	APD	207.625	94.410	19,602	0.1487%	3.01%	8.94%	0.0045%	0.0133%
Airgas Inc	ARG	73.229	102.890	7,535	0.0572%	1.87%	12.66%	0.0011%	0.0072%
Akamai Technologies Inc	AKAM	177.700	46.120	8,196	0.0000%	n/a	14.80%	n/a	0.0000%
Alcoa Inc	AA	1,069.397	8.500	9,090	0.0690%	1.41%	6.50%	0.0010%	0.0045%
Alexion Pharmaceuticals Inc	ALXN	195.209	97.540	19,041	0.0000%	n/a	23.75%	n/a	0.0000%
Allegheny Technologies Inc	ATI	107.955	27.570	2,976	0.0226%	2.61%	15.00%	0.0006%	0.0034%
Allergan Inc/United States	AGN	296.400	99.490	29,489	0.2238%	0.20%	13.82%	0.0004%	0.0309%
Allstate Corp/The	ALL	468.644	48.240	22,607	0.1715%	2.07%	8.88%	0.0036%	0.0152%
Altera Corp	ALTR	320.140	33.190	10,625	0.0806%	1.21%	12.40%	0.0010%	0.0100%
Altria Group Inc	MO	2,008.662	36.100	72,513	0.5502%	4.88%	7.52%	0.0268%	0.0413%
Amazon.com Inc	AMZN	455.243	269.030	122,474	0.0000%	n/a	33.19%	n/a	0.0000%
Ameren Corp	AEE	242.635	34.040	8,259	0.0627%	4.70%	2.00%	0.0029%	0.0013%
American Electric Power Co Inc	AEP	486.045	45.820	22,271	0.1690%	4.28%	4.50%	0.0072%	0.0076%
American Express Co	AXP	1,098.639	75.710	83,178	0.6311%	1.22%	11.40%	0.0077%	0.0719%
American International Group Inc	AIG	1,476.345	44.460	65,638	0.0000%	n/a	10.75%	n/a	0.0000%
American Tower Corp	AMT	395.486	77.840	30,785	0.2336%	1.39%	21.34%	0.0032%	0.0498%
Ameriprise Financial Inc	AMP	201.529	81.520	16,429	0.1247%	2.55%	9.50%	0.0032%	0.0118%
AmerisourceBergen Corp	ABC	230.907	54.080	12,487	0.0948%	1.55%	11.40%	0.0015%	0.0108%
Amgen Inc	AMGN	750.000	100.530	75,398	0.5721%	1.87%	7.65%	0.0107%	0.0438%
Amphenol Corp	APH	159.698	77.900	12,440	0.0944%	0.54%	15.00%	0.0005%	0.0142%
Anadarko Petroleum Corp	APC	501.474	87.470	43,864	0.3328%	0.41%	11.21%	0.0014%	0.0373%
Analog Devices Inc	ADI	308.165	45.930	14,154	0.1074%	2.96%	12.00%	0.0032%	0.0129%
Aon PLC	AON	309.126	63.670	19,682	0.1493%	1.10%	10.00%	0.0016%	0.0149%
Apache Corp	APA	391.856	82.130	32,183	0.2442%	0.97%	7.11%	0.0024%	0.0174%
Apartment Investment & Management Co	AIV	145.821	30.260	4,413	0.0335%	3.17%	10.16%	0.0011%	0.0034%
Apollo Group Inc	APOL	112.133	19.990	2,242	0.0000%	n/a	8.61%	n/a	0.0000%
Apple Inc	AAPL	938.649	449.680	422,092	3.2027%	2.71%	20.68%	0.0869%	0.6622%
Applied Materials Inc	AMAT	1,201.601	15.200	18,264	0.1386%	2.63%	9.67%	0.0036%	0.0134%
Archer-Daniels-Midland Co	ADM	659.030	32.230	21,241	0.1612%	2.36%	10.00%	0.0038%	0.0161%
Assurant Inc	AIZ	76.991	49.740	3,830	0.0291%	2.01%	9.67%	0.0006%	0.0028%
AT&T Inc	T	5,380.000	34.990	188,246	1.4284%	5.14%	5.66%	0.0735%	0.0809%
Autodesk Inc	ADSK	223.800	37.730	8,444	0.0000%	n/a	11.60%	n/a	0.0000%
Automatic Data Processing Inc	ADP	485.222	68.720	33,344	0.2530%	2.53%	9.57%	0.0064%	0.0242%
AutoNation Inc	AN	121.327	46.330	5,621	0.0000%	n/a	18.99%	n/a	0.0000%
AutoZone Inc	AZO	35.471	408.830	14,502	0.0000%	n/a	13.64%	n/a	0.0000%
AvalonBay Communities Inc	AVB	129.380	132.660	17,164	0.1302%	3.23%	8.41%	0.0042%	0.0110%
Avery Dennison Corp	AVY	99.584	43.500	4,332	0.0329%	2.67%	7.00%	0.0009%	0.0023%
Avon Products Inc	AVP	433.105	23.570	10,208	0.0775%	1.02%	19.12%	0.0008%	0.0148%
Baker Hughes Inc	BHI	441.827	45.480	20,094	0.1525%	1.32%	13.00%	0.0020%	0.0198%
Ball Corp	BLL	148.763	43.160	6,421	0.0487%	1.20%	10.00%	0.0006%	0.0049%

Montana-Dakota Utilities Co.

Market DCF Calculation

	[1]	[2]	[3]	[4]
	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return
S&P 500	2.43%	2.59%	10.03%	12.62%

Company	Ticker	[5] Shares Outstanding (million)	[6] Price	[7] Market Capitalization (\$million)	[8] Percent of Total Market Capitalization	[9] Current Dividend Yield	[10] BEst Long-Term Growth Estimate	[11] Market Capitalization-Weighted Dividend Yield	[12] Market Capitalization-Weighted BEst Long-Term Growth Estimate
Bank of America Corp	BAC	10,780.377	13.660	147,260	1.1174%	0.29%	12.30%	0.0033%	0.1374%
Bank of New York Mellon Corp/The	BK	1,160.647	30.060	34,889	0.2647%	2.00%	12.50%	0.0053%	0.0331%
Baxter International Inc	BAX	541.952	70.330	38,115	0.2892%	2.79%	9.64%	0.0081%	0.0279%
BB&T Corp	BBT	701.440	32.920	23,091	0.1752%	2.79%	6.50%	0.0049%	0.0114%
Bean Inc	BEAM	160.889	64.840	10,432	0.0792%	1.39%	10.88%	0.0011%	0.0086%
Becton Dickinson and Co	BDX	194.251	98.620	19,157	0.1454%	2.01%	8.01%	0.0029%	0.0116%
Bed Bath & Beyond Inc	BBBY	218.586	68.250	14,918	0.0000%	n/a	13.08%	n/a	0.0000%
Bemis Co Inc	BMS	102.892	39.150	4,028	0.0306%	2.66%	7.00%	0.0008%	0.0021%
Berkshire Hathaway Inc	BRK/B	1,128.428	114.070	128,720	0.0000%	n/a	n/a	n/a	n/a
Best Buy Co Inc	BBY	338.088	27.550	9,314	0.0707%	2.47%	8.70%	0.0017%	0.0061%
Biogen Idec Inc	BIIB	237.375	237.490	56,374	0.0000%	n/a	19.03%	n/a	0.0000%
BlackRock Inc	BLK	168.704	279.200	47,102	0.3574%	2.41%	14.46%	0.0086%	0.0517%
BMC Software Inc	BMC	143.973	45.295	6,521	0.0000%	n/a	15.00%	n/a	0.0000%
Boeing Co/The	BA	758.681	99.020	75,125	0.5700%	1.96%	11.29%	0.0112%	0.0643%
BorgWarner Inc	BWA	115.558	81.070	9,368	0.0000%	n/a	15.00%	n/a	0.0000%
Boston Properties Inc	BXP	151.743	106.580	16,173	0.1227%	2.44%	5.78%	0.0030%	0.0071%
Boston Scientific Corp	BSX	1,349.092	9.240	12,466	0.0000%	n/a	8.71%	n/a	0.0000%
Bristol-Myers Squibb Co	BMJ	1,642.552	46.010	75,574	0.5734%	3.04%	7.90%	0.0174%	0.0453%
Broadcom Corp	BRM	521.000	35.910	18,709	0.1420%	1.23%	13.75%	0.0017%	0.0195%
Brown-Forman Corp	BF/B	129.170	68.820	8,889	0.0675%	1.48%	12.50%	0.0010%	0.0084%
CA Inc	CA	453.184	27.310	12,376	0.0939%	3.66%	10.00%	0.0034%	0.0094%
Cablevision Systems Corp	CVC	212.945	15.120	3,220	0.0244%	3.97%	16.25%	0.0010%	0.0040%
Cabot Oil & Gas Corp	COG	210.345	70.360	14,800	0.1123%	0.11%	35.00%	0.0001%	0.0393%
Cameron International Corp	CAM	248.046	60.870	15,099	0.0000%	n/a	17.00%	n/a	0.0000%
Campbell Soup Co	CPB	314.417	42.810	13,460	0.1021%	2.71%	6.00%	0.0028%	0.0061%
Capital One Financial Corp	COF	584.163	60.930	35,593	0.2701%	1.97%	8.50%	0.0053%	0.0230%
Cardinal Health Inc	CAH	341.823	46.960	16,052	0.1218%	2.58%	11.17%	0.0031%	0.0136%
CareFusion Corp	CFN	219.809	36.750	8,078	0.0000%	n/a	9.93%	n/a	0.0000%
CarMax Inc	KMX	228.217	46.770	10,674	0.0000%	n/a	12.78%	n/a	0.0000%
Carnival Corp	CCL	592.008	33.100	19,595	0.1487%	3.02%	14.58%	0.0045%	0.0217%
Caterpillar Inc	CAT	657.700	85.800	56,431	0.4282%	2.42%	10.33%	0.0104%	0.0442%
CBRE Group Inc	CBG	331.200	23.180	7,677	0.0000%	n/a	11.67%	n/a	0.0000%
CBS Corp	CBS	572.091	49.500	28,319	0.2149%	0.97%	10.83%	0.0021%	0.0233%
Celgene Corp	CELG	417.122	123.650	51,577	0.0000%	n/a	24.04%	n/a	0.0000%
CenterPoint Energy Inc	CNP	428.530	23.180	9,933	0.0754%	3.58%	5.60%	0.0027%	0.0042%
CenturyLink Inc	CTL	609.046	34.150	20,799	0.1578%	6.33%	3.08%	0.0100%	0.0049%
Cerner Corp	CERN	171.879	98.280	16,892	0.0000%	n/a	18.25%	n/a	0.0000%
CF Industries Holdings Inc	CF	59.288	190.960	11,322	0.0859%	0.84%	9.00%	0.0007%	0.0077%
CH Robinson Worldwide Inc	CHRW	160.559	56.690	9,102	0.0691%	2.47%	14.60%	0.0017%	0.0101%
Charles Schwab Corp/The	SCHW	1,279.979	19.860	25,420	0.1929%	1.21%	20.43%	0.0023%	0.0394%
Chesapeake Energy Corp	CHK	666.461	21.840	14,556	0.1104%	1.60%	21.88%	0.0018%	0.0242%
Chevron Corp	CVX	1,942.698	122.750	238,466	1.8094%	3.26%	5.27%	0.0590%	0.0953%
Chipotle Mexican Grill Inc	CMG	30.911	361.000	11,159	0.0000%	n/a	20.26%	n/a	0.0000%
Chubb Corp/The	CB	259.173	87.100	22,574	0.1713%	2.02%	9.00%	0.0035%	0.0154%
Cigna Corp	CI	285.322	67.900	19,373	0.1470%	0.06%	10.56%	0.0001%	0.0155%
Cincinnati Financial Corp	CINF	163.436	47.340	7,737	0.0000%	3.44%	n/a	0.0000%	n/a
Cintas Corp	CTAS	122.521	45.655	5,594	0.0424%	1.40%	10.60%	0.0006%	0.0045%
Cisco Systems Inc	CSCO	5,344.336	24.080	128,692	0.9765%	2.82%	9.88%	0.0276%	0.0964%
Citigroup Inc	C	3,042.885	51.990	158,200	1.2004%	0.08%	10.83%	0.0009%	0.1300%
Citrix Systems Inc	CTXS	187.124	64.350	12,041	0.0000%	n/a	14.04%	n/a	0.0000%
Cliffs Natural Resources Inc	CLF	153.096	18.040	2,762	0.0210%	3.33%	5.00%	0.0007%	0.0010%
Clorox Co/The	CLX	130.962	83.080	10,880	0.0826%	3.42%	8.14%	0.0028%	0.0067%
CME Group Inc/IL	CME	333.886	67.930	22,681	0.1721%	2.65%	13.67%	0.0046%	0.0235%
CMS Energy Corp	CMS	266.826	26.950	7,191	0.0546%	3.78%	6.00%	0.0021%	0.0033%
Coach Inc	COH	280.992	58.260	16,371	0.1242%	2.32%	12.07%	0.0029%	0.0150%

Montana-Dakota Utilities Co.

Market DCF Calculation

		[1]	[2]	[3]	[4]				
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return				
<b>S&amp;P 500</b>		<b>2.43%</b>	<b>2.59%</b>	<b>10.03%</b>	<b>12.62%</b>				

		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
Coca-Cola Co/The	KO	4,453.755	39.990	178,106	1.3514%	2.80%	8.24%	0.0378%	0.1114%
Coca-Cola Enterprises Inc	CCE	274.043	37.160	10,183	0.0773%	2.15%	8.97%	0.0017%	0.0069%
Cognizant Technology Solutions Corp	CTSH	301.616	64.650	19,499	0.0000%	n/a	18.38%	n/a	0.0000%
Colgate-Palmolive Co	CL	932.738	57.840	53,950	0.4094%	2.35%	9.01%	0.0096%	0.0369%
Comcast Corp	CMCSA	2,129.486	40.150	85,499	0.6487%	1.94%	17.61%	0.0126%	0.1142%
Comerica Inc	CMA	186.644	39.490	7,371	0.0559%	1.72%	12.20%	0.0010%	0.0068%
Computer Sciences Corp	CSC	150.229	44.610	6,702	0.0509%	1.79%	8.00%	0.0009%	0.0041%
ConAgra Foods Inc	CAG	416.806	33.690	14,042	0.1065%	2.97%	6.67%	0.0032%	0.0071%
ConocoPhillips	COP	1,222.661	61.340	74,998	0.5691%	4.30%	5.55%	0.0245%	0.0316%
CONSOL Energy Inc	CNX	228.629	34.680	7,929	0.0602%	1.44%	12.00%	0.0009%	0.0072%
Consolidated Edison Inc	ED	292.894	57.070	16,715	0.1268%	4.31%	3.40%	0.0055%	0.0043%
Constellation Brands Inc	STZ	162.180	53.010	8,597	0.0000%	n/a	11.60%	n/a	0.0000%
Corning Inc	GLW	1,475.089	15.370	22,672	0.1720%	2.60%	11.50%	0.0045%	0.0198%
Costco Wholesale Corp	COST	436.371	109.670	47,857	0.3631%	1.13%	12.81%	0.0041%	0.0465%
Covidian PLC	COV	470.475	63.600	29,922	0.2270%	1.64%	9.13%	0.0037%	0.0207%
CR Bard Inc	BCR	80.482	103.090	8,297	0.0630%	0.78%	10.25%	0.0005%	0.0065%
Crown Castle International Corp	CCI	293.770	71.250	20,931	0.0000%	n/a	23.00%	n/a	0.0000%
CSX Corp	CSX	1,021.961	25.210	25,764	0.1955%	2.38%	11.83%	0.0047%	0.0231%
Cummins Inc	CMI	189.739	119.630	22,698	0.1722%	1.67%	10.33%	0.0029%	0.0178%
CVS Caremark Corp	CVS	1,224.393	57.580	70,501	0.5349%	1.56%	13.50%	0.0084%	0.0722%
Danaher Corp	DHR	692.707	61.820	42,823	0.3249%	0.16%	13.00%	0.0005%	0.0422%
Darden Restaurants Inc	DRI	129.812	51.800	6,724	0.0510%	3.86%	9.78%	0.0020%	0.0050%
DaVita HealthCare Partners Inc	DVA	105.800	124.070	13,127	0.0000%	n/a	12.40%	n/a	0.0000%
Deere & Co	DE	388.044	87.110	33,803	0.2565%	2.34%	9.25%	0.0060%	0.0237%
Dell Inc	DELL	1,747.220	13.350	23,325	0.1770%	2.40%	5.50%	0.0042%	0.0097%
Delphi Automotive PLC	DLPH	312.646	48.810	15,260	0.1158%	1.39%	12.50%	0.0016%	0.0145%
Denbury Resources Inc	DNR	373.165	18.350	6,848	0.0000%	n/a	n/a	n/a	n/a
DENTSPLY International Inc	XRAY	143.283	41.760	5,983	0.0454%	0.60%	9.80%	0.0003%	0.0044%
Devon Energy Corp	DVN	406.000	56.850	23,081	0.1751%	1.55%	5.22%	0.0027%	0.0091%
Diamond Offshore Drilling Inc	DO	139.035	68.810	9,567	0.0726%	5.09%	20.93%	0.0037%	0.0152%
DIRECTV	DTV	558.552	61.130	34,144	0.0000%	n/a	16.18%	n/a	0.0000%
Discover Financial Services	DFS	490.425	47.410	23,251	0.1764%	1.69%	10.50%	0.0030%	0.0185%
Discovery Communications Inc	DISCA	145.989	78.860	11,513	0.0000%	n/a	19.78%	n/a	0.0000%
Dollar General Corp	DG	327.227	52.800	17,278	0.0000%	n/a	15.72%	n/a	0.0000%
Dollar Tree Inc	DLTR	223.834	48.040	10,753	0.0000%	n/a	15.80%	n/a	0.0000%
Dominion Resources Inc/VA	D	577.676	56.550	32,668	0.2479%	3.98%	5.70%	0.0099%	0.0141%
Dover Corp	DOV	171.103	78.250	13,389	0.1016%	1.79%	13.50%	0.0018%	0.0137%
Dow Chemical Co/The	DOW	1,204.364	34.460	41,502	0.3149%	3.71%	8.76%	0.0117%	0.0276%
DR Horton Inc	DHI	321.326	24.360	7,828	0.0594%	0.62%	5.23%	0.0004%	0.0031%
Dr Pepper Snapple Group Inc	DPS	204.054	45.980	9,382	0.0712%	3.31%	7.38%	0.0024%	0.0053%
DTE Energy Co	DTE	173.951	66.610	11,587	0.0879%	3.93%	5.00%	0.0035%	0.0044%
Duke Energy Corp	DUK	706.000	66.930	47,253	0.3585%	4.57%	4.78%	0.0164%	0.0171%
Dun & Bradstreet Corp/The	DNB	39.946	98.140	3,920	0.0000%	1.63%	n/a	0.0000%	n/a
E*TRADE Financial Corp	ETFC	286.835	11.630	3,336	0.0000%	n/a	28.83%	n/a	0.0000%
Eastman Chemical Co	EMN	154.845	71.720	11,105	0.0843%	1.67%	7.67%	0.0014%	0.0065%
Eaton Corp PLC	ETN	472.634	66.060	31,222	0.2369%	2.54%	10.40%	0.0060%	0.0246%
eBay Inc	EBAY	1,297.790	54.100	70,210	0.0000%	n/a	14.59%	n/a	0.0000%
Ecolab Inc	ECL	296.012	84.470	25,004	0.1897%	1.09%	13.64%	0.0021%	0.0259%
Edison International	EIX	325.811	45.940	14,968	0.1136%	2.94%	7.28%	0.0033%	0.0083%
Edwards Lifesciences Corp	EW	112.962	66.460	7,507	0.0000%	n/a	17.16%	n/a	0.0000%
EI du Pont de Nemours & Co	DD	920.466	55.790	51,353	0.3897%	3.23%	7.70%	0.0126%	0.0300%
Electronic Arts Inc	EA	302.634	22.990	6,958	0.0000%	n/a	16.93%	n/a	0.0000%
Eli Lilly & Co	LLY	1,126.561	53.160	59,888	0.4544%	3.69%	1.36%	0.0168%	0.0062%
EMC Corp/MA	EMC	2,100.840	24.760	52,017	0.3947%	1.62%	13.43%	0.0064%	0.0530%
Emerson Electric Co	EMR	718.863	57.460	41,306	0.3134%	2.85%	9.71%	0.0089%	0.0304%

Montana-Dakota Utilities Co.

Market DCF Calculation

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Company	Ticker	[5] Shares Outstanding (million)	[6] Price	[7] Market Capitalization (\$million)	[8] Percent of Total Market Capitalization	[9] Current Dividend Yield	[10] BEst Long-Term Growth Estimate	[11] Market Capitalization-Weighted Dividend Yield	[12] Market Capitalization-Weighted BEst Long-Term Growth Estimate
Enseo PLC	ESV	232,709	60.170	14,002	0.1062%	3.32%	20.07%	0.0035%	0.0213%
Entergy Corp	ETR	178,185	68.880	12,273	0.0931%	4.82%	0.95%	0.0045%	0.0009%
EOG Resources Inc	EOG	271,904	129.100	35,103	0.2664%	0.58%	10.97%	0.0015%	0.0292%
EQT Corp	EQT	150,435	79.880	12,017	0.0912%	0.15%	30.00%	0.0001%	0.0274%
Equifax Inc	EFX	120,610	60.900	7,345	0.0557%	1.45%	11.33%	0.0008%	0.0063%
Equity Residential	EQR	360,157	56.550	20,367	0.1545%	2.83%	7.26%	0.0044%	0.0112%
Estee Lauder Cos Inc/The	EL	237,169	67.780	16,075	0.1220%	1.06%	13.90%	0.0013%	0.0170%
Exelon Corp	EXC	855,849	31.340	26,822	0.2035%	3.96%	0.23%	0.0081%	0.0005%
Expedia Inc	EXPE	122,336	57.460	7,029	0.0533%	0.91%	14.05%	0.0005%	0.0075%
Expeditors International of Washington Inc	EXPD	206,610	39.030	8,064	0.0612%	1.54%	10.17%	0.0009%	0.0062%
Express Scripts Holding Co	ESRX	817,529	62.120	50,785	0.0000%	n/a	15.77%	n/a	0.0000%
Exxon Mobil Corp	XOM	4,446,376	90.470	402,264	3.0523%	2.79%	4.58%	0.0850%	0.1398%
F5 Networks Inc	FFIV	78,799	83.210	6,557	0.0000%	n/a	14.38%	n/a	0.0000%
Family Dollar Stores Inc	FDO	114,953	61.150	7,029	0.0533%	1.70%	12.04%	0.0009%	0.0064%
Fastenal Co	FAST	296,687	52.180	15,481	0.1175%	1.53%	18.30%	0.0018%	0.0215%
FedEx Corp	FDX	316,869	96.340	30,527	0.2316%	0.58%	11.61%	0.0013%	0.0269%
Fidelity National Information Services Inc	FIS	292,545	44.900	13,135	0.0997%	1.96%	12.40%	0.0020%	0.0124%
Fifth Third Bancorp	FITB	874,645	18.200	15,919	0.1208%	2.42%	8.37%	0.0029%	0.0101%
First Horizon National Corp	FHN	241,225	11.480	2,769	0.0210%	1.74%	8.33%	0.0004%	0.0018%
First Solar Inc	FSLR	87,792	54.380	4,774	0.0000%	n/a	0.00%	n/a	0.0000%
FirstEnergy Corp	FE	418,216	39.010	16,315	0.1238%	5.64%	4.00%	0.0070%	0.0050%
Fiserv Inc	FISV	133,163	87.160	11,606	0.0000%	n/a	11.83%	n/a	0.0000%
FLIR Systems Inc	FLIR	141,884	24.360	3,456	0.0262%	1.48%	12.50%	0.0004%	0.0033%
Flowserve Corp	FLS	48,123	168.130	8,091	0.0614%	1.00%	12.33%	0.0006%	0.0076%
Fluor Corp	FLR	162,873	63.210	10,295	0.0781%	1.01%	12.15%	0.0008%	0.0095%
FMC Corp	FMC	136,130	62.710	8,537	0.0648%	0.86%	11.34%	0.0006%	0.0073%
FMC Technologies Inc	FTI	237,479	55.660	13,218	0.0000%	n/a	15.33%	n/a	0.0000%
Ford Motor Co	F	3,860,354	15.680	60,530	0.4593%	2.55%	6.78%	0.0117%	0.0311%
Forest Laboratories Inc	FRX	266,670	39.750	10,600	0.0000%	n/a	34.64%	n/a	0.0000%
Fossil Inc	FOSL	58,672	106.200	6,231	0.0000%	n/a	16.37%	n/a	0.0000%
Franklin Resources Inc	BEN	212,609	154.810	32,914	0.2497%	0.75%	16.19%	0.0019%	0.0404%
Freeport-McMoRan Copper & Gold Inc	FCX	949,742	31.050	29,489	0.2238%	4.03%	7.00%	0.0090%	0.0157%
Frontier Communications Corp	FTR	997,753	4.140	4,131	0.0313%	9.66%	4.03%	0.0030%	0.0013%
GameStop Corp	GME	119,000	33.160	3,946	0.0299%	3.32%	9.30%	0.0010%	0.0028%
Gannett Co Inc	GCI	228,886	21.500	4,921	0.0373%	3.72%	4.50%	0.0014%	0.0017%
Gap Inc/The	GPS	466,000	40.550	18,896	0.1434%	1.48%	12.57%	0.0021%	0.0180%
Garmin Ltd	GRMN	195,659	34.930	6,834	0.0519%	5.15%	6.54%	0.0027%	0.0034%
General Dynamics Corp	GD	353,187	77.100	27,231	0.2066%	2.91%	5.28%	0.0060%	0.0109%
General Electric Co	GE	10,340,120	23.320	241,132	1.8297%	3.26%	9.75%	0.0596%	0.1784%
General Mills Inc	GIS	644,658	47.080	30,350	0.2303%	3.23%	7.83%	0.0074%	0.0180%
Genuine Parts Co	GPC	154,966	77.740	12,047	0.0914%	2.77%	8.70%	0.0025%	0.0080%
Genworth Financial Inc	GNW	492,713	10.810	5,326	0.0000%	n/a	5.00%	n/a	0.0000%
Gilead Sciences Inc	GILD	1,525,356	54.480	83,101	0.0000%	n/a	25.63%	n/a	0.0000%
Goldman Sachs Group Inc/The	GS	458,505	162.080	74,314	0.5639%	1.23%	10.64%	0.0070%	0.0600%
Goodyear Tire & Rubber Co/The	GT	245,691	15.140	3,720	0.0000%	n/a	24.02%	n/a	0.0000%
Google Inc	GOOG	270,165	870.410	235,154	0.0000%	n/a	16.21%	n/a	0.0000%
H&R Block Inc	HRB	272,319	29.270	7,971	0.0605%	2.73%	13.50%	0.0017%	0.0082%
Halliburton Co	HAL	930,992	41.850	38,962	0.2956%	1.19%	16.33%	0.0035%	0.0483%
Harley-Davidson Inc	HOG	224,139	54.540	12,225	0.0928%	1.54%	11.50%	0.0014%	0.0107%
Harman International Industries Inc	HAR	67,935	53.100	3,607	0.0274%	1.13%	17.50%	0.0003%	0.0048%
Harris Corp	HRS	109,583	50.130	5,493	0.0417%	2.95%	2.00%	0.0012%	0.0008%
Hartford Financial Services Group Inc	HIG	455,889	30.630	13,964	0.1060%	1.31%	9.00%	0.0014%	0.0095%
Hasbro Inc	HAS	129,374	44.480	5,755	0.0437%	3.60%	8.00%	0.0016%	0.0035%
HCP Inc	HCP	453,379	47.380	21,481	0.1630%	4.43%	3.70%	0.0072%	0.0060%
Health Care REIT Inc	HCN	284,433	68.030	19,350	0.1468%	4.50%	5.68%	0.0066%	0.0083%

Montana-Dakota Utilities Co.

Market DCF Calculation

	[1]	[2]	[3]	[4]
	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return
S&P 500	2.43%	2.59%	10.03%	12.62%

Company	Ticker	[5] Shares Outstanding (million)	[6] Price	[7] Market Capitalization (\$million)	[8] Percent of Total Market Capitalization	[9] Current Dividend Yield	[10] BEst Long-Term Growth Estimate	[11] Market Capitalization-Weighted Dividend Yield	[12] Market Capitalization-Weighted BEst Long-Term Growth Estimate
Helmerich & Payne Inc	HP	106,414	61.740	6,570	0.0499%	0.97%	9.00%	0.0005%	0.0045%
Hershey Co/The	HSY	163,102	89.110	14,534	0.1103%	1.89%	8.50%	0.0021%	0.0094%
Hess Corp	HES	343,298	67.410	23,142	0.1756%	0.59%	5.36%	0.0010%	0.0094%
Hewlett-Packard Co	HPQ	1,944,019	24.420	47,473	0.3602%	2.38%	3.00%	0.0086%	0.0108%
HJ Heinz Co	HNZ	321,187	72.360	23,241	0.1763%	2.85%	7.67%	0.0050%	0.0135%
Home Depot Inc/The	HD	1,460,796	78.660	114,906	0.8719%	1.98%	16.03%	0.0173%	0.1398%
Honeywell International Inc	HON	786,784	78.460	61,731	0.4684%	2.09%	11.16%	0.0098%	0.0523%
Hormel Foods Corp	HRL	264,871	39.820	10,547	0.0800%	1.71%	8.50%	0.0014%	0.0068%
Hospira Inc	HSP	165,493	34.680	5,739	0.0000%	n/a	9.37%	n/a	0.0000%
Host Hotels & Resorts Inc	HST	744,725	17.790	13,249	0.1005%	2.25%	5.00%	0.0023%	0.0050%
Hudson City Bancorp Inc	HCBK	528,419	8.500	4,492	0.0000%	1.88%	n/a	0.0000%	n/a
Humana Inc	HUM	157,502	80.780	12,723	0.0965%	1.34%	9.90%	0.0013%	0.0096%
Huntington Bancshares Inc/OH	HBAN	838,758	7.750	6,500	0.0493%	2.58%	5.25%	0.0013%	0.0026%
Illinois Tool Works Inc	ITW	451,467	70.130	31,661	0.2402%	2.17%	8.77%	0.0052%	0.0211%
Ingersoll-Rand PLC	IR	298,892	57.530	17,195	0.1305%	1.46%	11.00%	0.0019%	0.0144%
Integrus Energy Group Inc	TEG	79,128	57.530	4,552	0.0345%	4.73%	5.33%	0.0016%	0.0018%
Intel Corp	INTC	4,971,000	24.280	120,696	0.9158%	3.71%	8.52%	0.0339%	0.0780%
IntercontinentalExchange Inc	ICE	72,771	171.210	12,459	0.0000%	n/a	16.00%	n/a	0.0000%
International Business Machines Corp	IBM	1,108,794	208.020	230,651	1.7501%	1.83%	9.25%	0.0320%	0.1619%
International Flavors & Fragrances Inc	IFF	81,493	80.290	6,543	0.0496%	1.69%	7.00%	0.0008%	0.0035%
International Game Technology	IGT	260,400	17.880	4,656	0.0353%	1.79%	14.25%	0.0006%	0.0050%
International Paper Co	IP	444,848	46.150	20,530	0.1558%	2.60%	5.50%	0.0041%	0.0086%
Interpublic Group of Cos Inc/The	IPG	428,398	14.220	6,092	0.0462%	2.11%	6.00%	0.0010%	0.0028%
Intuit Inc	INTU	296,925	58.440	17,352	0.1317%	1.16%	13.00%	0.0015%	0.0171%
Intuitive Surgical Inc	ISRG	40,161	497.530	19,981	0.0000%	n/a	17.00%	n/a	0.0000%
Invesco Ltd	IVZ	444,647	33.740	15,002	0.1138%	2.67%	15.83%	0.0030%	0.0180%
Iron Mountain Inc	IRM	190,641	35.840	6,833	0.0518%	3.01%	12.75%	0.0016%	0.0066%
Jabil Circuit Inc	JBL	202,643	20.060	4,065	0.0308%	1.60%	12.00%	0.0005%	0.0037%
Jacobs Engineering Group Inc	JEC	130,798	57.010	7,457	0.0000%	n/a	14.33%	n/a	0.0000%
JC Penney Co Inc	JCP	219,900	17.580	3,866	0.0000%	n/a	11.70%	n/a	0.0000%
JDS Uniphase Corp	JDSU	236,562	13.620	3,222	0.0000%	n/a	n/a	n/a	n/a
JM Smucker Co/The	SJM	107,258	100.960	10,829	0.0822%	2.06%	7.74%	0.0017%	0.0064%
Johnson & Johnson	JNJ	2,808,887	84.180	236,452	1.7941%	3.14%	6.59%	0.0563%	0.1182%
Johnson Controls Inc	JCI	684,995	37.360	25,591	0.1942%	2.03%	12.78%	0.0040%	0.0248%
Joy Global Inc	JOY	106,206	54.080	5,744	0.0436%	1.29%	8.10%	0.0006%	0.0035%
JPMorgan Chase & Co	JPM	3,779,676	54.590	206,333	1.5656%	2.78%	11.47%	0.0436%	0.1796%
Juniper Networks Inc	JNPR	506,254	17.730	8,976	0.0000%	n/a	13.50%	n/a	0.0000%
Kansas City Southern	KSU	110,182	110.700	12,197	0.0925%	0.78%	17.50%	0.0007%	0.0162%
Kellogg Co	K	367,774	62.050	22,820	0.1732%	2.97%	7.81%	0.0051%	0.0135%
KeyCorp	KEY	920,510	10.780	9,923	0.0753%	2.04%	7.26%	0.0015%	0.0055%
Kimberly-Clark Corp	KMB	384,700	96.830	37,251	0.2826%	3.35%	7.77%	0.0095%	0.0220%
Kimco Realty Corp	KIM	408,754	22.150	9,054	0.0687%	3.79%	4.94%	0.0026%	0.0034%
Kinder Morgan Inc/DE	KMI	1,035,669	37.980	39,335	0.2985%	4.21%	2.50%	0.0126%	0.0075%
KLA-Tencor Corp	KLAC	165,886	56.290	9,338	0.0709%	2.84%	10.00%	0.0020%	0.0071%
Kohl's Corp	KSS	222,011	11.410	11,414	0.0866%	2.72%	9.34%	0.0024%	0.0081%
Kraft Foods Group Inc	KRFT	594,471	55.130	32,773	0.2487%	3.63%	5.00%	0.0090%	0.0124%
Kroger Co/The	KR	520,863	33.670	17,537	0.1331%	1.78%	9.00%	0.0024%	0.0120%
L Brands Inc	LTD	289,176	50.010	14,462	0.1097%	2.40%	10.33%	0.0026%	0.0113%
L-3 Communications Holdings Inc	LLL	89,996	85.090	7,658	0.0581%	2.59%	3.07%	0.0015%	0.0018%
Laboratory Corp of America Holdings	LH	92,900	99.490	9,243	0.0000%	n/a	11.25%	n/a	0.0000%
Lam Research Corp	LRCX	162,717	46.780	7,612	0.0000%	n/a	11.00%	n/a	0.0000%
Legg Mason Inc	LM	125,270	35.040	4,389	0.0333%	1.48%	14.95%	0.0005%	0.0050%
Leggett & Platt Inc	LEG	142,894	32.000	4,573	0.0347%	3.63%	15.00%	0.0013%	0.0052%
Lennar Corp	LEN	161,083	39.320	6,334	0.0481%	0.41%	8.00%	0.0002%	0.0038%
Leucadia National Corp	LUK	364,253	31.380	11,430	0.0000%	0.80%	n/a	0.0000%	n/a

Montana-Dakota Utilities Co.

Market DCF Calculation

		[1]	[2]	[3]	[4]				
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return				
<b>S&amp;P 500</b>		<b>2.43%</b>	<b>2.59%</b>	<b>10.03%</b>	<b>12.62%</b>				
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
Life Technologies Corp	LIFE	172,077	74.100	12,751	0.0000%	n/a	9.53%	n/a	0.0000%
Lincoln National Corp	LNC	268,462	35.660	9,573	0.0726%	1.35%	10.00%	0.0010%	0.0073%
Linear Technology Corp	LLTC	233,255	37.500	8,747	0.0664%	2.77%	10.51%	0.0018%	0.0070%
Lockheed Martin Corp	LMT	320,405	105.830	33,908	0.2573%	-4.35%	6.60%	0.0112%	0.0170%
Loews Corp	L	388,965	45.820	17,822	0.0000%	0.55%	n/a	0.0000%	n/a
Lorillard Inc	LO	377,754	42.440	16,032	0.1216%	5.18%	9.63%	0.0063%	0.0117%
Lowe's Cos Inc	LOW	1,088,000	42.110	45,816	0.3476%	1.71%	16.24%	0.0059%	0.0565%
LSI Corp	LSI	549,559	7.400	4,067	0.0000%	n/a	15.33%	n/a	0.0000%
LyondellBasell Industries NV	LYB	575,304	66.650	38,344	0.2909%	3.00%	10.20%	0.0087%	0.0297%
M&T Bank Corp	MTB	129,009	104.900	13,533	0.1027%	2.67%	12.50%	0.0027%	0.0128%
Macerich Co/The	MAC	137,499	64.910	8,925	0.0677%	3.57%	3.90%	0.0024%	0.0026%
Macy's Inc	M	391,470	48.340	18,924	0.1436%	2.07%	9.70%	0.0030%	0.0139%
Marathon Oil Corp	MRO	708,817	34.390	24,376	0.1850%	1.98%	12.67%	0.0037%	0.0234%
Marathon Petroleum Corp	MPC	324,787	82.500	26,795	0.2033%	1.70%	7.60%	0.0035%	0.0155%
Marriott International Inc/DE	MAR	307,130	42.010	12,903	0.0979%	1.62%	15.14%	0.0016%	0.0148%
Marsh & McLennan Cos Inc	MMC	551,286	40.020	22,062	0.1674%	2.50%	12.00%	0.0042%	0.0201%
Masco Corp	MAS	356,867	21.020	7,501	0.0569%	1.43%	10.00%	0.0008%	0.0057%
Mastercard Inc	MA	116,858	570.250	66,638	0.5056%	0.42%	17.91%	0.0021%	0.0906%
Mattel Inc	MAT	345,398	44.750	15,457	0.1173%	3.22%	8.00%	0.0038%	0.0094%
McCormick & Co Inc/MD	MKC	119,548	69.080	8,258	0.0627%	1.97%	8.25%	0.0012%	0.0052%
McDonald's Corp	MCD	1,002,549	96.570	96,816	0.7346%	3.19%	9.62%	0.0234%	0.0707%
McGraw Hill Financial Inc	MHFI	280,800	54.550	15,318	0.1162%	2.05%	8.00%	0.0024%	0.0093%
McKesson Corp	MCK	226,611	113.860	25,802	0.1958%	0.70%	13.75%	0.0014%	0.0269%
Mead Johnson Nutrition Co	MJN	202,475	81.070	16,415	0.1246%	1.68%	10.80%	0.0021%	0.0135%
MeadWestvaco Corp	MWV	176,956	35.000	6,193	0.0470%	2.86%	10.00%	0.0013%	0.0047%
Medtronic Inc	MDT	1,016,014	51.010	51,827	0.3933%	2.04%	7.86%	0.0080%	0.0309%
Merck & Co Inc	MRK	3,019,612	46.700	141,016	1.0700%	3.68%	4.11%	0.0394%	0.0440%
MetLife Inc	MET	1,095,013	44.210	48,411	0.3673%	2.49%	5.25%	0.0091%	0.0193%
Microchip Technology Inc	MCHP	197,141	36.480	7,192	0.0546%	3.88%	12.00%	0.0021%	0.0065%
Micron Technology Inc	MU	1,030,105	11.680	12,032	0.0000%	n/a	13.43%	n/a	0.0000%
Microsoft Corp	MSFT	8,351,107	34.880	291,287	2.2102%	2.64%	8.50%	0.0583%	0.1879%
Molex Inc	MOLX	95,560	29.340	2,804	0.0213%	3.27%	12.50%	0.0007%	0.0027%
Molson Coors Brewing Co	TAP	157,967	49.410	7,805	0.0592%	2.59%	7.67%	0.0015%	0.0045%
Mondelez International Inc	MDLZ	1,784,453	29.460	52,570	0.3989%	1.77%	10.78%	0.0070%	0.0430%
Monsanto Co	MON	533,841	100.640	53,726	0.4077%	1.49%	14.36%	0.0061%	0.0585%
Monster Beverage Corp	MNST	165,964	54.590	9,060	0.0000%	n/a	14.00%	n/a	0.0000%
Moody's Corp	MCO	223,600	66.440	14,856	0.1127%	1.20%	15.00%	0.0014%	0.0169%
Morgan Stanley	MS	1,960,115	25.900	50,767	0.3852%	0.77%	10.00%	0.0030%	0.0385%
Mosaic Co/The	MOS	296,995	60.820	18,063	0.1371%	1.64%	8.00%	0.0023%	0.0110%
Motorola Solutions Inc	MSI	271,658	57.960	15,745	0.1195%	1.79%	12.50%	0.0021%	0.0149%
Murphy Oil Corp	MUR	190,974	63.320	12,092	0.0918%	1.97%	13.00%	0.0018%	0.0119%
Mylan Inc/PA	MYL	381,090	30.480	11,616	0.0000%	n/a	8.87%	n/a	0.0000%
Nabors Industries Ltd	NBR	294,619	16.010	4,717	0.0358%	1.00%	10.00%	0.0004%	0.0036%
NASDAQ OMX Group Inc/The	NDAQ	165,794	31.460	5,216	0.0396%	1.65%	12.98%	0.0007%	0.0051%
National Oilwell Varco Inc	NOV	427,281	70.300	30,038	0.2279%	1.48%	11.33%	0.0034%	0.0258%
NetApp Inc	NTAP	360,407	37.530	13,526	0.1026%	1.60%	13.17%	0.0016%	0.0135%
Netflix Inc	NFLX	56,144	226.250	12,703	0.0000%	n/a	20.00%	n/a	0.0000%
Newell Rubbermaid Inc	NWL	288,500	27.040	7,801	0.0592%	2.22%	8.79%	0.0013%	0.0052%
Newfield Exploration Co	NFX	135,446	23.790	3,222	0.0000%	n/a	11.50%	n/a	0.0000%
Newmont Mining Corp	NEM	492,319	34.280	16,877	0.1281%	4.08%	1.00%	0.0052%	0.0013%
News Corp	NWSA	1,516,022	32.110	48,679	0.3694%	0.53%	14.04%	0.0020%	0.0519%
NextEra Energy Inc	NEE	424,638	75.620	32,111	0.2437%	3.49%	5.67%	0.0085%	0.0138%
NIKE Inc	NKE	715,657	61.660	44,127	0.3348%	1.36%	11.22%	0.0046%	0.0376%
NiSource Inc	NI	312,037	28.730	8,965	0.0000%	3.48%	n/a	0.0000%	n/a
Noble Corp	NE	253,274	38.750	9,814	0.0745%	1.34%	13.67%	0.0010%	0.0102%

Montana-Dakota Utilities Co.

Market DCF Calculation

	[1]	[2]	[3]	[4]
	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return
S&P 500	2.43%	2.59%	10.03%	12.62%

Company	Ticker	[5] Shares Outstanding (million)	[6] Price	[7] Market Capitalization (\$million)	[8] Percent of Total Market Capitalization	[9] Current Dividend Yield	[10] BEst Long-Term Growth Estimate	[11] Market Capitalization-Weighted Dividend Yield	[12] Market Capitalization-Weighted BEst Long-Term Growth Estimate
Noble Energy Inc	NBL	357,547	57.650	20,613	0.1564%	0.97%	7.00%	0.0015%	0.0109%
Nordstrom Inc	JWN	197,000	58.820	11,588	0.0879%	2.04%	12.03%	0.0018%	0.0106%
Norfolk Southern Corp	NSC	315,088	76.590	24,133	0.1831%	2.61%	12.33%	0.0048%	0.0226%
Northeast Utilities	NU	314,621	41.670	13,110	0.0995%	3.53%	7.67%	0.0035%	0.0076%
Northern Trust Corp	NTRS	239,240	58.150	13,912	0.1056%	2.13%	14.43%	0.0023%	0.0152%
Northrop Grumman Corp	NOC	235,169	82.390	19,376	0.1470%	2.96%	7.50%	0.0044%	0.0110%
NRG Energy Inc	NRG	322,488	25.520	8,230	0.0000%	1.88%	n/a	0.0000%	n/a
Nucor Corp	NUE	317,783	44.510	14,145	0.1073%	3.30%	7.33%	0.0035%	0.0079%
NVIDIA Corp	NVDA	577,916	14.490	8,374	0.0635%	2.07%	12.00%	0.0013%	0.0076%
NYSE Euronext	NYX	243,000	40.230	9,776	0.0742%	2.98%	10.00%	0.0022%	0.0074%
O'Reilly Automotive Inc	ORLY	110,470	108.910	12,031	0.0000%	n/a	16.68%	n/a	0.0000%
Occidental Petroleum Corp	OXY	805,644	92.070	74,176	0.5628%	2.78%	7.09%	0.0156%	0.0399%
Omnicom Group Inc	OMC	258,584	62.130	16,066	0.1219%	2.58%	5.50%	0.0031%	0.0067%
ONEOK Inc	OKE	206,107	45.140	9,304	0.0706%	3.19%	9.00%	0.0023%	0.0064%
Oracle Corp	ORCL	4,710,658	33.760	159,032	1.2067%	0.71%	12.94%	0.0086%	0.1562%
Owens-Illinois Inc	OI	164,495	27.450	4,515	0.0000%	n/a	8.67%	n/a	0.0000%
PACCAR Inc	PCAR	353,720	53.600	18,959	0.1439%	1.49%	10.25%	0.0021%	0.0147%
Pall Corp	PLL	111,292	68.200	7,590	0.0576%	1.47%	14.11%	0.0008%	0.0081%
Parker Hannifin Corp	PH	149,251	99.760	14,889	0.1130%	1.80%	6.20%	0.0020%	0.0070%
Patterson Cos Inc	PDCO	106,217	39.080	4,151	0.0315%	1.64%	10.25%	0.0005%	0.0032%
Paychex Inc	PAYX	363,898	37.230	13,548	0.1028%	3.55%	9.57%	0.0036%	0.0098%
Peabody Energy Corp	BTU	269,629	19.670	5,304	0.0402%	1.73%	12.00%	0.0007%	0.0048%
Pentair Ltd	PNR	204,522	58.240	11,911	0.0904%	1.72%	12.50%	0.0016%	0.0113%
People's United Financial Inc	PBCT	330,734	13.760	4,551	0.0345%	4.72%	7.00%	0.0016%	0.0024%
Pepco Holdings Inc	POM	248,582	20.770	5,163	0.0392%	5.20%	6.33%	0.0020%	0.0025%
PepsiCo Inc	PEP	1,546,416	80.770	124,904	0.9477%	2.81%	8.22%	0.0266%	0.0779%
PerkinElmer Inc	PKI	111,938	31.320	3,506	0.0266%	0.89%	9.95%	0.0002%	0.0026%
Perrigo Co	PRGO	93,547	115.910	10,843	0.0823%	0.31%	11.70%	0.0003%	0.0096%
PetSmart Inc	PETM	103,316	67.500	6,974	0.0529%	0.98%	11.63%	0.0005%	0.0062%
Pfizer Inc	PFE	7,093,223	27.230	193,148	1.4656%	3.53%	4.23%	0.0517%	0.0620%
PG&E Corp	PCG	442,173	44.910	19,858	0.1507%	4.05%	4.17%	0.0061%	0.0063%
Philip Morris International Inc	PM	1,642,192	90.910	149,292	1.1328%	3.74%	10.11%	0.0424%	0.1145%
Phillips 66	PSX	620,162	66.570	41,284	0.3133%	1.88%	7.50%	0.0059%	0.0235%
Pinnacle West Capital Corp	PNW	109,947	56.480	6,210	0.0471%	3.86%	4.50%	0.0018%	0.0021%
Pioneer Natural Resources Co	PXD	136,578	138.680	18,941	0.1437%	0.06%	14.53%	0.0001%	0.0209%
Pitney Bowes Inc	PBI	201,346	14.680	2,956	0.0224%	5.11%	7.00%	0.0011%	0.0016%
Plum Creek Timber Co Inc	PCL	162,841	47.700	7,768	0.0589%	3.69%	5.00%	0.0022%	0.0029%
PNC Financial Services Group Inc/The	PNC	529,424	71.640	37,928	0.2878%	2.46%	4.40%	0.0071%	0.0127%
PPG Industries Inc	PPG	142,646	153.610	21,912	0.1663%	1.59%	8.76%	0.0026%	0.0146%
PPL Corp	PPL	582,847	29.700	17,311	0.0000%	4.95%	-2.00%	0.0000%	0.0000%
Praxair Inc	PX	295,750	114.330	33,813	0.2566%	2.10%	10.59%	0.0054%	0.0272%
Precision Castparts Corp	PCP	146,333	213.920	31,304	0.2375%	0.06%	13.90%	0.0001%	0.0330%
priceline.com Inc	PCLN	51,580	803.930	41,467	0.0000%	n/a	18.67%	n/a	0.0000%
Principal Financial Group Inc	PFG	293,420	37.850	11,106	0.0843%	2.43%	11.50%	0.0020%	0.0097%
Procter & Gamble Co/The	PG	2,740,773	76.760	210,382	1.5963%	3.13%	8.61%	0.0500%	0.1374%
Progressive Corp/The	PGR	603,171	25.490	15,375	0.1167%	1.12%	8.25%	0.0013%	0.0096%
Prologis Inc	PLD	498,224	40.300	20,078	0.1524%	2.78%	4.92%	0.0042%	0.0075%
Prudential Financial Inc	PRU	464,000	68.970	32,002	0.2428%	2.32%	12.00%	0.0056%	0.0291%
Public Service Enterprise Group Inc	PEG	505,969	33.040	16,717	0.1268%	4.36%	1.50%	0.0055%	0.0019%
Public Storage	PSA	171,859	151.800	26,088	0.1980%	3.29%	5.49%	0.0065%	0.0109%
PulteGroup Inc	PHM	387,500	21.590	8,366	0.0000%	n/a	19.35%	n/a	0.0000%
PVH Corp	PVH	81,045	115.190	9,336	0.0708%	0.13%	14.50%	0.0001%	0.0103%
QEP Resources Inc	QEP	179,265	28.360	5,084	0.0386%	0.28%	15.00%	0.0001%	0.0058%
QUALCOMM Inc	QCOM	1,727,835	63.480	109,683	0.8323%	2.21%	13.61%	0.0184%	0.1133%
Quanta Services Inc	PWR	209,441	28.370	5,942	0.0000%	n/a	20.63%	n/a	0.0000%

Montana-Dakota Utilities Co.

Market DCF Calculation

		[1]	[2]	[3]	[4]				
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return				
S&P 500		2.43%	2.59%	10.03%	12.62%				
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
Quest Diagnostics Inc	DGX	158.029	61.840	9,773	0.0742%	1.94%	10.88%	0.0014%	0.0081%
Ralph Lauren Corp	RL	61.017	175.090	10,683	0.0811%	0.91%	12.25%	0.0007%	0.0099%
Range Resources Corp	RRC	163.073	75.180	12,260	0.0930%	0.21%	27.00%	0.0002%	0.0251%
Raytheon Co	RTN	324.614	66.640	21,632	0.1641%	3.30%	9.00%	0.0054%	0.0148%
Red Hat Inc	RHT	189.599	48.230	9,144	0.0000%	n/a	17.00%	n/a	0.0000%
Regeneron Pharmaceuticals Inc	REGN	95.908	241.870	23,197	0.0000%	n/a	25.07%	n/a	0.0000%
Regions Financial Corp	RF	1,413.378	9.130	12,904	0.0979%	1.31%	6.00%	0.0013%	0.0059%
Republic Services Inc	RSG	361.909	34.100	12,341	0.0936%	2.76%	2.30%	0.0026%	0.0022%
Reynolds American Inc	RAI	547.102	48.110	26,321	0.1997%	5.24%	7.86%	0.0105%	0.0157%
Robert Half International Inc	RHI	139.544	34.760	4,851	0.0368%	1.84%	13.33%	0.0007%	0.0049%
Rockwell Automation Inc	ROK	139.804	88.020	12,306	0.0934%	2.36%	12.00%	0.0022%	0.0112%
Rockwell Collins Inc	COL	135.671	64.750	8,785	0.0667%	1.85%	9.45%	0.0012%	0.0063%
Roper Industries Inc	ROP	99.018	124.220	12,300	0.0933%	0.53%	15.00%	0.0005%	0.0140%
Ross Stores Inc	ROST	220.019	64.300	14,147	0.1073%	1.06%	13.55%	0.0011%	0.0145%
Rowan Cos Plc	RDC	124.199	33.240	4,128	0.0000%	n/a	25.53%	n/a	0.0000%
Ryder System Inc	R	51.922	63.040	3,273	0.0248%	1.97%	9.75%	0.0005%	0.0024%
Safeway Inc	SWY	241.000	23.010	5,545	0.0421%	3.48%	9.22%	0.0015%	0.0039%
SAIC Inc	SAI	341.918	14.500	4,958	0.0376%	3.31%	6.67%	0.0012%	0.0025%
Salesforce.com Inc	CRM	589.935	42.330	24,972	0.0000%	n/a	28.62%	n/a	0.0000%
SanDisk Corp	SNDK	243.369	59.020	14,364	0.0000%	n/a	18.50%	n/a	0.0000%
SCANA Corp	SCG	139.498	50.440	7,036	0.0534%	4.02%	5.00%	0.0021%	0.0027%
Schlumberger Ltd	SLB	1,329.450	73.030	97,090	0.7367%	1.71%	14.75%	0.0126%	0.1087%
Scripps Networks Interactive Inc	SNI	112.275	67.360	7,563	0.0574%	0.89%	12.58%	0.0005%	0.0072%
Seagate Technology PLC	STX	358.861	43.080	15,460	0.1173%	3.53%	6.17%	0.0041%	0.0072%
Sealed Air Corp	SEE	195.839	24.020	4,704	0.0357%	2.16%	5.50%	0.0008%	0.0020%
Sempra Energy	SRE	243.577	81.300	19,803	0.1503%	3.10%	6.67%	0.0047%	0.0100%
Sherwin-Williams Co/The	SHW	103.165	188.530	19,450	0.1476%	1.06%	12.50%	0.0016%	0.0184%
Sigma-Aldrich Corp	SIAL	120.335	83.660	10,067	0.0764%	1.03%	7.24%	0.0008%	0.0055%
Simon Property Group Inc	SPG	310.040	166.440	51,603	0.3916%	2.76%	6.65%	0.0108%	0.0260%
SLM Corp	SLM	444.210	23.740	10,546	0.0000%	2.53%	n/a	0.0000%	n/a
Snap-on Inc	SNA	58.273	91.090	5,308	0.0403%	1.67%	10.00%	0.0007%	0.0040%
Southern Co/The	SO	870.391	43.900	38,210	0.2899%	4.62%	5.00%	0.0134%	0.0145%
Southwest Airlines Co	LUV	728.097	14.170	10,317	0.0783%	1.13%	16.81%	0.0009%	0.0132%
Southwestern Energy Co	SWN	351.097	37.690	13,233	0.0000%	n/a	n/a	n/a	n/a
Spectra Energy Corp	SE	669.197	30.570	20,457	0.1552%	3.99%	5.50%	0.0062%	0.0085%
Sprint Nextel Corp	S	3,017.998	7.300	22,031	0.0000%	n/a	5.50%	n/a	0.0000%
St Jude Medical Inc	STJ	283.363	43.230	12,250	0.0929%	2.31%	10.08%	0.0022%	0.0094%
Stanley Black & Decker Inc	SWK	161.916	79.220	12,827	0.0973%	2.47%	12.00%	0.0024%	0.0117%
Staples Inc	SPLS	663.915	15.000	9,959	0.0756%	3.20%	8.52%	0.0024%	0.0064%
Starbucks Corp	SBUX	749.300	63.070	47,258	0.3586%	1.33%	18.12%	0.0048%	0.0650%
Starwood Hotels & Resorts Worldwide Inc	HOT	194.563	68.300	13,289	0.1008%	1.83%	13.19%	0.0018%	0.0133%
State Street Corp	STT	456.072	66.180	30,183	0.2290%	1.57%	14.70%	0.0036%	0.0337%
Stericycle Inc	SRCL	86.281	109.760	9,470	0.0000%	n/a	16.00%	n/a	0.0000%
Stryker Corp	SYK	377.125	66.390	25,037	0.1900%	1.60%	8.59%	0.0030%	0.0163%
SunTrust Banks Inc	STI	540.172	32.090	17,334	0.1315%	1.25%	9.52%	0.0016%	0.0125%
Symantec Corp	SYMC	696.635	22.390	15,598	0.1184%	2.68%	7.00%	0.0032%	0.0083%
Sysco Corp	SY	593.486	33.800	20,060	0.1522%	3.31%	8.55%	0.0050%	0.0130%
T Rowe Price Group Inc	TROW	259.339	75.860	19,673	0.1493%	2.00%	14.21%	0.0030%	0.0212%
Target Corp	TGT	641.703	69.500	44,598	0.3384%	2.07%	10.64%	0.0070%	0.0360%
TE Connectivity Ltd	TEL	415.427	44.390	18,441	0.1399%	2.25%	15.00%	0.0032%	0.0210%
TECO Energy Inc	TE	217.583	17.610	3,832	0.0291%	5.00%	5.00%	0.0015%	0.0015%
Tenet Healthcare Corp	THC	103.501	47.370	4,903	0.0000%	n/a	9.00%	n/a	0.0000%
Teradata Corp	TDC	163.400	55.750	9,110	0.0000%	n/a	14.80%	n/a	0.0000%
Teradyne Inc	TER	190.641	17.940	3,420	0.0000%	n/a	11.75%	n/a	0.0000%
Tesoro Corp	TSO	137.424	61.650	8,472	0.0643%	1.30%	45.52%	0.0008%	0.0293%

Montana-Dakota Utilities Co.

Market DCF Calculation

		[1]	[2]	[3]	[4]						
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return						
S&P 500		2.43%	2.59%	10.03%	12.62%						
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]		
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate		
Texas Instruments Inc	TXN	1,109.154	35.890	39,808	0.3021%	3.12%	9.67%	0.0094%	0.0292%		
Textron Inc	TXT	277.855	26.960	7,491	0.0568%	0.30%	13.95%	0.0002%	0.0079%		
Thermo Fisher Scientific Inc	TMO	358.921	88.300	31,693	0.2405%	0.68%	9.86%	0.0016%	0.0237%		
Tiffany & Co	TIF	127.579	77.780	9,923	0.0753%	1.75%	13.26%	0.0013%	0.0100%		
Time Warner Cable Inc	TWC	290.963	95.510	27,790	0.2109%	2.72%	11.42%	0.0057%	0.0241%		
Time Warner Inc	TWX	932.174	58.370	54,411	0.4129%	1.97%	10.03%	0.0081%	0.0414%		
TJX Cos Inc	TJX	732.902	50.610	37,092	0.2814%	1.15%	11.69%	0.0032%	0.0329%		
Torchmark Corp	TMK	92.487	64.510	5,966	0.0453%	1.05%	9.00%	0.0005%	0.0041%		
Total System Services Inc	TSS	187.013	23.510	4,397	0.0334%	1.70%	11.33%	0.0006%	0.0038%		
Travelers Cos Inc/The	TRV	376.418	83.720	31,514	0.2391%	2.39%	5.90%	0.0057%	0.0141%		
TripAdvisor Inc	TRIP	130.571	64.490	8,421	0.0000%	n/a	17.50%	n/a	0.0000%		
Tyco International Ltd	TYC	464.000	33.810	15,688	0.1190%	1.89%	11.00%	0.0023%	0.0131%		
Tyson Foods Inc	TSN	284.826	25.000	7,121	0.0540%	0.80%	8.50%	0.0004%	0.0046%		
Union Pacific Corp	UNP	466.779	154.620	72,173	0.5476%	1.79%	12.33%	0.0098%	0.0675%		
United Parcel Service Inc	UPS	724.685	85.900	62,250	0.4723%	2.89%	11.05%	0.0136%	0.0522%		
United States Steel Corp	X	144.285	17.690	2,552	0.0194%	1.13%	6.00%	0.0002%	0.0012%		
United Technologies Corp	UTX	916.640	94.900	86,989	0.6601%	2.26%	12.15%	0.0149%	0.0802%		
UnitedHealth Group Inc	UNH	1,020.007	62.630	63,883	0.4847%	1.36%	11.60%	0.0066%	0.0562%		
Unum Group	UNM	266.928	28.480	7,602	0.0577%	2.04%	9.50%	0.0012%	0.0055%		
Urban Outfitters Inc	URBN	146.813	41.930	6,156	0.0000%	n/a	17.88%	n/a	0.0000%		
US Bancorp/MN	USB	1,849.642	35.060	64,848	0.4921%	2.22%	14.61%	0.0109%	0.0719%		
Valero Energy Corp	VLO	545.366	40.630	22,158	0.1681%	1.97%	8.13%	0.0033%	0.0137%		
Varian Medical Systems Inc	VAR	108.427	67.010	7,266	0.0000%	n/a	11.95%	n/a	0.0000%		
Ventas Inc	VTR	293.166	71.370	20,923	0.1588%	3.76%	5.66%	0.0060%	0.0090%		
VeriSign Inc	VRSN	150.745	47.040	7,091	0.0000%	n/a	12.33%	n/a	0.0000%		
Verizon Communications Inc	VZ	2,861.000	48.480	138,701	1.0524%	4.25%	8.01%	0.0447%	0.0843%		
VF Corp	VFC	109.524	183.860	20,137	0.1528%	1.89%	12.94%	0.0029%	0.0198%		
Viacom Inc	VIAB	433.766	65.890	28,581	0.2169%	1.82%	11.99%	0.0039%	0.0260%		
Visa Inc	V	517.955	178.140	92,269	0.7001%	0.74%	18.88%	0.0052%	0.1321%		
Vornado Realty Trust	VNO	186.935	79.950	14,945	0.1134%	3.65%	4.40%	0.0041%	0.0050%		
Vulcan Materials Co	VMC	129.952	53.580	6,963	0.0528%	-0.07%	8.75%	0.0000%	0.0046%		
Wal-Mart Stores Inc	WMT	3,292.443	74.840	246,406	1.8697%	2.51%	9.44%	0.0470%	0.1766%		
Walgreen Co	WAG	947.485	47.760	45,252	0.3434%	2.30%	12.65%	0.0079%	0.0434%		
Walt Disney Co/The	DIS	1,800.941	63.080	113,603	0.8620%	1.19%	11.63%	0.0102%	0.1003%		
Washington Post Co/The	WPO	6.202	467.230	2,898	0.0000%	2.10%	n/a	0.0000%	n/a		
Waste Management Inc	WM	467.026	41.930	19,582	0.1486%	3.48%	6.05%	0.0052%	0.0090%		
Waters Corp	WAT	85.688	96.710	8,287	0.0000%	n/a	11.26%	n/a	0.0000%		
WellPoint Inc	WLP	300.363	76.970	23,119	0.1754%	1.95%	10.75%	0.0034%	0.0189%		
Wells Fargo & Co	WFC	5,296.387	40.550	214,768	1.6296%	2.96%	9.23%	0.0482%	0.1503%		
Western Digital Corp	WDC	236.383	63.320	14,968	0.1136%	1.58%	5.00%	0.0018%	0.0057%		
Western Union Co/The	WU	557.111	16.380	9,125	0.0692%	3.05%	11.14%	0.0021%	0.0077%		
Weyerhaeuser Co	WY	545.294	29.820	16,261	0.1234%	2.68%	5.50%	0.0033%	0.0068%		
Whirlpool Corp	WHR	79.166	127.760	10,114	0.0767%	1.96%	28.09%	0.0015%	0.0216%		
Whole Foods Market Inc	WFM	370.894	51.860	19,235	0.1459%	0.77%	17.93%	0.0011%	0.0262%		
Williams Cos Inc/The	WMB	682.693	35.180	24,017	0.1822%	-4.01%	6.25%	0.0073%	0.0114%		
Windstream Corp	WIN	592.762	8.030	4,760	0.0000%	12.45%	-3.12%	0.0000%	0.0000%		
Wisconsin Energy Corp	WEC	229.005	40.810	9,346	0.0709%	3.33%	4.67%	0.0024%	0.0033%		
WPX Energy Inc	WPX	200.229	19.260	3,856	0.0000%	n/a	n/a	n/a	n/a		
WW Grainger Inc	GWG	69.544	257.440	17,903	0.1358%	1.45%	14.60%	0.0020%	0.0198%		
Wyndham Worldwide Corp	WYN	135.872	58.120	7,897	0.0599%	2.00%	19.70%	0.0012%	0.0118%		
Wynn Resorts Ltd	WYNN	101.006	135.890	13,726	0.1041%	2.94%	9.00%	0.0031%	0.0094%		
Xcel Energy Inc	XEL	497.239	28.720	14,281	0.1084%	3.90%	4.75%	0.0042%	0.0051%		
Xerox Corp	XRX	1,227.903	8.790	10,793	0.0819%	2.62%	10.00%	0.0021%	0.0082%		
Xilinx Inc	XLNX	263.864	40.650	10,726	0.0814%	2.46%	12.75%	0.0020%	0.0104%		
XL Group PLC	XL	289.703	31.430	9,105	0.0691%	1.78%	10.00%	0.0012%	0.0069%		

**Montana-Dakota Utilities Co.**

**Market DCF Calculation**

	[1]	[2]	[3]	[4]
	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return
<b>S&amp;P 500</b>	<b>2.43%</b>	<b>2.59%</b>	<b>10.03%</b>	<b>12.62%</b>

	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
Xylem Inc/NY	XYL	185.291	28.140	5,214	0.0396%	1.65%	7.70%	0.0007%	0.0030%
Yahoo! Inc	YHOO	1,082.635	26.300	28,473	0.0000%	n/a	9.71%	n/a	0.0000%
Yum! Brands Inc	YUM	449.838	67.750	30,477	0.2312%	1.98%	12.33%	0.0046%	0.0285%
Zimmer Holdings Inc	ZMH	168.364	78.510	13,218	0.1003%	1.02%	9.75%	0.0010%	0.0098%
Zions Bancorporation	ZION	184.250	28.050	5,168	0.0392%	0.57%	7.75%	0.0002%	0.0030%
<b>Average for Companies Paying Dividends with Positive BEst Long-Term Growth Estimates</b>						<b>2.29%</b>	<b>10.15%</b>		

Notes:

[1] Equals sum of Column [11]

[2] Equals Column [1] x (1 + 0.625 x Column [3])

[3] Equals sum of Column [12]

[4] Equals Column [2] + Column [3]

[5] Source: Bloomberg Finance L.P.

[6] Source: Bloomberg Finance L.P.

[7] Equals Column [5] x Column [6]

[8] Equals percent of sum of Column [7] if Current Dividend Yield does not equal "n/a" and BEst Long-Term Growth Estimate does not equal "n/a" and is greater than 0%

[9] Source: Bloomberg Finance L.P.

[10] Source: Bloomberg Finance L.P.

[11] Equals Column [8] x Column [9]

[12] Equals Column [8] x Column [10]

## Montana-Dakota Utilities Co.

### Selected Natural Gas Distribution Companies Decoupling Mechanisms

Company	Ticker	Utility	State	Decoupling	# of Customers	% of Total Customers
AGL Resources Inc.	GAS	Atlanta Gas Light Company	GA	Y	1,541,000	11.3%
AGL Resources Inc.	GAS	Northern Illinois Gas Company	IL	N	2,188,000	16.0%
AGL Resources Inc.	GAS	Elizabethtown Gas	NJ	N	277,000	2.0%
AGL Resources Inc.	GAS	Florida City Gas	FL	N	104,000	0.8%
AGL Resources Inc.	GAS	Elkton Gas	MD	Y	6,000	0.0%
AGL Resources Inc.	GAS	Chattanooga Gas Company	TN	Y	62,000	0.5%
AGL Resources Inc.	GAS	Virginia Natural Gas, Inc.	VA	Y	281,000	2.1%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	CO	N	111,354	0.8%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	KS	N	129,468	0.9%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	KY	N	170,608	1.3%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	LA	Y	352,766	2.6%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	MS	Y	263,302	1.9%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	TN	N	134,927	1.0%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	TX	Y	1,867,122	13.7%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	VA	N	23,335	0.2%
Laclede Group, Inc.	LG	Laclede Gas Company	MO	N	642,703	4.7%
New Jersey Resources Corp.	NJR	New Jersey Natural Gas Company	NJ	Y	497,073	3.6%
Northwest Natural Gas Company	NWN	Northwest Natural Gas Company	OR	Y	611,997	4.5%
Northwest Natural Gas Company	NWN	Northwest Natural Gas Company	WA	N	70,730	0.5%
Piedmont Natural Gas Company, Inc.	PNY	Piedmont Natural Gas Company, Inc.	NC	Y	675,088	5.0%
Piedmont Natural Gas Company, Inc.	PNY	Piedmont Natural Gas Company, Inc.	SC	Y	133,548	1.0%
Piedmont Natural Gas Company, Inc.	PNY	Piedmont Natural Gas Company, Inc.	TN	N	167,617	1.2%
South Jersey Industries, Inc.	SJI	South Jersey Gas Company	NJ	Y	357,306	2.6%
Southwest Gas Corp.	SWX	Southwest Gas Corp.	AZ	Y	1,010,000	7.4%
Southwest Gas Corp.	SWX	Southwest Gas Corp.	CA	Y	185,000	1.4%
Southwest Gas Corp.	SWX	Southwest Gas Corp.	NV	Y	681,000	5.0%
WGL Holdings, Inc.	WGL	WGL Holdings, Inc.	DC	N	154,818	1.1%
WGL Holdings, Inc.	WGL	WGL Holdings, Inc.	MD	Y	443,201	3.2%
WGL Holdings, Inc.	WGL	WGL Holdings, Inc.	VA	Y	496,090	3.6%
<b>Total Number of Customers</b>					<b>13,638,053</b>	
<b>Percent with Decoupling</b>						<b>69.4%</b>

**Montana-Dakota Utilities Co.**

**Selected Natural Gas Distribution Companies  
Capital Structures as of March 31, 2013**  
*\$ millions*

Company	Ticker	Short-Term Debt	%	Long-Term Debt	%	Preferred Stock	%	Common Equity	%	Total Capital
AGL Resources Inc.	GAS	\$ 868.0	10.93%	\$ 3,550.0	44.69%	\$ -	0.00%	\$ 3,526.0	44.39%	\$ 7,944.0 1/
Atmos Energy Corp.	ATO	233.0	4.45%	2,455.5	46.93%	-	0.00%	2,543.5	48.61%	5,232.0 1/
Laclede Group, Inc.	LG	-	0.00%	464.6	42.06%	-	0.00%	640.0	57.94%	1,104.6 1/
New Jersey Resources Corp.	NJR	288.1	16.73%	536.3	31.14%	-	0.00%	897.8	52.13%	1,722.2 1/
Northwest Natural Gas Company	NWN	130.8	8.28%	691.7	43.80%	-	0.00%	756.6	47.92%	1,579.1 1/
Piedmont Natural Gas Company, Inc	PNY	345.0	13.53%	975.0	38.22%	-	0.00%	1,230.7	48.25%	2,550.7 2/
South Jersey Industries, Inc.	SJI	248.4	15.03%	626.4	37.90%	-	0.00%	777.8	47.06%	1,652.6 1/
Southwest Gas Corp.	SWX	-	0.00%	1,256.0	47.64%	-	0.00%	1,380.6	52.36%	2,636.6 1/
WGL Holdings, Inc.	WGL	182.1	8.48%	591.7	27.55%	-	0.00%	1,374.0	63.97%	2,147.9 1/
<b>Median</b>			<b>8.48%</b>		<b>42.06%</b>		<b>0.00%</b>		<b>48.61%</b>	
Montana-Dakota Utilities Co.										
- North Dakota Natural Gas Dist. Operations		34.9	3.81%	405.5	44.26%	15.2	1.66%	460.6	50.27%	916.2 3/

1/ Source: SNL Financial LC; data as of March 31, 2013

2/ Source: SNL Financial LC; data as of April 30, 2013

3/ Source: Montana-Dakota Utilities Co.; data as of December 31, 2014

MONTANA-DAKOTA UTILITIES CO.

A Division of MDU Resources Group, Inc.

Before the Public Service Commission of North Dakota

Case No. PU-13-

Direct Testimony  
of  
Rita A. Mulkern

1 Q. **Would you please state your name and business address?**

2 A. Yes. My name is Rita A. Mulkern and my business address is 400  
3 North Fourth Street, Bismarck, North Dakota 58501.

4 Q. **What is your position with Montana-Dakota Utilities Co.?**

5 A. I am the Director of Regulatory Affairs for Montana-Dakota Utilities  
6 Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

7 Q. **Would you please describe your duties as Director of Regulatory  
8 Affairs?**

9 A. I am responsible for the preparation of cost of service studies, fuel  
10 cost adjustments, purchased gas cost adjustments, and gas tracking  
11 adjustments in each of the jurisdictions in which Montana-Dakota  
12 operates.

13 Q. **Would you please describe your education and professional  
14 background?**

15 A. I graduated from North Dakota State University with a Bachelor of  
16 Arts degree with majors in Economics and Business Administration and a  
17 minor in Statistics. I joined Montana-Dakota as a Regulatory Statistician,

1 and held the positions of Cost of Service Supervisor, Regulatory Analysis  
2 Manager and Regulatory Affairs Manager before assuming my current  
3 position in 2012.

4 **Q. Have you testified in other proceedings before regulatory bodies?**

5 A. Yes, I have presented testimony before the Public Service  
6 Commissions of Montana, North Dakota, and Wyoming and the Minnesota  
7 and South Dakota Public Utilities Commissions.

8 **Q. Are you familiar with the books and records of Montana-Dakota and  
9 the manner in which they are kept?**

10 A. Yes. Montana-Dakota's books and records are kept in accordance  
11 with the Federal Energy Regulatory Commission (FERC) Uniform System  
12 of Accounts.

13 **Q. What is the purpose of your testimony in this proceeding?**

14 A. The purpose of my testimony is to present the per books cost of  
15 service for the twelve months ended December 31, 2012 for North Dakota  
16 gas operations, the projected cost of service for 2013 and 2014, the  
17 calculation of the revenue deficiency and the calculation of the interim  
18 request.

19 **Q. What statements, schedules and exhibits are you sponsoring?**

20 A. I am sponsoring Statements C through E, Statements G through N,  
21 the proposed Cost of Gas Rate 88 and Exhibit No.\_\_\_\_(RAM-1) and Exhibit  
22 No.\_\_\_\_(RAM-2).

1 **Q. Were these statements and exhibits prepared by you or under your**  
2 **direct supervision?**

3 A. Yes, they were.

4 **Revenue Requirement**

5 **Q. What were the results of North Dakota gas operations for 2012?**

6 A. Statement L, pages 1 and 2 show the per books income statement  
7 and rate base for the total Company and for the North Dakota gas  
8 operations for 2012. As shown on page 1, North Dakota gas operations  
9 had a return on rate base of 8.053 percent for the twelve months ended  
10 December 31, 2012. The details for each line item, i.e. sales revenue,  
11 other revenue, etc., are included in the applicable Statements.

12 **Q. How was the per books cost of service allocated to North Dakota?**

13 A. The Company utilizes a jurisdictional accounting system that  
14 directly assigns and/or allocates every item of revenue, expense and rate  
15 base to the jurisdictions as part of the regular accounting process on a  
16 monthly basis. The allocation methods and procedures are the same as  
17 those that have previously been used in Commission proceedings and are  
18 based on the principle of assigning and/or allocating costs to the cost  
19 causer.

20 **Q. What test period are you using to determine the revenue**  
21 **requirement?**

22 A. The revenue requirement is based on a projected average 2014  
23 test period. As stated by Mr. Morehouse, the primary reason for the

1 increase is investment in facilities, including those to be completed in 2013  
2 and 2014.

3 Montana-Dakota is using a future test year in accordance with  
4 North Dakota Century Code §49-05-04.1.

5 **Q. Would you describe the development of the projected cost of service**  
6 **for 2013 and 2014?**

7 A. The projected 2013 and 2014 cost of service is presented in  
8 Statement M, which contains all of the schedules supporting the income  
9 statement on page 1, and Statement N, which contains all of the  
10 schedules supporting the rate base on page 1. The revenues and  
11 expenses reflect the annual level that will be experienced when the new  
12 rates become effective. Likewise, the rate base reflects average 2013 and  
13 2014 plant and related balances.

14 **Income Statement**

15 **Q. Would you describe the development of the projected revenues and**  
16 **expenses contained in Statement M?**

17 A. The projected revenues for 2013 and 2014 are summarized on  
18 Statement M, page 1. Ms. Aberle discusses the development of the sales  
19 and transportation revenues in her testimony

20 Other operating revenues are to remain at the 2012 level, with the  
21 exception of rent from property and other revenues and are shown on  
22 page 5. Rent from property reflects revenue from property rented by  
23 Montana-Dakota. The projected 2013 and 2014 amounts reflect current

1 levels and the increase in revenue is due to the rental income received  
2 from Company-owned housing, as discussed by Mr. Skabo.

3 Other revenues are made up of late payment and penalty revenue.  
4 Late payment revenues were projected for 2013-2014 based on the 2012  
5 ratio of late payment revenue to sales and transportation revenue of 0.10  
6 percent applied to projected 2013-2014 sales and transportation revenue.  
7 The 2013 and 2014 penalty revenues were restated to a three year  
8 average for 2010 to 2012 to smooth out any year to year fluctuations.

9 **Q. Would you describe the development of the operation and**  
10 **maintenance expenses?**

11 A. Yes. The projected 2013 and 2014 operation and maintenance  
12 (O&M) expenses are summarized on Statement M, pages 6 through 9,  
13 with the detail provided on pages 10 through 27.

14 The cost of gas, shown on page 10, uses the projected sales  
15 volumes, adjusted for losses, and an annual gas cost level for 2013. The  
16 projected cost of gas per dk was derived by calculating annual demand  
17 charges and commodity cost of gas and applying those costs to the June  
18 1, 2013, purchased gas cost adjustment billing determinants. The  
19 distribution loss factor of 0.45 percent represents the current loss factor.

20 **Q. Would you describe the development of the projected other O&M**  
21 **expense?**

22 A. Yes. O&M expenses were reviewed and projected by resource, or  
23 cost category, some on a North Dakota only basis and some on a total

1 Company basis. As discussed by Mr. Morehouse, Mr. Skabo and Ms.  
2 Jones, the expansion in Western North Dakota has caused significant and  
3 ongoing changes, which are reflected in this filing. Given these changes,  
4 Montana-Dakota developed the O&M expenses for 2013 using the 2013  
5 budget as a guide, along with reviewing current information as well as  
6 discussions with operations personnel to determine the best information  
7 for 2013. The projections for 2014 were based on the projected 2013  
8 data.

9 **Q. Would you describe the development of the labor and benefits**  
10 **expense?**

11 A. Yes. Labor expense is shown on page 11, with actual labor  
12 expense for the twelve months ended December 31, 2012 as the starting  
13 point. Because of the rapid expansion in North Dakota, the labor expense  
14 for 2013 was developed by reviewing the 2013 budget for labor expense  
15 for; 1) North Dakota districts and 2) total Company excluding the  
16 responsibility centers that are electric only. A weighted average  
17 percentage increase of 4.90 percent was calculated and applied to the  
18 twelve months ending December 31, 2012 North Dakota labor expense.  
19 The projected increase of 3.41 percent in 2014 is a weighted average of  
20 the increase of 2.50 percent for bargaining unit employees pursuant to the  
21 union contract and an estimated increase of 4.0 percent for non-  
22 bargaining unit employees effective in 2014.

1           Benefits are shown on page 12. Benefits expense consists of  
2           medical/dental insurance, pension expense, post-retirement, 401K, and  
3           workers compensation. Each of these items was adjusted individually.  
4           For 2013, a loading factor was developed using a ratio of the budgeted  
5           medical/dental, pension, postretirement and 401K to 2013 budgeted labor  
6           expense excluding incentive compensation. That loading factor for each  
7           component was applied to the projected 2013 labor expense, excluding  
8           incentive compensation expense, to arrive at projected benefits expense  
9           for 2013. Workers compensation is based on the ratio of workers  
10          compensation expense for 2012 to per books North Dakota gas labor  
11          expense applied to 2013 projected labor expense. The changes in  
12          benefits discussed by Ms. Jones are reflected in the projected benefit  
13          expense.

14           For 2014, medical/dental expense is projected to increase by 5.0  
15          percent based upon anticipated health insurance increases. Pension  
16          expense is projected to decrease by 53.59 percent and post-retirement  
17          expense will decrease 0.76 percent based on an actuarial study. 401K  
18          will increase by 3.41 percent based upon the labor increase for 2014 and  
19          the workers compensation ratio for 2012 is applied to the 2014 labor  
20          expense to derive the 2014 workers compensation expense.

21   **Q.    Would you describe the other projected O&M expense items?**

22   A.           Yes. The projected subcontract labor and materials expense for  
23          2013 and 2014 are expected to remain at the 2012 level as the activity

1 levels are expected to remain about the same as in 2012 and are shown  
2 on pages 13 and 14 respectively.

3 Vehicles and work equipment reflect all expenses associated with  
4 the Company's vehicles and equipment, such as backhoes, including the  
5 costs of fuel, insurance, maintenance and depreciation expense. The  
6 depreciation expense on these items is not charged to depreciation  
7 expense but rather is charged to a clearing account, where it is then  
8 recorded in O&M expense or capitalized as part of a project as the vehicle  
9 or work equipment is used. The projected expense is calculated based on  
10 the projected plant and the depreciation rates in Statement N.

11 Company consumption is the expense for electric and natural gas  
12 consumption in Company buildings. The electric component is projected  
13 to remain flat. The natural gas component is expected to increase by  
14 21.66 percent in 2013 based on the increase in 2012 weather normalized  
15 firm general sales revenues and remain at the same level for 2014.

16 Uncollectible accounts are based on the ratio of the five year  
17 average of net write-offs to sales and transportation revenue. This ratio  
18 was then applied to the projected 2013 and 2014 sales and transportation  
19 revenues, which results in an increase in uncollectible accounts.

20 Projected postage expense for 2013 reflects a 2.73 percent  
21 increase in postage rates that became effective January 2013 and 2014  
22 reflects an increase of 2.3 percent based on the three year average  
23 inflation change in the Consumer Price Index.

1                   Software maintenance reflects new software maintenance  
2 programs in 2013 that support or protect current software programs and  
3 remains at the same level for 2014.

4                   Building rentals for 2013 and 2014 reflect the current level of  
5 expenses annualized. 2013 and 2014 building rentals are projected to  
6 increase to reflect that the Company has rented property for employee  
7 housing.

8                   Advertising expense is shown on page 21. Promotional advertising  
9 expense has been eliminated and informational and institutional  
10 advertising are adjusted to exclude advertising that is not applicable to  
11 North Dakota gas operations.

12 **Q.    Would you please continue with your explanation of adjustments to**  
13 **operation and maintenance expenses?**

14 A.            Yes. Industry dues reflect the projected level of industry dues and  
15 those dues that are not specifically applicable to North Dakota natural gas  
16 operations have been eliminated.

17                   Insurance expense, as shown on page 23, reflects the current  
18 insurance level for 2013. 2014 insurance expense is projected to increase  
19 by 5 percent from the 2013 level for Director's and Officer's Liability  
20 Insurance, Fiduciary and Employee Benefits Liability, Public Liability and  
21 Property Insurance Damage of Others and Blanket Crime. All Risk  
22 Insurance is estimated to increase by 20 percent from the 2013 level.  
23 Special Contingency will remain at the 2013 level.

1                   Regulatory Commission Expense reflects the expenses to be  
2 incurred in this filing, amortized over a three-year period, and a three year  
3 average of ongoing regulatory commission expense.

4                   The items adjusted individually above represent approximately 92  
5 percent of total North Dakota gas O&M, as shown on page 25. The  
6 remaining items, which make up approximately 8 percent of other O&M  
7 expense were adjusted for the effects of inflation for 2013 and 2014. A  
8 2.30 percent inflation factor, based on the three year average inflation  
9 change of the Consumer Price Index, was applied to the expenses not  
10 specifically adjusted for 2013 and 2014.

11 **Q.    Would you describe the calculation of depreciation expense?**

12 A.            Yes. Projected depreciation expense is summarized on Statement  
13 M, page 28. The calculation of depreciation expense and associated  
14 accumulated reserve for depreciation is shown on pages 29 and 30.  
15 Depreciation expense is calculated on projected plant using the projected  
16 plant in service, with the proposed depreciation rates from a 2008 study  
17 prepared by AUS Consultants. The depreciation rates are shown on  
18 Statement I, with a summary of composite rates by function on page 3 and  
19 the detail on pages 4 through 8. Mr. Robinson's testimony supports the  
20 proposed depreciation rates.

21 **Q.    How were taxes other than income projected?**

22 A.            Projected taxes other than income are shown on pages 31 through  
23 34. Ad valorem taxes were calculated using the projected 2013 and 2014

1 plant in service and applying a projected effective tax rate based on the  
2 ratio of 2012 ad valorem taxes to average plant balances as of December  
3 31, 2012 by function. The distribution, general, common and intangible  
4 effective tax rates were then reduced by 25 percent to incorporate the  
5 changes passed by the North Dakota legislature in 2013.

6 Projected payroll taxes were based on the ratio of payroll taxes to  
7 labor expense for 2012 and applied to the projected 2013 and 2014 labor  
8 expense to determine the projected payroll taxes.

9 All other taxes other than income were projected to remain at the  
10 2012 level.

11 **Q. Would you describe the calculation of federal and state income  
12 taxes?**

13 A. The projected income tax calculation for North Dakota gas  
14 operations is shown on pages 35 and 36. Interest is deductible for tax  
15 purposes and projected interest expense is calculated on the projected  
16 rate base using the projected debt ratio and weighted cost of debt from  
17 Statement F, page 1.

18 North Dakota federal and state income taxes are fully normalized,  
19 so the calculation of income taxes is made on the taxable income after  
20 interest, since any tax deductions would be fully offset by deferred income  
21 taxes.

22  
23

1 **Rate Base**

2 **Q. Would you describe the development of the projected rate base for**  
3 **2013 and 2014?**

4 A. The rate base is summarized on Statement N, page 1 and shows  
5 the 2012 actual and projected 2013 and 2014 rate base for North Dakota  
6 gas operations. Pages 2 through 21 are the supporting components of the  
7 projected rate base.

8 Pages 2 through 3 show the projected plant in service for 2013 and  
9 2014. The projected plant was developed by adding the capital budget  
10 items for 2013 to the 2012 plant in services balances. Several significant  
11 projects since the last general rate case that are reflected in plant in  
12 service or are proposed plant additions include the Billings Landfill  
13 production facility, discussed by Mr. Morman, the new customer  
14 information system, the distribution plant projects and the new Williston  
15 and Watford City office and warehouse buildings, discussed by Mr. Skabo.  
16 Retirements, based on a three-year average of retirements by function,  
17 were deducted and the average 2013 balance was calculated. The  
18 process was repeated for 2014. The detail by project for 2013-2014 is  
19 shown on pages 4-9.

20 The projected accumulated reserve for depreciation is summarized  
21 on page 10. The projected reserve balances were calculated using the  
22 reserve balances at December 31, 2012, adding the calculated  
23 depreciation expense and deducting retirements based on a three-year

1 average of retirements, as shown on Statement M, pages 28-29. The  
2 average 2013 balances were then calculated and the process was  
3 repeated for 2014.

4 **Q. How were the working capital items derived?**

5 A. The projected working capital items are shown on pages 11  
6 through 17. Materials and supplies were restated to a thirteen month  
7 average on page 12, reflecting actual balances through May 2013 with the  
8 remaining months June through December adjusted upward by 2 percent  
9 to reflect the changes experienced. Fuel stocks are restated to a thirteen  
10 month average balance on page 13.

11 Prepayments, which are made up of prepaid insurance, are shown  
12 on page 14. Prepayments are restated to a thirteen month average  
13 balance. The projected 2013 and 2014 balances are based on the  
14 projected 2013-2014 insurance expense.

15 The unamortized loss of debt was calculated using the balances as  
16 of December 31, 2012, and adding the calculated 2013 amortization to  
17 arrive at a balance for 2013. The 2012 and 2013 balances were then  
18 averaged to reflect the 2013 average unamortized loss on debt. The  
19 process was repeated to calculate the 2014 average unamortized loss on  
20 debt, as shown on page 15. The associated accumulated deferred  
21 income taxes are on page 20.

22 As noted by Mr. Skabo, Montana-Dakota is constructing a new  
23 combined office and service center in Williston, and will be selling the

1 existing office building. Montana-Dakota anticipates receiving a significant  
2 gain on the sale of this building. In order to give the benefit of the gain to  
3 customers, Montana-Dakota is proposing to reflect the gain as a credit to  
4 rate base, amortizing the gain over a 20 year period, as shown on page  
5 16. The associated accumulated deferred income taxes are on page 21.

6 Customer advances for construction are restated to a thirteen  
7 month average balance for 2013 and 2014, with actuals through May  
8 2013. Customer advances for construction are shown on page 17.

9 **Q. Would you describe how the accumulated deferred income tax**  
10 **balances were developed?**

11 A. The accumulated deferred income tax balances are summarized on  
12 page 18. The projected balances were derived by adding the changes to  
13 the deferred income taxes for 2013 and 2014 to the 2012 balances and  
14 calculating the average balance.

15 The changes associated with book/tax depreciation differences  
16 (liberalized depreciation) are on page 19 and display the projected  
17 changes due to the plant additions as well as existing plant.

18 The accumulated deferred income taxes associated with the  
19 unamortized loss on debt and the gain on the sale of the Williston office  
20 building are shown on pages 20 and 21 respectively. The change in  
21 accumulated deferred income taxes associated with full normalization and  
22 the acquisition adjustment are the same as experienced in 2012.

1 **Q. What is the additional revenue requirement calculated on Exhibit**  
2 **No.\_\_\_\_(RAM-1)?**

3 A. Exhibit No.\_\_\_\_(RAM-1), which is identical to Statement L, page 3,  
4 shows the calculation of the revenue deficiency of \$6,839,000 based on  
5 the projected 2014 income and rate base and using the overall rate of  
6 return of 7.881 percent from Statement F, page 1 and supported by Mr.  
7 Jacobson and Dr. Gaske.

8 **Q. Would you describe the proposed changes to the Cost of Gas (COG)**  
9 **Rate 88 tariff?**

10 A. Yes. Montana-Dakota is proposing to establish a grain dryer  
11 margin sharing mechanism for the grain drying load to be served under  
12 interruptible rates.

13 As noted by Ms. Aberle, the volumes associated with the grain  
14 drying load to be served under interruptible rates are difficult to predict  
15 with any certainty, given the various factors affecting the need for natural  
16 gas at the grain drying facilities where in addition to weather factors,  
17 commodity prices and the demand for certain commodities will also affect  
18 the operation of the grain dryers. Therefore, the Company is proposing to  
19 implement a margin sharing adjustment that will provide a credit to all  
20 residential and firm general service customers through the COG  
21 mechanism at 90 percent of actual margins received on an annual basis,  
22 with the Company retaining 10 percent of the margin. A 90/10 sharing  
23 mechanism is appropriate to provide the Company incentive to secure

1 new economic new grain drying load while also providing a timely credit to  
2 other customers.

3 A new paragraph has been added to Rate 88 to set forth the  
4 method for applying the margin sharing credits to customers. Montana-  
5 Dakota proposes to track those revenues and once a year, in the annual  
6 PGA filing, amortize the balance of 90 percent of the margin received over  
7 the following twelve months with a credit per dk applicable to all firm  
8 customers.

9 **Q. Is Montana-Dakota seeking an interim increase in this case?**

10 A. Yes, it is. As stated by Mr. Morehouse, Montana-Dakota is seeking  
11 an interim rate relief in this case pursuant to North Dakota §49-05-06.

12 **Q. What does Exhibit No. \_\_\_\_\_ (RAM-2) show?**

13 A. Exhibit No. \_\_\_\_\_ (RAM-2), which is identical to the Interim  
14 Revenue Requirement, page 1, shows the calculation of the revenue  
15 deficiency of \$4,457,000 based on the 2014 projected cost of service and  
16 adjusted for items previously not allowed by the Commission. The  
17 revenue requirement uses the projected 2014 income statement and rate  
18 base, adjusted to exclude two items:

- 19 • Depreciation rates for distribution plant reflect the currently  
20 authorized cost of removal rates from Case No. PU-02-183 as the  
21 gas depreciation rates from the 2008 have not yet been approved  
22 by this Commission. As noted by Mr. Jacobson, the Company did  
23 implement the other components of the 2008 AUS Consultant

1 Study as, with the exception of the cost of removal component, the  
2 depreciation rates produced lower depreciation expense.

3 • The investment and associated costs related to the Billings Landfill  
4 have been excluded as the project, which commenced service in  
5 late 2010 has not yet been reviewed by this Commission

6 In addition, Montana-Dakota is using its proposed cost of equity of  
7 10.0 percent as the authorized return on equity of 11.329 percent is  
8 higher than the proposed return on equity of 10.0 percent.

9 **Q. Does this complete your direct testimony?**

10 **A.** Yes, it does.

**MONTANA-DAKOTA UTILITIES CO.**  
**PROJECTED OPERATING INCOME AND RATE OF RETURN**  
**REFLECTING ADDITIONAL REVENUE REQUIREMENTS**  
**PROJECTED 2014**  
**(000s)**

	Before Additional Revenue Requirements 1/	<b>Additional Revenue Requirements</b>	Reflecting Additional Revenue Requirements
<b>Operating Revenues</b>			
Sales	\$105,223	<b>\$6,839</b>	\$112,062
Transportation	1,866		1,866
Other	1,247		1,247
Total Revenues	<u>108,336</u>	<u>6,839</u>	<u>115,175</u>
<b>Operating Expenses</b>			
Operation and Maintenance			
Cost of Gas	79,840		79,840
Other O&M	17,665		17,665
Total O&M	<u>97,505</u>		<u>97,505</u>
Depreciation	7,423		7,423
Taxes Other Than Income	1,694		1,694
Income Taxes	(287)	2,595 2/	2,308
Total Expenses	<u>106,335</u>	<u>2,595</u>	<u>108,930</u>
Operating Income	<u>\$2,001</u>	<u>\$4,244</u>	<u>\$6,245</u>
Rate Base	<u>\$79,244</u>		<u>\$79,244</u>
<hr/>			
<b>Rate of Return</b>	<u><b>2.525%</b></u>		<u><b>7.881%</b></u>

1/ Statement M, Page 1.

2/ Reflects state and federal taxes at 37.9445%.

**MONTANA-DAKOTA UTILITIES CO.**  
**PROJECTED OPERATING INCOME AND RATE OF RETURN - INTERIM**  
**REFLECTING ADDITIONAL REVENUE REQUIREMENTS**  
**PROJECTED 2014**  
**(000s)**

	Before Additional Revenue Requirements 1/	<b>Additional Revenue Requirements</b>	Reflecting Additional Revenue Requirements
<b>Operating Revenues</b>			
Sales	\$105,223	<b>\$4,457</b>	\$109,680
Transportation	1,866		1,866
Other	1,247		1,247
Total Revenues	<u>108,336</u>	<u>4,457</u>	<u>112,793</u>
<b>Operating Expenses</b>			
Operation and Maintenance			
Cost of Gas	79,840		79,840
Other O&M	17,371		17,371
Total O&M	<u>97,211</u>		<u>97,211</u>
Depreciation	5,637		5,637
Taxes Other Than Income	1,563		1,563
Income Taxes	568	1,691 2/	2,259
Total Expenses	<u>104,979</u>	<u>1,691</u>	<u>106,670</u>
Operating Income	<u>\$3,357</u>	<u>\$2,766</u>	<u>\$6,123</u>
Rate Base	<u>\$77,691</u>		<u>\$77,691</u>
<b>Rate of Return</b>	<b><u>4.321%</u></b>		<b><u>7.881%</u></b>

1/ Page 2.

2/ Reflects state and federal taxes at 37.9445%.

**BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION**

In the Matter of the Application of ) Case No. PU-13-\_\_  
MONTANA-DAKOTA UTILITIES CO., )  
a Division of MDU Resources Group, )  
Inc., for Authority to Establish )  
Increased Rates for Natural Gas )  
Service )

**DIRECT TESTIMONY AND EXHIBITS**

**OF**

**EARL M. ROBINSON**

**On The Subject of Depreciation**

**DEPRECIATION**

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**I. WITNESS INTRODUCTION**

**Q1. Please state your name, occupation and business address.**

**A.** My name is Earl M. Robinson. I am a Principal and Director of AUS Consultants. AUS Consultants is a consulting firm specializing in preparing various financial studies including depreciation, valuation, revenue requirements, cost of service, rate of return, and other analysis and studies for the utility industry and numerous other entities. AUS Consultants provides a wide spectrum of consulting services through its practices that include Depreciation & Valuation, Intellectual Property Management, Knowledge Management, Rate of Return, Revenue Requirements & Cost of Service, and Education & Publications. My office is located at 792 Old Highway 66, Suite 200, Tijeras, NM 87059.

**Q2. Have you prepared an appendix which contains your qualifications and experience?**

**A.** Yes. Appendix A to my direct testimony contains a summary of my qualifications and experience.

**II. PURPOSE OF TESTIMONY**

**Q3. What is the purpose of your testimony?**

**A.** The purpose of my testimony is to set forth the results of my depreciation review and analysis of the plant in service of Montana-Dakota Utilities Co.- Gas Division and Common Plant ("Company") which was conducted in the process of preparing depreciation studies of the Company's gas and

1 common plant assets as of December 31, 2008. Reports of my review  
2 and analyses are contained in Exhibit No. \_\_\_\_ (EMR-1), titled "Montana-  
3 Dakota Utilities Co-Gas Division Depreciation Study as of December 31,  
4 2008" and Exhibit No. (EMR-2), the "Montana-Dakota Utilities Co.-  
5 Common Plant Depreciation Study as of December 31, 2008". In  
6 preparing the report, I investigated and analyzed the Company's historical  
7 plant data and reviewed the Company's past experience and future  
8 expectations to determine the remaining lives of the Company's gas and  
9 common plant assets. The studies utilized the resulting remaining lives,  
10 the results of a salvage analysis, the Company's vintaged plant in service  
11 investment and depreciation reserve to develop recommended average  
12 remaining life depreciation rates and depreciation expense related to the  
13 Company's plant in service.

### 14 III. BACKGROUND

#### 15 **Q4. How is depreciation defined?**

16 **A.** Depreciation is defined in the 1996 NARUC "Public Utility Depreciation  
17 Practices" publication as follows: "Depreciation, as applied to depreciable  
18 utility plant, means the loss in service value not restored by current  
19 maintenance, incurred in connection with the consumption or prospective  
20 retirement of utility plant in the course of service from causes which are  
21 known to be in current operation and against which the utility is not  
22 protected by insurance. Among the causes to be given consideration are

1 wear and tear, decay, action of the elements, inadequacy, obsolescence,  
2 changes in the art, changes in demand, and requirements of public  
3 authorities.”

4 **Q5. Why is depreciation important to the revenue requirements of a**  
5 **utility company?**

6 **A.** Depreciation is important because, as the above definition describes,  
7 depreciation expense enables a company to recover in a timely manner  
8 the capital costs related to its plant in service benefiting the company's  
9 customers. Appropriate depreciation rates will allow recovery of a  
10 company's investments in depreciable assets over a life that provides for  
11 full recovery of the investments, less net salvage. Without the appropriate  
12 recovery of depreciation costs, the Company ultimately will not be able to  
13 meet its financial obligations related to the continued provision of service  
14 to customers. Furthermore, the inclusion of the appropriate level of  
15 depreciation recovery in revenue requirements serves to reduce overall  
16 costs (total of depreciation and return) to customers as opposed to a  
17 situation where an inadequate level of annual depreciation expense is  
18 currently being provided in rates.

19 **IV. DEPRECIATION STUDY OVERVIEW**

20 **Q6. What is your professional opinion with regard to the results of the**  
21 **depreciation study that you performed?**

1   **A.**    In my opinion, the proposed depreciation rates resulting from the  
2           completed comprehensive depreciation study are reasonable and  
3           appropriate given that they incorporate the service life and net salvage  
4           parameters currently anticipated for each of the Company's property  
5           group investments over their average remaining lives.

6   **Q7.    What steps were involved in preparing the service life and salvage  
7           database that you utilized?**

8   **A.**    My comprehensive depreciation analyses included a detailed analysis of  
9           the Company's fixed capital books and records through December 31,  
10          2008. The Company's historical investment cost records for each account  
11          have been assembled into a depreciation database upon which detailed  
12          service life and salvage analysis were performed using standard  
13          depreciation procedures.

14   **Q8.    What is the purpose of the historical database?**

15   **A.**    The historical service life and net salvage data is a basic depreciation  
16          study tool that is assembled to prepare a depreciation study. The  
17          historical database is used to make assessments and judgments  
18          concerning the service life and salvage factors that have actually been  
19          achieved, and (along with information relative to current and prospective  
20          factors) to determine the appropriate future lives over which to recover the  
21          Company's depreciable fixed capital investments. In accordance with this  
22          standard depreciation analysis, the Company's depreciation database

1 compiled through December 31, 2008, which contains detailed vintage  
2 level information, was used to develop observed life tables. The  
3 development of the observed life tables from the historical information was  
4 completed by grouping like aged investments within each property  
5 category and identifying the level of retirements that occur through each  
6 successive age to develop the applicable observed life tables. The  
7 resulting observed lives were then fitted to standard Iowa Curves to  
8 estimate each property group's historically achieved average service life.

9 Likewise, the net salvage database was used as a basis to identify  
10 historical experience and trends and to determine each property group's  
11 recommended net salvage factors. This was accomplished by preparing  
12 various three year rolling band analyses of salvage components as well as  
13 a forecast based on the Company's historical salvage experience.

14 **Q9. In the preparation of the depreciation study, have you utilized**  
15 **information from additional sources when estimating service life and**  
16 **salvage parameters?**

17 **A.** Yes. In addition to the historical data obtained from the Company's books  
18 and records, information was obtained from Company personnel relative  
19 to current operations and future expectations with respect to depreciation.  
20 Discussions were held with Company planning and operations  
21 management. In addition, physical inspections were also conducted of  
22 various representative sites of the Company's operating property.

1 **Q10. Please briefly describe the information included in the depreciation**  
2 **study reports.**

3 Each of the depreciation reports are divided into seven (7) sections.  
4 Section 1 of the report contains a brief narrative summary of the  
5 respective report. Two key portions of each of the reports are Sections 2  
6 and 4. Section 2 includes the summary schedules listing the present and  
7 proposed depreciation rates for each depreciable property group and  
8 other depreciation rate development schedules. Section 4 contains a  
9 narrative description of the factors considered in selecting service life  
10 parameters for the Company's property. The various other sections of the  
11 report contain detailed information and/or documentation supporting the  
12 schedules contained in Sections 2 and 4. In addition, Section 5 is the  
13 graphical presentation of the average service life analysis, Section 6 is the  
14 detailed Average Remaining Life calculations, and Section 7 is detailed  
15 Net Salvage analysis schedules.

16 **Q11. What was the source of the data utilized as a basis for determining**  
17 **the depreciation rates?**

18 **A.** As previously discussed, all of the historical data utilized in the course of  
19 performing the detailed service life and salvage study was obtained from  
20 the Company's books and records. Historical vintaged data (additions,  
21 retirements, adjustments, and balances) were obtained for each  
22 depreciable property group.

1 **Q12. Are there standard methods utilized to complete a service life**  
2 **analysis of a company's historical property investments?**

3 **A.** Yes. As discussed in Section 3 of the depreciation study report as well as  
4 later in this testimony, the two most common methods are the Retirement  
5 Rate Method and the Simulated Plant Record Method. The method  
6 chosen to study a company's historical data is dependent upon whether  
7 aged or un-aged data is available. If specific aged data is available, the  
8 Retirement Rate Method is used. If only un-aged data is available, the  
9 Simulated Plant Record Method is used.

10 **Q13. Were your studies prepared utilizing one of these accepted standard**  
11 **methods?**

12 **A.** Yes. The Company did not have aged plant records for earlier periods of  
13 time. Therefore, the Simulated Plant Record Method was utilized in the  
14 depreciation studies of the Company's property.

15 **V. METHODS, PROCEDURES & TECHNIQUES**

16 **Q14. Please describe the depreciation methods, procedures, and**  
17 **techniques commonly utilized to develop depreciation rates for**  
18 **utility property.**

19 **A.** Inherent in all depreciation calculations is an overall method, such as the  
20 Straight Line Method (which is the most widely used approach within the  
21 utility industry) to depreciate property. Other methods available to develop  
22 average service lives and depreciation rates are accelerated and/or

1 deferral approaches such as the Sum of the Years Digits Method or  
2 Sinking Fund Method.

3 In addition, there are several procedures that can be used to  
4 arrange or group property by sub-groups of vintages to develop applicable  
5 service lives. These procedures include the Broad Group, the Equal Life  
6 Group and other procedures. Due to the existence of very large quantities  
7 of property units within utility operating property, utility property is typically  
8 grouped into homogeneous categories as opposed to being depreciated  
9 on an individual unit basis. While the Equal Life Group procedure is  
10 viewed as being the more definitive procedure for identifying the life  
11 characteristics of utility property and as a basis for developing service  
12 lives and depreciation rates, the Broad Group Procedure is more widely  
13 utilized throughout the utility industry by regulatory commissions as a  
14 basis for depreciation rates. My comments on the Equal Life Group  
15 procedure are discussed later in my testimony.

16 The distinction between the two procedures is in the manner in  
17 which recovery of the cost is achieved. Under the Broad Group Procedure,  
18 the useful life and resulting depreciation rate is based upon the overall  
19 average life of all of the property within the group, while under the Equal  
20 Life Group Procedure, the useful life and resulting depreciation rate is  
21 based upon separately recovering the investment in each equal life group

1 within the property category over the actual life of the property in that  
2 group.

3 A brief example (with a property group that has three units/three  
4 equal life groups of like property) will demonstrate the difference between  
5 the two procedures. The example incorporates the assumption that unit  
6 No. 1 (or equal life group of property) will retire after one year, unit No. 2  
7 (or equal life group) will retire after two years, and Unit No. 3 (or equal life  
8 group) will retire after three years. Accordingly, the average life of all  
9 three (groups) is two (2) years  $(1+2+3)\div 3$ . Under the Broad Group  
10 Procedure, the average useful life and resulting depreciation rate is  
11 calculated based upon the two (2) year average life. The resulting annual  
12 depreciation rates would be fifty (50) percent in every year. Conversely,  
13 under the Equal Life Group Procedure, each year's average life and  
14 resulting depreciation rate is calculated by using the period of time during  
15 which the portion of the property group remains in service. Since unit No.  
16 1 (or that portion of the account) was retired from service after one year,  
17 the entire investment for that property is recovered over one (1) year.  
18 Likewise, since unit No. 2 (or that portion of the account) will have a  
19 service life of two years, the recovery of that portion of the account will  
20 occur over two years. Lastly, unit No. 3 (or that portion of the account) is  
21 recovered over three years. Hence, the useful average life for the  
22 property group in the first year is 1.64 years and the first year's annual

1 depreciation rate is 61.11 percent. In the second year, the useful average  
2 life of the surviving group is 2.4 years and the second year's depreciation  
3 rate drops to 41.67 percent. This occurs because during the first year,  
4 unit No. 1 (or that portion of the account) was fully recovered. Likewise, in  
5 year three the useful life of the surviving group is 3 years and the  
6 depreciation rate further drops to 33.33 percent. See the following Table  
7 EMR-1 (BG and ELG).

**BG Average Life Calculation**

**BG Depreciation Rate Calculation**

<u>Year</u>		<u>Investment</u>	<u>Recovery Period (Yrs)</u>	<u>ASL (Years)</u>	<u>Weight</u>	<u>Investment</u>	<u>Recovery Period (Yrs)</u>	<u>Annual Rate-%</u>	<u>Recovery Amount</u>
1	Group # 1	300	2		150	300	2		150
	Group # 2	300	2		150	300	2		150
	Group # 3	<u>300</u>	2		<u>150</u>	<u>300</u>	2		<u>150</u>
	Total	900		2.00	450	900		50.00%	450
2	Group # 1	0	0		0	0	0		0
	Group # 2	300	2		150	300	2		150
	Group # 3	<u>300</u>	2		<u>150</u>	<u>300</u>	2		<u>150</u>
	Total	600		2.00	300	600		50.00%	300
3	Group # 1	0	0		0	0	0		0
	Group # 2	0	0		0	0	0		0
	Group # 3	<u>300</u>	2		<u>150</u>	<u>300</u>	2		<u>150</u>
	Total	300		2.00	150	300		50.00%	150
<b>Grand Total</b>		1,800		2.00	900	1,800		50.00%	900

**ELG Average Life Calculation**

**ELG Depreciation Rate Calculation**

<u>Year</u>		<u>Investment</u>	<u>Recovery Period (Yrs)</u>	<u>ASL (Years)</u>	<u>Weight</u>	<u>Investment</u>	<u>Recovery Period (Yrs)</u>	<u>Annual Rate-%</u>	<u>Recovery Amount</u>
1	Group # 1	300	1		300	300	1		300
	Group # 2	300	2		150	300	2		150
	Group # 3	<u>300</u>	3		<u>100</u>	<u>300</u>	3		<u>100</u>
	Total	900		1.64	550	900		61.11%	550
2	Group # 1	0	0		0	0	0		0
	Group # 2	300	2		150	300	2		150
	Group # 3	<u>300</u>	3		<u>100</u>	<u>300</u>	3		<u>100</u>
	Total	600		2.40	250	600		41.67%	250
3	Group # 1	0	0		0	0	0		0
	Group # 2	0	0		0	0	0		0
	Group # 3	<u>300</u>	3		<u>100</u>	<u>300</u>	3		<u>100</u>
	Total	300		3.00	100	300		33.33%	100
<b>Grand Total</b>		1,800		2.00	900	1,800		50.00%	900

1           Finally, the depreciable investment needs to be recovered over a  
2 defined period of time (through use of a technique), such as the Whole  
3 Life or Average Remaining Life of the property group. The distinction  
4 between the Whole Life and Average Remaining Life Techniques is that  
5 under the Whole Life Technique, the depreciation rate is based on a  
6 snapshot and determines the recovery of the investment and average net  
7 salvage over the average service life of the property group for that  
8 moment in time. The Whole Life technique requires either frequent  
9 updates to keep the "snapshot" current or the use of an artificial deferred  
10 account that holds "excess" or "deficient" depreciation reserves. In  
11 comparison, under the Average Remaining Life Technique, the resulting  
12 annual depreciation rate incorporates the recovery of the investment (and  
13 future net salvage) less any recovery experienced to date over the  
14 average remaining life of the property group. The Average Remaining Life  
15 Technique is clearly superior in that it incorporates all of the current and  
16 future cost components in setting the proposed annual depreciation rate  
17 as opposed to only some of the current and future cost components as is  
18 the case with the Whole Life Technique. This means that any changes  
19 that occur in between depreciation studies are automatically true-up in  
20 the subsequent study. No artificial deferral account needs to be  
21 established to accomplish such a true-up.

22           The depreciation methods, procedures, and techniques can be  
23 used interchangeably. For example, one could use the Straight Line

1 Method with the Broad Group Procedure and the Average Remaining Life  
2 Technique, or the Straight Line Method with the Equal Life Group  
3 Procedure and Average Remaining Life Technique, or combinations  
4 thereof.

5 **Q15. Which of these methods, procedures and techniques did you use in**  
6 **your depreciation studies?**

7 **A.** The depreciation rates set forth in my depreciation study reports were  
8 developed utilizing the Straight Line Method, the Broad Group Procedure,  
9 and the Average Remaining Life Technique.

10 **Q16. Why did you utilize this method, procedure and technique?**

11 **A.** The Straight Line Method is widely understood, recognized, and utilized  
12 almost exclusively for depreciating utility property.

13 The Broad Group Procedure recovers the Company's investments  
14 over the average period of time in which the property is providing service  
15 to the Company's customers. While I have used the Equal Life Group  
16 procedure in other studies, I used the Broad Group Procedure in this study  
17 because it is consistent with depreciation methods and procedures  
18 generally accepted by regulatory Commissions and is the approach  
19 underlying the Company's current depreciation rates.

20 Finally, the amount of annual depreciation must be based upon the  
21 productive life over which the un-depreciated capital investment is  
22 recovered (the Average Remaining Life Technique). The utilization of the  
23 Average Remaining Life Technique to develop the applicable annual

1 depreciation expense (over the average remaining life) assures that the  
2 Company's property investment is fully recovered over the useful life of the  
3 property, and that inter-generational inequities are avoided as current and  
4 future customers will pay their fair share of depreciation expense. The  
5 determination of the productive remaining life for each property group  
6 relies on a study of both past experience and future expectations and  
7 develops the appropriate total life and applicable depreciation rates for  
8 each of the Company's property groups. The Average Remaining Life  
9 Technique incorporates all of the Company's fixed capital cost  
10 components, thereby better assuring full recovery of the Company's  
11 embedded net plant investment and related costs. The Average  
12 Remaining Life Technique gives consideration not only to the average  
13 service life and survival characteristics plus the net salvage component,  
14 but also recognizes the level of depreciation which has been accrued to  
15 date in developing the proposed depreciation rate. The Average  
16 Remaining Life Technique is used by regulated companies and regulatory  
17 agencies because it allows full recovery by the end of the property's useful  
18 life -- no more and no less.

## 19 VI. GROUP DEPRECIATION

20 **Q17. Please explain the utilization of group depreciation.**

21 **A.** Group depreciation is utilized to depreciate property when more than one  
22 item of property is being depreciated. Such an approach is appropriate  
23 because all of the items within a specific group typically do not have

1 identical service lives, but have lives which are dispersed over a range of  
2 time. Utilizing group depreciation allows for a uniform application of  
3 depreciation rates to groups of similar property in lieu of performing  
4 extensive depreciation calculations on an item-by-item basis. The Broad  
5 Group approach is a recognized common group depreciation procedure.

6 The Broad Group Procedure recovers the investment within the  
7 asset group over the average service life of the property group. Given that  
8 there is dispersion within each property group, there are variations of  
9 retirement ages for the many investments within each property group.  
10 That is, some properties retire early (before average service life) while  
11 others retire at older ages (after average service life). This dispersion of  
12 retirement ages defines the survival pattern experienced by the applicable  
13 property group.

14 **Q18. What factors influence the determination of the recommended**  
15 **annual depreciation rates included in your depreciation reports?**

16 **A.** The depreciation rates reflect four principal factors: (1) the plant in service  
17 by vintage, (2) the book depreciation reserve, (3) the future net salvage,  
18 and (4) the composite remaining life for the property group. Factors  
19 considered in arriving at the service life are the average age, realized life  
20 and the survival characteristics of the property. The net salvage estimate  
21 is influenced by both past experience and future estimates of the cost of  
22 removal and gross salvage amounts.

1 **Q19. Please explain further the assumptions considered when utilizing**  
2 **your depreciation approach.**

3 **A.** According to my approach, the Company will recover its un-depreciated  
4 fixed capital investment through annual depreciation expense in each year  
5 throughout the useful life of the property. The Average Remaining Life  
6 Technique incorporates the future life expectancy of the property, the  
7 vintaged surviving plant in service, the survival characteristics, together  
8 with the book depreciation reserve balance and future net salvage in  
9 developing the amounts for each property account. Accordingly, Average  
10 Remaining Life depreciation meets the objective of providing a Straight  
11 Line recovery of the Company's fixed capital property investments.

12 **Q20. Please explain further the group you have used.**

13 **A.** My depreciation calculations, as applied in this study, follow a group  
14 depreciation approach. The group approach refers to the method of  
15 calculating annual depreciation based on the summation of the investment  
16 in any one plant group rather than calculation of depreciation for each  
17 individual unit of plant. In theory, each unit achieves average service life  
18 by the time of retirement. Accordingly, the full cost of the investment will  
19 be credited to plant in service when the retirement occurs, and likewise  
20 the depreciation reserve will be debited with an equal retirement cost. No  
21 gain or loss is recognized at the time of property retirement because of the  
22 assumption that the property was retired at average service life.

23  
24

1 VII. NET SALVAGE

2 **Q21. What are the net salvage factors included in the determination of**  
3 **depreciation rates?**

4 **A.** Net salvage is the difference between gross salvage, or the proceeds  
5 received when an asset is disposed of, and the cost of removing the asset  
6 from service. Net salvage is said to be positive if gross salvage exceeds  
7 the cost of removal. If the cost of removal exceeds gross salvage, the  
8 result is negative salvage. Many retired assets generate little, if any,  
9 positive salvage. Instead, numerous Company asset groups generate  
10 negative net salvage at the end of their lives due to the cost of removal.

11 The cost of removal includes costs such as demolishing,  
12 dismantling, tearing down, disconnecting or otherwise retiring/removing  
13 plant, as well as any environmental clean-up costs associated with the  
14 property. Net salvage includes any proceeds received from any sale of  
15 plant.

16 Net salvage experience is studied for a period of years to determine  
17 the trends which have occurred in the past. These trends are considered,  
18 together with any changes that are anticipated in the future, to determine  
19 the future net salvage factor for remaining life depreciation purposes. The  
20 net salvage percentage is determined by comparing the total net positive  
21 or negative salvage to the book cost of the property investment retired.

22 The method used to estimate the retirement cost is a standard  
23 analysis approach which is used to identify a company's historical  
24 experience with regard to what the end of life cost will be relative to the

1 cost of the plant when first placed into service. This information, along  
2 with knowledge about the average age of the historical retirements that  
3 have occurred to date, allows an estimation of the level of retirement cost  
4 that will be experienced by the Company at the end of each property  
5 group's useful life. The study methodology utilized has been extensively  
6 set forth in depreciation textbooks and has been the accepted practice by  
7 depreciation professionals for many decades. Furthermore, the cost of  
8 removal analysis is the current standard practice used for mass assets by  
9 essentially all depreciation professionals in estimating future net salvage  
10 for the purpose of identifying the applicable depreciation rate for a  
11 property group. There is a direct relationship between the installation of  
12 specific plant and its corresponding removal. The installation is its  
13 beginning of life cost while the removal is its end of life cost. Also, it is  
14 important to note that Average Remaining Life depreciation rates  
15 incorporate future net salvage which is typically more representative of  
16 recent versus long-term historical average net salvage.

17 The Company's historical net salvage experience was analyzed to  
18 identify the historical net salvage factor for each applicable property group  
19 and is included in Section 7 of the study. This analysis routinely finds that  
20 historical retirements have occurred at average ages significantly shorter  
21 than the property group's average service life. The occurrence of  
22 historical retirements at an age which is significantly younger than the  
23 average service life of the property category demonstrates that the

1 historical data does not appropriately recognize the true level of retirement  
2 cost at the end of the property group's useful life. An additional level of  
3 cost to retire will occur due to the passage of time until all the current plant  
4 is retired at end of its life. That is, the level of retirement costs will  
5 increase over time until the average service life is attained. The additional  
6 inflation in the estimate of retirement cost is related to those additional  
7 years' cost increases (primarily the result of higher labor costs over time)  
8 that will occur prior to the end of the property group's average life.

9 To provide further explanation of the issue, several general  
10 principles surrounding property retirements and related net salvage should  
11 be highlighted. As property continues to age, assets that typically  
12 generate positive salvage when retired will generate a lower percentage of  
13 positive salvage as compared to the original cost of the property. By  
14 comparison, if the class of assets is one that typically generates negative  
15 net salvage (cost of removal) with increasing age at retirement, the  
16 negative net salvage percentage as compared to original cost will typically  
17 be greater. This situation is routinely driven by the higher labor costs that  
18 occur with the passage of time.

19 A simple example will aid in understanding the above net salvage  
20 analysis and the required adjustment to the historical results. Assume the  
21 following scenario: A company has two cars, Car #1 and Car #2, each  
22 purchased for \$20,000. Car #1 is retired after 2 years and Car #2, is  
23 retired after 10 years. Accordingly, the average life of the two cars is six

1 (6) years. Car #1 generates 75% salvage or \$15,000 when retired and  
2 Car #2 generates 5% salvage or \$1,000 when retired.

	<u>Unit Cost</u>	<u>Ret. Age (Yrs.)</u>	<u>% Salv.</u>	<u>Salvage Amount</u>
Car #1	\$20,000	2	75%	\$15,000
<u>Car #2</u>	<u>\$20,000</u>	10	5%	<u>\$ 1,000</u>
Total	\$40,000	6	40%	\$16,000

3 Assume an analysis of the experienced net salvage at year three  
4 (3). Based upon the Car #1 retirement, which was retired at a young age  
5 (2 yrs.) as compared to the average six (6) year life of the property group,  
6 the analysis indicates that the property group would generate 75%  
7 salvage. This indication is incorrect, however, because it is the result of  
8 basing the estimate on incomplete data. That is, the estimate is based  
9 upon the salvage generated from a retirement that occurred at an age  
10 which is far less than the average service life of the property group. The  
11 actual total net salvage that occurred over the average life of the assets  
12 (which experienced a six (6) year average life for the property group) is  
13 40%, as opposed to the initial incorrect estimate of 75%.

14 This is exactly the situation that occurs with the majority of the  
15 Company's historical net salvage data, except that most of the Company's  
16 property groups routinely experience negative net salvage (cost of  
17 removal) as opposed to positive salvage.

18  
19

1 VIII. DEPRECIATION STUDY ANALYSIS

2 **Q22. Please explain what factors affect the length of the average service**  
3 **life that the Company's property may achieve.**

4 **A.** Several factors contribute to the length of the average service life which  
5 the property achieves. The three major factors are: (1) physical; (2)  
6 functional; and (3) contingent casualties.

7 The physical factor includes such things as deterioration, wear and  
8 tear and the action of the natural elements. The functional factor includes  
9 inadequacy, obsolescence and requirements of governmental authorities.  
10 Obsolescence occurs when it is no longer economically feasible to use the  
11 property to provide service to customers or when technological advances  
12 have provided a substitute with superior performance. The remaining  
13 factor, contingent casualties, includes retirements caused by accidental  
14 damage or construction activity of one type or another.

15 In performing the life analysis for any property being studied, both  
16 past experience and future expectations must be considered in order to  
17 fully evaluate the circumstances that may have a bearing on the remaining  
18 life of the property. This ensures the selection of an average service life  
19 which best represents the expected life of each property investment.

20 **Q23. What study procedures were utilized to determine service lives for**  
21 **the Company's property?**

22 **A.** Several study procedures were used to determine the prospective service  
23 lives recommended for the Company's plant in service. These include the  
24 review and analysis of historical, as well as anticipated, retirements,

1 current and future construction technology, historical experience and  
2 future expectations of salvage and the cost of removal.

3 Service lives are affected by many different factors, some of which  
4 can be determined from studying past experience, others of which must  
5 rely heavily on future expectations. When physical characteristics are the  
6 controlling factor in determining the service life of property, historical  
7 experience is a useful tool in selecting service lives. In cases where there  
8 are changes in technology, regulatory requirements, Company policy or  
9 the development of a less costly alternative, historical experience is of  
10 lesser or little value. However, even when considering physical factors,  
11 the future lives of various properties may vary from those experienced in  
12 the recent past.

13 While a number of methods are available to study historical data,  
14 as I mentioned previously, the two methods most commonly utilized to  
15 determine average service lives for a company's property are the  
16 Retirement Rate Method and the Simulated Plant Record Method. Given  
17 that the Company does not have complete historical vintage based  
18 investment records, it was required that the Simulated Plant Record  
19 Method be used to analyze the past historical data. The Company is  
20 currently in the process of implementing a new property record system  
21 which will enable increased use of actuarial study analysis in future years.

22 **Q24. Please explain further the use of the retirement rate method.**

1    **A.**    With this method of analysis, the Company's actuarial service life data,  
2            which is sorted by age, is used to develop a survivor curve (observed life  
3            table). This survivor curve is the basis upon which smooth curves  
4            (standard Iowa Curves) are matched or fitted to then determine the  
5            average service life being experienced by the property account under  
6            study. Computer processing provides the capability to review various  
7            experience bands throughout the life of the account to observe trends and  
8            changes. For each experience band analysis, an "observed life table" is  
9            constructed using the exposure and retirement experience within the  
10           selected band of years. In some cases, the total life cycle of the property  
11           has not been achieved and the experienced life table, when plotted,  
12           results in a "stub curve." It is the "stub curve," or the total life curve, if the  
13           total life curve is achieved, which is matched or fitted to the standard Iowa  
14           Curves. The matching process is performed both by computer analysis,  
15           using a least squares technique, and by overlaying the observed life  
16           tables on the selected smooth curves for visual reference. The fitted  
17           smooth curve is a benchmark which provides a basis to determine the  
18           estimated average service life for the property group under study.

19    **Q25. Do the depreciation study reports contain charts which compare the**  
20            **analysis of the Company's actual historical data to the service life**  
21            **parameters you are proposing as a basis for your recommended**  
22            **annual depreciation rates?**

1    **A.**    Yes. Graphical representations of the Company's plant balances versus  
2            simulated plant balances based upon the estimated lives and Iowa Curves  
3            are contained in Section 5 of the report.

4    **Q26. You have referred to the use of the Iowa or smoothed survivor**  
5            **curves. Can you generally describe these curves and their purpose?**

6    **A.**    The preparation of a depreciation study typically incorporates smoothed  
7            curves to represent the experienced or estimated survival characteristics  
8            of the property. The "smoothed" or standard survivor curves are the  
9            "Iowa" family of curves developed at Iowa State University and which are  
10           widely used and accepted throughout the utility industry. The shape of the  
11           curves within the Iowa family is dependent upon whether the maximum  
12           rate of retirement occurs before, during or after the average service life. If  
13           the maximum retirement rate occurs earlier in life, it is a left (L) mode  
14           curve; if it occurs at average life, it is a symmetrical (S) mode curve; if it  
15           occurs after average life, it is a right (R) mode curve. In addition, there is  
16           the origin (O) mode curve for plant which has heavy retirements at the  
17           beginning of life.

18                    At any particular point in time, actual Company plant may not have  
19            completed its life cycle. Therefore, the survivor table generated from the  
20            Company data is not complete. This situation requires that an estimate be  
21            made with regard to the incomplete segment of the property group's life  
22            experience. Further, actual company experience often varies from age  
23            interval to age interval, making its utilization for average service estimation

1 difficult. Accordingly, the Iowa Curves are used to both extend Company  
2 experience to zero percent surviving as well as to smooth actual Company  
3 data.

4 **Q27. What is the principal reason for completing the detailed historical life  
5 and salvage analysis?**

6 **A.** The detailed historical analysis is prepared as a tool from which to make  
7 informed assessments as to the appropriate service life and salvage  
8 parameters over which to recover the Company's plant investment.  
9 However, in addition to the available historic data, consideration must be  
10 given to current events, the Company's ongoing operations, Company  
11 management's future plans, and general industry events which are  
12 anticipated to impact the lives that will be achieved by plant in service.

13 **IX. COMPREHENSIVE DEPRECIATION STUDY RESULTS AS OF 12-**  
14 **31-08**

15 **Q28. What is the basis for the Company's currently approved depreciation  
16 rates?**

17 **A.** As shown in Exhibit No. \_\_\_(EMR-1), Table 1, pages 2-1 to 2-2, the prior  
18 depreciation rates for the plant were based upon depreciation parameters  
19 set forth in a study completed using the Company's plant investment data  
20 through December 31, 2001. The current account level depreciation rates  
21 composite to an annual depreciation rate of 3.85 percent when applied to  
22 each of the December 31, 2008 plant in service account balances.

1 **Q29. What are the most notable changes in annual depreciation rates and**  
2 **expense between the present and proposed depreciation rates as set**  
3 **forth in Section 2 of the Montana-Dakota gas depreciation report?**

4 **A.** With regard to plant in service, several of the proposed rates reflect  
5 changes (as outlined in Section 4 of the study) from the current  
6 depreciation rates.

7 The most notable depreciation/amortization occurred relative to  
8 Account 376 - Mains, Account 380 - Services, Account 391.1 - Office  
9 Furniture and Equipment, Account 391.5 - Computer Equipment - Other  
10 and Account 392.20 - Transportation Equipment - Cars & Trucks.

11 The proposed depreciation rate for Account 376 – Mains, increased  
12 from 1.92 percent to 2.97 percent. The proposed depreciation rate is the  
13 result of combined changes of both the average service life and net  
14 salvage parameters for the various property categories that comprise the  
15 overall plant account. Based upon the Company’s actual historical plant in  
16 service data individual service life parameters were estimated for each of  
17 the primary property groups (including Steel, Plastic, Valves, Manholes,  
18 and Bridge and River Crossings) as outlined in section 4 of the  
19 depreciation study report. The proposed average service life for each sub  
20 property group was changed in accordance with the life indication  
21 developed through an analysis of the Company’s historical data and  
22 consideration of future expectations. The resulting proposed composite  
23 average service life of the various property groups is forty-seven (47)

1 years, while the average service life underlying the present depreciation  
2 rate is an implicit forty-five (45) years. The future net salvage underlying  
3 the proposed depreciation rates is negative 50 percent while the future net  
4 salvage underlying the present depreciation rates is negative 60 percent.  
5 Notwithstanding the fact that both the estimated average service life was  
6 lengthened and the negative net salvage was reduced in developing the  
7 proposed depreciation rate, the resulting rate increased. Accordingly, the  
8 ARL depreciation rate increase is being driven by the fact that the current  
9 book depreciation reserve is at a lower level than required relative to the  
10 estimated depreciation parameters and currently average age of the  
11 property groups.

12 The proposed depreciation rate for Account 380 – Services,  
13 increased from 5.66 percent to 8.18 percent. The proposed depreciation  
14 rate is the result of combined changes of both the average service life and  
15 net salvage parameters for the various property categories that comprise  
16 the overall plant account. Based upon the Company's actual historical  
17 plant in service data individual service life parameters were estimated for  
18 each of the primary property groups (including Steel, Plastic, and Farm  
19 and Fuel Lines) as outlined in section 4 of the depreciation study report.  
20 The proposed average service life for each sub property group was  
21 changed in accordance with the life indication developed through an  
22 analysis of the Company's historical data and consideration of future  
23 expectations. The resulting proposed composite average service life of

1 the various property groups is an implicit forty (40) years, which is the  
2 same forty (40) year implicit average service life underlying the present  
3 implicit depreciation rate. The future net salvage underlying the proposed  
4 depreciation rates is negative two hundred (200) percent while the future  
5 net salvage underlying the present depreciation rates is negative one  
6 hundred seventy five (175) percent and is reflective of the increased level  
7 of negative net salvage being experienced by the company.

8 The depreciation rate relative to Account 392.20 - Transportation  
9 Equipment - Cars & Trucks decreased from 21.13 percent to 0.00 percent.  
10 The current estimated average service life is 7 years and the net salvage  
11 factor is estimated at 15 percent. The depreciation rate decrease is the  
12 product of the fact that the current plant in service investment is fully  
13 depreciated. Given the typical shorter average service life experienced  
14 by this property class, the depreciable life, net salvage rate and resulting  
15 annual depreciation rate requires more frequent review than has  
16 previously occurred. To the extent that significant retirements of existing  
17 property investments and additions of new property investments occur in  
18 the coming intervening years (and the current fully depreciated status of  
19 the property group declines significantly) a depreciation rate of 12.14  
20 percent (based upon the 7 year average service life and 15 percent net  
21 salvage) should be utilized until the next depreciation study is performed.

1 **Q30. What is the net change to the composite depreciation rate under the**  
2 **proposed depreciation rates in comparison to December 31, 2008**  
3 **present depreciation rates?**

4 **A.** Application of the proposed account level depreciation rates to the  
5 Company's plant in service as of December 31, 2008 produces a  
6 composite depreciation rate of 4.06 percent. By comparison the  
7 application of the December 31, 2008 then currently utilized account level  
8 depreciation rates to the Company's plant in service as of December 31,  
9 2008 produces a composite depreciation rate of 3.85 percent.

10 **Q31. What is the net change in annual depreciation expense under the**  
11 **proposed depreciation rates in comparison to present December 31,**  
12 **2008 depreciation rates?**

13 **A.** Exhibit No.\_\_(EMR-1), Section 2, Table 1, pages 2-1 to 2-2 indicates a  
14 net increase in annualized depreciation expense of \$525,793 in  
15 comparison to the depreciation expense produced by the then current  
16 depreciation rates, when applied to the Company's plant in service  
17 investment as of December 31, 2008.

18 **X. NET CHANGE FROM 12-31-11 BOOK DEPRECIATION RATES TO**  
19 **PROPOSED DEPRECIATION RATES FROM 12-31-2008 STUDY**

20 **Q32. Are there updates that need be incorporated into the proposed**  
21 **account level depreciation rates set forth in the December 31, 2008**  
22 **depreciation study?**

23 **A.** Yes, in the December 31, 2008 depreciation study the Company did not  
24 have investments in Account 333-Field Compressor Station Equipment.

1 Since that period of time, the Company has invested approximately \$10  
2 million in equipment contained in this property account. Subsequent to  
3 the placement of the property and related investment, the Company  
4 implemented a book depreciation rate of 3.33% for this property group.

5 Also, at the time of the completion of the December 31, 2008 depreciation  
6 study Account 392.2-Transportation Equipment was fully accrued, which  
7 resulted in a then proposed depreciation rate of 0.0%. Since that time the  
8 Company has added and retired various items of plant in the property  
9 account. As of December 31, 2010, calculations were completed and the  
10 Company adjusted its book depreciation rate to 0.26%. With the passage of  
11 time, changes will continue to occur in the property account. Accordingly,  
12 due to the nature of this type of plant, the Company will recalculate the  
13 depreciation rate on a more frequent basis.

14 **Q33. Have you prepared an exhibit which compares the composite**  
15 **depreciation rate under current book depreciation rates versus the**  
16 **account level depreciation rates from the December 31, 2008**  
17 **depreciation study when applied to the Company's December 31,**  
18 **2012 Gas plant in service balances?**

19 **A.** Yes, that information is contained on Exhibit No.\_\_(EMR-3).

20 **Q34. What is the net change to the Company's Gas composite**  
21 **depreciation rate under the proposed December 31, 2008**  
22 **depreciation study rates in comparison to present book depreciation**

1           **rates when applied to the Gas plant in service as of December 31,**  
2           **2012?**

3    A.    Exhibit No. \_\_\_(EMR-3) shows the application of the proposed December  
4           31, 2008 depreciation study account level depreciation rates to the  
5           Company's Gas plant in service as of December 31, 2012, which, as  
6           shown on page 3 of the exhibit, produces a composite depreciation rate of  
7           4.20 percent. By comparison, the application of the pre-2008 depreciation  
8           rates (Column D) to the Company's plant in service as of December 31,  
9           2012 produces a composite depreciation rate of 3.12 percent, or an  
10          increase in the composite rate for Montana-Dakota Gas Plant of 1.08  
11          percent based on 2012 levels.

12   **Q35. Have you prepared an exhibit which compares the composite**  
13          **depreciation rates versus the account level deprecation rates from**  
14          **the December 31, 2008 depreciation study when applied to the**  
15          **Company's December 31, 2012 Common plant in service balances?**

16    A.    Yes, that information is contained on Exhibit No. \_\_\_(EMR-4).

17   **Q36. What is the net change to the Company's Common Plant composite**  
18          **depreciation rate under the proposed December 31, 2008**  
19          **depreciation study rates in comparison to present book depreciation**  
20          **rates when applied to the Common plant in service as of December**  
21          **31, 2012?**

1 A. Exhibit No. \_\_\_(EMR-4) shows the application of the proposed December 31,  
2 2008 depreciation study account level depreciation rates to the Company's  
3 Common plant in service as of December 31, 2012, which, as shown on page 1 of  
4 the exhibit, produces a composite depreciation rate of 3.95 percent. By  
5 comparison, the application of the pre-2008 depreciation rates (Column D) to the  
6 Company's plant in service as of December 31, 2012 produces a composite  
7 depreciation rate of 5.09 percent, or an decrease in the composite rate for  
8 Montana-Dakota Common Plant of 1.14 percent based on 2012 levels.

9 **XI. RECOMMENDATION**

10 **Q35. What is your recommendation in this proceeding?**

11 A. I recommend that the proposed depreciation rates set forth in the  
12 comprehensive depreciation study reports be uniformly and prospectively  
13 adopted by the Commission for regulatory purposes as well as by the  
14 Company for accounting purposes.

15 **Q36. Does this conclude your direct testimony?**

16 A. Yes, it does.

Montana-Dakota Utilities Company  
Gas Division

Summary of Original Cost of Utility Plant in Service as of December 31, 2012  
and Related Annual Depreciation Expense Under 12-31-08 Present and Proposed Rates (Except Accounts 333 & 392.20)

Account No.	Description	Original Cost 12/31/12	Present Book Rates		Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		Net Change Depr. Exp.
			Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
<b>DEPRECIABLE PLANT</b>													
<b>Production &amp; Gathering Plant</b>													
333.00	Field Compressor Station Equip.	10,886,812.26	3.33%	362,530.85	3.33%	362,530.85	0.00%	0.00	0.00%	0.00	3.33%	362,530.85	0.00
	TOTAL Production & Gathering Plant	10,886,812.26	3.33%	362,530.85	3.33%	362,530.85	0.00%	0.00	0.00%	0.00	3.33%	362,530.85	0.00
<b>Distribution Plant</b>													
374.20	Rights of Way	411,625.37	1.39%	5,721.59	1.39%	5,721.59	0.00%	0.00	0.00%	0.00	1.39%	5,721.59	0.00
375.00	Distr. Meas & Reg Station Structures	712,415.50	1.81%	12,894.72	1.52%	10,828.72	0.18%	1,282.35	1.07%	7,622.85	2.77%	19,733.91	6,839.19
<b>Mains</b>													
376.10	Mains-Steel		2.08%	0.00	1.77%	0.00	0.00%	0.00	1.07%	0.00	2.84%	0.00	0.00
376.20	Mains-Plastic		2.08%	0.00	1.99%	0.00	0.00%	0.00	1.06%	0.00	3.05%	0.00	0.00
376.30	Mains-Valves		2.08%	0.00	2.29%	0.00	0.00%	0.00	1.25%	0.00	3.54%	0.00	0.00
376.40	Mains-Manholes		2.08%	0.00	1.83%	0.00	0.00%	0.00	1.06%	0.00	2.89%	0.00	0.00
376.50	Mains-Bridge & River Crossings		2.08%	0.00	2.06%	0.00	0.00%	0.00	1.07%	0.00	3.13%	0.00	0.00
	Total Mains	130,924,168.49	2.08%	2,723,222.70	1.90%	2,493,342.53	0.00%	0.00	1.06%	1,394,006.63	2.97%	3,887,349.16	1,164,126.46
378.00	Meas & Reg Station Equip-General	2,626,273.28	3.29%	86,404.39	2.22%	58,303.27	0.00%	0.00	0.92%	24,161.71	3.14%	82,464.98	(3,939.41)
379.00	Meas & Reg Station Equip-City Gate	2,325,819.43	2.81%	65,355.53	2.81%	65,355.53	0.00%	0.00	0.94%	21,862.70	3.75%	87,218.23	21,862.70
<b>Services</b>													
380.10	Services-Steel		5.75%	0.00	2.48%	0.00	0.00%	0.00	7.17%	0.00	9.65%	0.00	0.00
380.20	Services-Plastic		5.75%	0.00	2.50%	0.00	0.00%	0.00	5.41%	0.00	7.91%	0.00	0.00
380.30	Farm & Fuel Lines		5.75%	0.00	3.34%	0.00	0.00%	0.00	7.67%	0.00	11.01%	0.00	0.00
	Total Services	69,957,275.32	5.75%	4,022,543.33	2.50%	1,749,811.56	0.00%	0.00	5.68%	3,971,112.68	8.18%	5,720,924.23	1,698,380.90
381.00	Meters	61,179,320.80	2.81%	1,719,138.91	2.91%	1,780,318.24	0.00%	0.00	0.62%	379,311.79	3.53%	2,159,630.02	440,491.11
383.00	Service Regulators	7,268,388.36	1.57%	114,113.70	2.16%	156,997.19	-0.39%	-28,346.71	0.00%	0.00	1.77%	128,650.47	14,536.78
385.00	Industrial Meas. & Reg. Station Equip	786,434.70	2.43%	19,110.36	2.43%	19,110.36	0.35%	2,752.52	0.53%	4,168.10	3.31%	26,030.99	6,920.63
<b>MISCELLANEOUS EQUIPMENT</b>													
386.10	Misc Property on Customers Premise	1,679.84	2.39%	40.15	2.39%	40.15	0.00%	0.00	0.00%	0.00	2.39%	40.15	0.00
386.20	CNG Refueling station	261,880.34	0.27%	707.08	0.27%	707.08	0.00%	0.00	0.00%	0.00	0.27%	707.08	0.00
386.30	CNG Lease/Demo												
	TOTAL Account 386	263,560.18	0.28%	747.23	0.28%	747.23	0.00%	0.00	0.00%	0.00	0.28%	747.23	0.00

**Montana-Dakota Utilities Company  
Gas Division**

**Summary of Original Cost of Utility Plant in Service as of December 31, 2012  
and Related Annual Depreciation Expense Under 12-31-08 Present and Proposed Rates (Except Accounts 333 & 392.20)**

Account No.	Description	Original Cost 12/31/12	Present Book Rates		Proposed Rates				Proposed COR Rates		Total Proposed Rates		Net Change Depr. Exp.
			Rate %	Annual Accrual	Proposed Plant Only Rates Rate %	Annual Accrual	Proposed Gross Salv Rates Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
OTHER EQUIPMENT													
387.10	Cathodic Protection Equipment	2,493,788.21	3.21%	80,050.60	3.21%	80,050.60	0.00%	0.00	0.00%	0.00	3.21%	80,050.60	0.00
387.20	Other Distribution Equipment	587,151.32	0.99%	5,812.80	0.99%	5,812.80	0.00%	0.00	0.00%	0.00	0.99%	5,812.80	0.00
TOTAL Account 387		3,080,939.53	2.79%	85,863.40	2.79%	85,863.40	0.00%	0.00	0.00%	0.00	2.79%	85,863.40	0.00
TOTAL Distribution Plant		279,536,220.96	3.17%	8,855,115.87	2.30%	6,426,399.60	-0.01%	(24,311.85)	2.08%	5,802,246.46	4.37%	12,204,334.22	3,349,218.35
General Plant													
390.00	General Structures	8,575,703.67	3.09%	264,989.24	3.09%	264,989.24	-0.04%	-3,430.28	0.41%	35,160.39	3.46%	296,719.35	31,730.10
OFFICE FURNITURE & EQUIPMENT													
391.10	Office Furniture & Equipment	350,859.82	4.97%	17,437.73	6.59%	23,127.84	0.00%	0.00	0.00%	0.00	6.59%	23,127.84	5,690.11
391.30	Computer Equipment - PC	164,948.51	26.02%	42,919.60	11.28%	18,600.57	0.00%	0.00	0.00%	0.00	11.28%	18,600.57	(24,319.03)
391.50	Other Computer Equipment	28,019.12	0.00%	0.00	4.97%	1,391.69	0.00%	0.00	0.00%	0.00	4.97%	1,391.69	1,391.69
TOTAL Account 391		543,827.45	11.10%	60,357.34	7.93%	43,120.09	0.00%	0.00	0.00%	0.00	22.70%	123,463.20	(17,237.24)
TRANSPORTATION EQUIPMENT													
392.10	Transportation Equipment (Trailers)	480,123.60	9.67%	46,427.95	12.35%	59,295.26	-2.68%	-12,867.31	0.00%	0.00	9.67%	46,427.95	0.00
392.20	Trans Equipment (Cars & Trucks)	7,958,079.65	0.26%	20,691.01	1.04%	82,764.03	0.00%	0.00	0.00%	0.00	1.04%	82,764.03	62,073.02
TOTAL Account 392		8,438,203.25	0.80%	67,118.96	1.68%	142,059.29	-0.15%	(12,867.31)	0.00%	0.00	1.53%	129,191.98	62,073.02
393.00	Stores Equipment	63,604.67	2.49%	1,583.76	2.44%	1,550.00	0.00%	0.00	0.00%	0.00	2.44%	1,550.00	(78.70)
TOOLS, SHOP & GARAGE EQ.													
394.10	Tools, Shop & Garage Equip. (Non-U)	2,128,829.43	6.62%	140,928.51	5.65%	120,257.86	0.00%	0.00	0.00%	0.00	5.65%	120,257.86	(20,670.65)
394.30	Vehicle Maintenance Equipment	5,923.44	5.78%	342.37	7.12%	421.55	0.00%	0.00	0.00%	0.00	7.12%	421.55	79.17
394.40	Vehicle Refueling Equipment	12,444.04	4.72%	587.36	10.32%	1,284.61	0.00%	0.00	0.00%	0.00	10.32%	1,284.61	697.25
TOTAL Account 394		2,147,196.91	6.61%	141,858.24	5.68%	121,964.02	0.00%	0.00	0.00%	0.00	5.68%	121,964.02	(19,894.22)
395.00	Laboratory Equipment	217,351.36	7.67%	16,670.85	6.95%	15,113.85	0.00%	0.00	0.00%	0.00	6.95%	15,113.85	(1,557.00)
POWER OPERATED EQUIPMENT													
396.10	Work Equipment (Trailers)	599,744.60	6.02%	36,104.62	10.19%	61,113.97	-4.17%	-25,009.35	0.00%	0.00	6.02%	36,104.62	0.00
396.20	Power Operated Equipment	7,250,310.81	0.95%	68,877.95	31.72%	2,299,798.59	-30.77%	-2,230,920.64	0.00%	0.00	0.95%	68,877.95	0.00
TOTAL Account 396		7,850,055.41	1.34%	104,982.58	30.08%	2,360,912.56	-28.74%	(2,255,929.99)	0.00%	0.00	1.34%	104,982.58	0.00

**Montana-Dakota Utilities Company**  
Gas Division

**Summary or Original Cost of Utility Plant in Service as of December 31, 2012  
and Related Annual Depreciation Expense Under 12-31-08 Present and Proposed Rates (Except Accounts 333 & 392.20)**

Account No.	Description	Original Cost 12/31/12	Present Book Rates		Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		Net Change Depr.. Exp.
			Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
<b>COMMUNICATION EQUIPMENT</b>													
397.10	Radio Communication Equip. (Fixed)	466,781.11	7.37%	34,401.77	6.07%	28,321.87	0.00%	0.00	0.00%	0.00	6.07%	28,321.87	(6,079.90)
397.20	Radio Communication Equip. (Mobile)	381,613.82	7.34%	28,010.45	4.06%	15,506.61	0.00%	0.00	0.00%	0.00	4.06%	15,506.61	(12,503.84)
397.30	General Telephone Communication E	48,943.33	9.88%	4,835.60	10.69%	5,233.28	0.00%	0.00	0.00%	0.00	10.69%	5,233.28	397.68
397.80	Network Equipment	22,598.35	26.26%	5,934.33	17.68%	3,995.34	0.00%	0.00	0.00%	0.00	17.68%	3,995.34	(1,938.99)
	TOTAL Account 397	919,936.61	7.96%	73,182.15	5.77%	53,057.10	0.00%	0.00	0.00%	0.00	5.77%	53,057.10	(20,125.05)
398.00	Miscellaneous Equipment	61,101.33	1.27%	775.99	9.43%	5,762.32	0.00%	0.00	0.00%	0.00	9.43%	5,762.32	4,986.33
	Sub-Total (General Plant) Amortizatio	<b>3,953,018.33</b>	7.45%	<b>294,428.32</b>	6.09%	<b>240,567.38</b>	0.00%	<b>0.00</b>	0.00%	<b>0.00</b>	8.12%	<b>320,910.48</b>	<b>(53,905.88)</b>
	TOTAL General Plant	28,816,980.66	2.54%	731,519.10	10.44%	3,008,528.48	-7.89%	(2,272,227.58)	0.12%	35,160.39	2.96%	851,804.39	39,897.24
	TOTAL Depreciable Plant	319,240,013.88	3.12%	9,949,165.81	3.07%	9,797,458.93	-0.72%	-2,296,539.43	1.83%	5,837,406.85	4.20%	13,418,669.46	3,389,115.60
<b>NON-DEPRECIABLE PLANT</b>													
374.1	Land (Distribution)	198,590.20											
389	Land & Land Rights (General)	1,519,439.18											
	Total Land	1,718,029.38											
<b>INTANGIBLE PLANT</b>													
303	Miscellaneous Intangible Plant	3,804,207.08											
	Total Intangible Plant	3,804,207.08											
	TOTAL Non-Depreciable Plant	5,522,236.46											
	TOTAL Plant in Service	324,762,250.34											
339	ARO-Production & Gathering	98,285.22											
388	ARO-Distribution	115,629.38											
		324,976,164.94											

**Montana-Dakota Utilities Company**  
**Gas Division**

**Summary of Original Cost of Utility Plant in Service as of December 31, 2012**  
**and Related Annual Depreciation Expense Under 12-31-08 Present and Proposed Rates (Except Accounts 333 & 392.20)**

Account No.	Description	Original Cost 12/31/12	Present Book Rates		Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		Net Change Depr., Exp.
			Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
<b>DEPRECIABLE PLANT</b>													
<b>Production &amp; Gathering Plant</b>													
333.00	Field Compressor Station Equip.	10,886,812.26	3.33%	362,530.85	3.33%	362,530.85	0.00%	0.00	0.00%	0.00	3.33%	362,530.85	0.00
	TOTAL Production & Gathering Plant	10,886,812.26	3.33%	362,530.85	3.33%	362,530.85	0.00%	0.00	0.00%	0.00	3.33%	362,530.85	0.00
<b>Distribution Plant</b>													
374.20	Rights of Way	411,625.37	1.39%	5,721.59	1.39%	5,721.59	0.00%	0.00	0.00%	0.00	1.39%	5,721.59	0.00
375.00	Distr. Meas & Reg Station Structures	712,415.50	1.81%	12,894.72	1.52%	10,828.72	0.18%	1,282.35	1.07%	7,622.85	2.77%	19,733.91	6,839.19
<b>Mains</b>													
376.10	Mains-Steel		2.08%	0.00	1.77%	0.00	0.00%	0.00	1.07%	0.00	2.84%	0.00	0.00
376.20	Mains-Plastic		2.08%	0.00	1.99%	0.00	0.00%	0.00	1.06%	0.00	3.05%	0.00	0.00
376.30	Mains-Valves		2.08%	0.00	2.29%	0.00	0.00%	0.00	1.25%	0.00	3.54%	0.00	0.00
376.40	Mains-Manholes		2.08%	0.00	1.83%	0.00	0.00%	0.00	1.06%	0.00	2.89%	0.00	0.00
376.50	Mains-Bridge & River Crossings		2.08%	0.00	2.06%	0.00	0.00%	0.00	1.07%	0.00	3.13%	0.00	0.00
	Total Mains	130,924,168.49	2.08%	2,723,222.70	1.90%	2,493,342.53	0.00%	0.00	1.06%	1,394,006.63	2.97%	3,887,349.16	1,164,126.46
378.00	Meas & Reg Station Equip-General	2,626,273.28	3.29%	86,404.39	2.22%	58,303.27	0.00%	0.00	0.92%	24,161.71	3.14%	82,464.98	(3,939.41)
379.00	Meas & Reg Station Equip-City Gate	2,325,819.43	2.81%	65,355.53	2.81%	65,355.53	0.00%	0.00	0.94%	21,862.70	3.75%	87,218.23	21,862.70
<b>Services</b>													
380.10	Services-Steel		5.75%	0.00	2.48%	0.00	0.00%	0.00	7.17%	0.00	9.65%	0.00	0.00
380.20	Services-Plastic		5.75%	0.00	2.50%	0.00	0.00%	0.00	5.41%	0.00	7.91%	0.00	0.00
380.30	Farm & Fuel Lines		5.75%	0.00	3.34%	0.00	0.00%	0.00	7.67%	0.00	11.01%	0.00	0.00
	Total Services	69,957,275.32	5.75%	4,022,543.33	2.50%	1,749,811.56	0.00%	0.00	5.68%	3,971,112.68	8.18%	5,720,924.23	1,698,380.90
381.00	Meters	61,179,320.80	2.81%	1,719,138.91	2.91%	1,780,318.24	0.00%	0.00	0.62%	379,311.79	3.53%	2,159,630.02	440,491.11
383.00	Service Regulators	7,268,388.36	1.57%	114,113.70	2.16%	156,997.19	-0.39%	-28,346.71	0.00%	0.00	1.77%	128,650.47	14,536.78
385.00	Industrial Meas. & Reg. Station Equip	786,434.70	2.43%	19,110.36	2.43%	19,110.36	0.35%	2,752.52	0.53%	4,168.10	3.31%	26,030.99	6,920.63
<b>MISCELLANEOUS EQUIPMENT</b>													
386.10	Misc Property on Customers Premise	1,679.84	2.39%	40.15	2.39%	40.15	0.00%	0.00	0.00%	0.00	2.39%	40.15	0.00
386.20	CNG Refueling station	261,880.34	0.27%	707.08	0.27%	707.08	0.00%	0.00	0.00%	0.00	0.27%	707.08	0.00
386.30	CNG Lease/Demo												
	TOTAL Account 386	263,560.18	0.28%	747.23	0.28%	747.23	0.00%	0.00	0.00%	0.00	0.28%	747.23	0.00

**Montana-Dakota Utilities Company**  
Gas Division

**Summary of Original Cost of Utility Plant in Service as of December 31, 2012  
and Related Annual Depreciation Expense Under 12-31-08 Present and Proposed Rates (Except Accounts 333 & 392.20)**

Account No.	Description	Original Cost 12/31/12	Present Book Rates		Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		Net Change	
			Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Depr.	Exp.
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
OTHER EQUIPMENT														
387.10	Cathodic Protection Equipment	2,493,788.21	3.21%	80,050.60	3.21%	80,050.60	0.00%	0.00	0.00%	0.00	3.21%	80,050.60	0.00	
387.20	Other Distribution Equipment	587,151.32	0.99%	5,812.80	0.99%	5,812.80	0.00%	0.00	0.00%	0.00	0.99%	5,812.80	0.00	
TOTAL Account 387		3,080,939.53	2.79%	85,863.40	2.79%	85,863.40	0.00%	0.00	0.00%	0.00	2.79%	85,863.40	0.00	
TOTAL Distribution Plant		279,536,220.96	3.17%	8,855,115.87	2.30%	6,426,399.60	-0.01%	(24,311.85)	2.08%	5,802,246.46	4.37%	12,204,334.22	3,349,218.35	
General Plant														
390.00	General Structures	8,575,703.67	3.09%	264,989.24	3.09%	264,989.24	-0.04%	-3,430.28	0.41%	35,160.39	3.46%	296,719.35	31,730.10	
OFFICE FURNITURE & EQUIPMENT														
391.10	Office Furniture & Equipment	350,859.82	4.97%	17,437.73	6.59%	23,127.84	0.00%	0.00	0.00%	0.00	6.59%	23,127.84	5,690.11	
391.30	Computer Equipment - PC	164,948.51	26.02%	42,919.60	11.28%	18,600.57	0.00%	0.00	0.00%	0.00	11.28%	18,600.57	(24,319.03)	
391.50	Other Computer Equipment	28,019.12	0.00%	0.00	4.97%	1,391.69	0.00%	0.00	0.00%	0.00	4.97%	1,391.69	1,391.69	
TOTAL Account 391		543,827.45	11.10%	60,357.34	7.93%	43,120.09	0.00%	0.00	0.00%	0.00	22.70%	123,463.20	(17,237.24)	
TRANSPORTATION EQUIPMENT														
392.10	Transportation Equipment (Trailers)	480,123.60	9.67%	46,427.95	12.35%	59,295.26	-2.68%	-12,867.31	0.00%	0.00	9.67%	46,427.95	0.00	
392.20	Trans Equipment (Cars & Trucks)	7,958,079.65	0.26%	20,691.01	1.04%	82,764.03	0.00%	0.00	0.00%	0.00	1.04%	82,764.03	62,073.02	
TOTAL Account 392		8,438,203.25	0.80%	67,118.96	1.68%	142,059.29	-0.15%	(12,867.31)	0.00%	0.00	1.53%	129,191.98	62,073.02	
393.00	Stores Equipment	63,604.67	2.49%	1,583.76	2.44%	1,550.00	0.00%	0.00	0.00%	0.00	2.44%	1,550.00	(78.70)	
TOOLS, SHOP & GARAGE EQ.														
394.10	Tools, Shop & Garage Equip. (Non-U)	2,128,829.43	6.62%	140,928.51	5.65%	120,257.86	0.00%	0.00	0.00%	0.00	5.65%	120,257.86	(20,670.65)	
394.30	Vehicle Maintenance Equipment	5,923.44	5.78%	342.37	7.12%	421.55	0.00%	0.00	0.00%	0.00	7.12%	421.55	79.17	
394.40	Vehicle Refueling Equipment	12,444.04	4.72%	587.36	10.32%	1,284.61	0.00%	0.00	0.00%	0.00	10.32%	1,284.61	697.25	
TOTAL Account 394		2,147,196.91	6.61%	141,858.24	5.68%	121,964.02	0.00%	0.00	0.00%	0.00	5.68%	121,964.02	(19,894.22)	
395.00	Laboratory Equipment	217,351.36	7.67%	16,670.85	6.95%	15,113.85	0.00%	0.00	0.00%	0.00	6.95%	15,113.85	(1,557.00)	
POWER OPERATED EQUIPMENT														
396.10	Work Equipment (Trailers)	599,744.60	6.02%	36,104.62	10.19%	61,113.97	-4.17%	-25,009.35	0.00%	0.00	6.02%	36,104.62	0.00	
396.20	Power Operated Equipment	7,250,310.81	0.95%	68,877.95	31.72%	2,299,798.59	-30.77%	-2,230,920.64	0.00%	0.00	0.95%	68,877.95	0.00	
TOTAL Account 396		7,850,055.41	1.34%	104,982.58	30.08%	2,360,912.56	-28.74%	(2,255,929.99)	0.00%	0.00	1.34%	104,982.58	0.00	

**Montana-Dakota Utilities Company**  
Gas Division

**Summary of Original Cost of Utility Plant in Service as of December 31, 2012  
and Related Annual Depreciation Expense Under 12-31-08 Present and Proposed Rates (Except Accounts 333 & 392.20)**

Account No. (a)	Description (b)	Original Cost 12/31/12 (c)	Present Book Rates		Proposed Rates						Net Change Depr., Exp. (n)		
			Rate % (d)	Annual Accrual (e)	Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates			Total Proposed Rates	
					Rate % (f)	Annual Accrual (g)	Rate % (h)	Annual Accrual (i)	Rate % (j)	Annual Accrual (k)		Rate % (l)	Annual Accrual (m)
<b>COMMUNICATION EQUIPMENT</b>													
397.10	Radio Communication Equip. (Fixed)	466,781.11	7.37%	34,401.77	6.07%	28,321.87	0.00%	0.00	0.00%	0.00	6.07%	28,321.87	(6,079.90)
397.20	Radio Communication Equip. (Mobile)	381,613.82	7.34%	28,010.45	4.06%	15,506.61	0.00%	0.00	0.00%	0.00	4.06%	15,506.61	(12,503.84)
397.30	General Telephone Communication E	48,943.33	9.88%	4,835.60	10.69%	5,233.28	0.00%	0.00	0.00%	0.00	10.69%	5,233.28	397.68
397.80	Network Equipment	22,598.35	26.26%	5,934.33	17.68%	3,995.34	0.00%	0.00	0.00%	0.00	17.68%	3,995.34	(1,938.99)
	TOTAL Account 397	919,936.61	7.96%	73,182.15	5.77%	53,057.10	0.00%	0.00	0.00%	0.00	5.77%	53,057.10	(20,125.05)
398.00	Miscellaneous Equipment	61,101.33	1.27%	775.99	9.43%	5,762.32	0.00%	0.00	0.00%	0.00	9.43%	5,762.32	4,986.33
	Sub-Total (General Plant) Amortizatio	<b>3,953,018.33</b>	7.45%	<b>294,428.32</b>	6.09%	<b>240,567.38</b>	0.00%	<b>0.00</b>	0.00%	<b>0.00</b>	8.12%	<b>320,910.48</b>	<b>(53,905.88)</b>
	TOTAL General Plant	28,816,980.66	2.54%	731,519.10	10.44%	3,008,528.48	-7.89%	(2,272,227.58)	0.12%	35,160.39	2.96%	851,804.39	39,897.24
	TOTAL Depreciable Plant	319,240,013.88	3.12%	9,949,165.81	3.07%	9,797,458.93	-0.72%	-2,296,539.43	1.83%	5,837,406.85	4.20%	13,418,669.46	3,389,115.60
<b>NON-DEPRECIABLE PLANT</b>													
374.1	Land (Distribution)	198,590.20											
389	Land & Land Rights (General)	1,519,439.18											
	Total Land	1,718,029.38											
<b>INTANGIBLE PLANT</b>													
303	Miscellaneous Intangible Plant	3,804,207.08											
	Total Intangible Plant	3,804,207.08											
	TOTAL Non-Depreciable Plant	5,522,236.46											
	TOTAL Plant in Service	324,762,250.34											
339	ARO-Production & Gathering	98,285.22											
388	ARO-Distribution	115,629.38											
		324,976,164.94											

**Montana-Dakota Utilities Company**  
Common Plant

**Summary of Original Cost of Utility Plant in Service as of December 31, 2012  
and Related Annual Depreciation Expense Under Present and Proposed Rates**

Account No.	Description	Original Cost 12/31/12	Present Rates		Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		Net Change Depr. Exp.
			Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	Rate %	Annual Accrual	
(a)	(b)		(d)	(e)	(f)	(g)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<b>DEPRECIABLE PLANT</b>													
<b>General Plant</b>													
390.0	General Structures	\$34,348,066.66	2.93%	1,006,398.35	2.51%	862,136.47	0.07%	24,043.65	-0.33%	(113,348.62)	2.25%	772,831.50	(233,566.85)
OFFICE FURNITURE & EQUIPMENT													
391.1	Office Furniture & Equipment	\$2,982,878.67	4.95%	147,652.49	6.75%	201,199.50	0.00%	0.00	0.00%	0.00	6.75%	201,199.50	53,547.01
391.2	Computer Equipment - Honeywell	0.00	1.52%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00
391.3	Computer Equipment - PC	\$2,037,878.75	23.29%	474,621.96	7.28%	148,412.53	0.00%	0.00	0.00%	0.00	7.28%	148,412.53	(326,209.43)
391.4	Computer Equipment - Prime/Sun	0.00	26.51%	0.00	0.68%	0.00	0.00%	0.00	0.00%	0.00	0.68%	0.00	0.00
391.5	Computer Equipment - Other	\$2,082,912.79	0.46%	9,581.40	18.40%	383,305.92	0.00%	0.00	0.00%	0.00	18.40%	383,305.92	373,724.52
	TOTAL Account 391	7,103,670.21	8.89%	631,855.85	10.32%	732,917.95	0.00%	0.00	0.00%	0.00	10.32%	732,917.95	101,062.10
TRANSPORTATION EQUIPMENT													
392.1	Transportation Equipment (Trailers)	(\$0.00)	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00 (1)	0.00%	0.00	0.00
392.2	Transportation Equipment (Cars & Trucks)	\$5,510,217.86	13.33%	734,512.04	9.14%	503,633.91	-4.44%	(244,653.67)	0.00%	0.00	4.70%	258,980.24	(475,531.80)
	TOTAL Account 392	5,510,217.86	13.33%	734,512.04	9.14%	503,633.91	-4.44%	(244,653.67)	0.00%	0.00	4.70%	258,980.24	(475,531.80)
393.0	Stores Equipment	\$57,498.17	2.80%	1,609.95	3.32%	1,908.48	0.00%	0.00	0.00%	0.00	3.32%	1,908.48	298.53
TOOLS, SHOP & GARAGE EQ.													
394.1	Tools, Shop & Garage Equip. (Non-Unitized)	\$531,640.67	6.11%	32,483.24	6.71%	35,697.53	0.00%	0.00	0.00%	0.00	6.71%	35,697.53	3,214.29
394.3	Vehicle Maintenance Equipment	\$104,823.25	4.75%	4,979.10	5.33%	5,592.23	0.00%	0.00	0.00%	0.00	5.33%	5,592.23	613.13
394.4	Vehicle Refueling Equipment	\$47,930.57	4.38%	2,099.36	3.28%	1,574.01	0.00%	0.00	0.00%	0.00	3.28%	1,574.01	(525.35)
	TOTAL Account 394	684,394.49	5.78%	39,561.70	6.26%	42,863.77	0.00%	0.00	0.00%	0.00	6.26%	42,863.77	3,302.07
396.2	Power Operated Equipment	\$0.00	2.69%	0.00	18.22%	0.00	-10.64%	0.00	0.00%	0.00	7.58%	0.00	0.00
COMMUNICATION EQUIPMENT													
397.1	Radio Communication Equip. (Fixed)	\$1,109,153.92	4.99%	55,346.78	4.70%	52,117.19	0.00%	0.00	0.00%	0.00	4.70%	52,117.19	(3,229.59)
397.2	Radio Communication Equip. (Mobile)	\$621,961.05	4.08%	25,376.01	4.13%	25,657.42	0.00%	0.00	0.00%	0.00	4.13%	25,657.42	281.41
397.3	General Telephone Communication Equip.	\$158,635.23	8.72%	13,832.99	7.78%	12,348.28	0.00%	0.00	0.00%	0.00	7.78%	12,348.28	(1,484.71)
397.5	Supervisory & Telemetering Equip.	\$2,001.82	0.35%	7.01	4.24%	84.87	0.00%	0.00	0.00%	0.00	4.24%	84.87	77.86
397.8	Network Equipment	\$387,441.40	17.95%	69,545.73	18.95%	73,419.63	0.00%	0.00	0.00%	0.00	18.95%	73,419.63	3,873.90
	TOTAL Account 397	2,279,193.42	7.20%	164,108.52	7.18%	163,627.39	0.00%	0.00	0.00%	0.00	7.18%	163,627.39	(481.13)
398.0	Miscellaneous Equipment	\$1,262,286.92	2.41%	30,421.11	4.01%	50,653.74	0.00%	0.00	0.00%	0.00	4.01%	50,653.74	20,232.63
	Sub-Total (General Plant) Amortization	11,387,043.21	7.62%	867,557.13	8.71%	991,971.33	0.00%	0.00	0.00%	0.00	8.71%	991,971.33	124,414.20
	TOTAL General Plant	51,245,327.73	5.09%	2,608,467.52	4.60%	2,357,741.71	-0.43%	(220,610.02)	-0.22%	(113,348.62)	3.95%	2,023,783.07	(584,684.45)
	TOTAL Depreciable Plant	51,245,327.73	5.09%	2,608,467.52	4.60%	2,357,741.71	-0.43%	(220,610.02)	-0.22%	(113,348.62)	3.95%	2,023,783.07	(584,684.45)

**Montana-Dakota Utilities Company**  
Common Plant

**Summary of Original Cost of Utility Plant in Service as of December 31, 2012  
and Related Annual Depreciation Expense Under Present and Proposed Rates**

Account No.	Description	Original Cost 12/31/12	Present Rates		Proposed Rates								Net Change Depr. Exp.
			Rate %	Annual Accrual	Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		
(a)	(b)		(d)	(e)	(f)	(g)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	<b><u>Amortizable Plant</u></b>												
392.3	Aircraft Equipment	\$4,333,824.70											
	TOTAL Amortizable Plant	4,333,824.70											
	<b><u>NON-DEPRECIABLE PLANT</u></b>												
389.0	Land & Land Rights (General)	\$2,953,917.95											
	Total Land	2,953,917.95											
	<b><u>INTANGIBLE PLANT</u></b>												
303.0	Miscellaneous Intangible Plant	\$26,077,381.59											
	Total Intangible Plant	26,077,381.59											
	TOTAL Non-Depreciable Plant	29,031,299.54											
	TOTAL Plant in Service	84,610,451.97											
	(1) Account Fully Depreciated. No further current depreciation accrual.												
		\$7,269.70											
		84,617,721.67											

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

Before the Public Service Commission of North Dakota  
Case No. PU-13-\_\_\_\_\_

Direct Testimony  
of  
Tamie A. Aberle

1   **Q.    Would you please state your name and business address?**

2    A.            Yes. My name is Tamie A. Aberle, and my business address is 400  
3            North Fourth Street, Bismarck, North Dakota 58501.

4   **Q.    What is your position with Montana-Dakota Utilities Co.?**

5    A.            I am the Director of Regulatory Affairs for Montana-Dakota Utilities  
6            Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

7   **Q.    What are your responsibilities as the Director of Regulatory Affairs?**

8    A.            My responsibilities include the preparation of rate design and  
9            miscellaneous tariff revision filings to ensure that the applicable revenue  
10           requirements are properly recovered from various customer classes via  
11           applicable rate forms. I also administer utility tariffs and rules and regula-  
12           tions effective in each of the jurisdictions in which Montana-Dakota  
13           provides utility service.

14  **Q.    Would you please outline your educational and professional  
15           background?**

16  A.            I graduated from Moorhead State University, Moorhead, Minnesota  
17           in 1982 with a Bachelor of Science degree in Accounting. I began my  
18           career with Montana-Dakota in 1983 in the Regulatory Affairs Department,

1 holding several positions within the Department including Rate  
2 Administration Supervisor, Pricing and Tariff Manager and Regulatory  
3 Affairs Manager before attaining my current position in 2012.

4 **Q. Have you testified in other proceedings before regulatory bodies?**

5 A. Yes. I have previously presented testimony before this  
6 Commission, the Public Service Commissions of Montana and Wyoming,  
7 and the Public Utilities Commissions of Minnesota and South Dakota.

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is to present the projected 2013 and  
10 2014 sales and transportation revenues, the results of the embedded  
11 class cost of service study and address the proposed recovery of the  
12 revenue requirement identified by Ms. Mulkern in her direct testimony on  
13 each of the Company's gas rates, including how the distribution of the  
14 revenue requirement was made among the various classes of customers  
15 served. Finally, my testimony will discuss the extent to which Montana-  
16 Dakota is proposing changes in rate design and/or tariff conditions.

17 **Q. What statements and exhibits are you sponsoring in this  
18 proceeding?**

19 A. I am sponsoring Pages 3 and 4 of Statement M, Statement O,  
20 Statement P and Exhibit No. \_\_ (TAA-1) through Exhibit No. \_\_\_\_ (TAA-3).  
21 I also sponsor the proposed rate schedules to be effective on a final basis  
22 provided in Appendix B to the Application and the proposed interim rate  
23 schedules appended to the Application for Interim Rate Relief.

1 **Q. What is the total revenue effect of the proposed gas rate changes?**

2 A. The proposed interim rates will produce additional revenues of  
3 \$4,457,029 or 4.2% annually based on the interim level of test period  
4 sales, while the final proposed rates will produce additional revenues of  
5 \$6,842,871 or 6.4% annually based on Projected 2014 throughput.  
6 Exhibit No. \_\_ (TAA-1) represents summaries by rate classification of the  
7 proposed interim and final revenue increase on pages 1 and 2  
8 respectively. The exhibit shows the rate number and a description along  
9 with the revenues calculated under the present and proposed rates. The  
10 amount and percentage increase is also shown for the proposed revenue  
11 increase.

12 **Q. Would you please explain Exhibit No. \_\_\_\_ (TAA-2)?**

13 A. Yes. Exhibit No. \_\_\_\_ (TAA-2) depicts bill comparisons based on  
14 typical monthly consumption levels for an annual period for Residential  
15 and Firm General Service customers. As shown by the comparisons  
16 provided on pages 1 through 3, the proposed rate structure will result in an  
17 average increase, based on final proposed rates, of approximately \$5.13  
18 per month for the typical Residential customer using 92 dk on an annual  
19 basis. A Small Firm General Service customer (Rate 70 with a meter  
20 rated less than 500 cubic feet per hour) would see an increase of  
21 approximately \$4.87 per month or 4.8% and a Large General Service  
22 customer (Rate 70 with a meter rated 500 cubic feet per hour or more)  
23 would see an increase of approximately \$6.55 per month or 1.1%.

1 **Sales and Transportation Revenues**

2 **Q. Would you please explain how the Projected 2013 and 2014 sales**  
3 **and transportation service revenues were developed?**

4 A. Yes. The starting point for developing the projected billing  
5 determinants and revenues was the normalized sales and transportation  
6 service billing determinants set forth on Statement G, page 2. The firm  
7 sales under the residential, firm general service and air force rate classes  
8 as recorded for the twelve months ended December 31, 2012 were  
9 adjusted to reflect normal weather based on regression models for each  
10 class of service. The direct or linear relationship between a respective  
11 service class' gas use (a dependent variable) and actual heating degree  
12 days (an independent variable) allows Montana-Dakota to calculate a use  
13 per customer that reflects this relationship on a go forward basis. The  
14 statistical functions used by the Company in its regression models, based  
15 on a 36-month time frame for actual sales and degree days, provided a  
16 baseload use (or constant) per customer, as well as a dekatherm use per  
17 degree day. The normalized volumes for the twelve months ended  
18 December 31, 2012, were developed by applying the actual customer  
19 levels and normal degree days for each month of 2012 to this baseload  
20 and use per degree day. The normalized use per customer was then  
21 applied to the projected customer levels to derive projected volumes.  
22 Customer projections were determined based on weighted average  
23 growth factors by district resulting in an increase of 3.93 percent in

1 residential customers in 2013 and 2014 and a 2.93 percent increase for  
2 firm general service customers in 2013 and 2014.

3 **Q. Did the Company use the same methodology to normalize volumes**  
4 **for all service classes?**

5 A. Yes, however, due to the diverse nature of natural gas use for the  
6 customers comprising the interruptible classes, separate regression  
7 models were run for interruptible customers by district. If a customer was  
8 determined to be non-heat sensitive, due to the customer's operating  
9 characteristics and the responsiveness to a change in temperature,  
10 volumes were determined for each individual customer based on a review  
11 of historical usage over the last three years and current operating  
12 conditions. Grain drying customers served under the interruptible service  
13 rates were excluded because the volumes associated with the grain drying  
14 load are difficult to predict with any certainty given the various factors  
15 affecting the need for natural gas at the grain drying facilities where, in  
16 addition to weather factors, commodity prices and the demand for certain  
17 commodities will also affect the operation of the grain dryers. Therefore,  
18 distribution revenues for the grain drying customers were excluded and  
19 the Company is proposing to implement a margin sharing adjustment that  
20 will provide a credit to all other customers through the PGA mechanism at  
21 90 percent of actual margins received from grain drying customers on an  
22 annual basis. Interruptible customer additions were projected to occur in  
23 2013 and 2014 based on information provided by region operation

1 personnel in conjunction with the Gas Supply Department.

2 **Embedded Class Cost of Service Study**

3 **Q. Would you please explain the embedded class cost of service study**  
4 **contained in Statement O?**

5 A. Yes. Statement O, pages 1 through 4 provide a report entitled  
6 "Cost of Service by Component." This report shows the total dollars and  
7 unit cost required under each rate if the projected rate of return of 7.881%  
8 were to be earned for the demand, energy and customer cost components  
9 of each rate schedule.

10 A detailed cost of service by the major rate classifications,  
11 Residential, Small Firm General, Large Firm General, Air Force Delivery  
12 (Rate 64), Small Interruptible Sales and Transportation, Large Interruptible  
13 Sales and Transportation and the Minot Air Force Base Distribution is  
14 provided in Statement O, pages 5-28. The allocation factor applied to the  
15 total North Dakota Projected 2014 amount is shown on each line item and  
16 allocation factors used to allocate the total North Dakota amount to each  
17 class and cost component as referenced are provided in Statement O,  
18 pages 29-40.

19 The embedded class cost of service study is based on the  
20 Projected 2014 North Dakota income statement and rate base for gas  
21 operations provided in Statements M and N as sponsored by Ms. Mulkern.

22 **Q. What were the results of the embedded cost of service study?**

23 A. The overall North Dakota gas rate of return based on Projected  
24 2014 results is 2.525%. The returns by customer class for the sales and  
25 transportation service classes are as shown below:  
26

Residential Service	0.460%
Small Firm General Service	3.774%
Large Firm General Service	6.292%
Air Force Delivery Service	-1.031%
Small Interruptible Sales & Transportation	1.341%
Large Interruptible Sales & Transportation	12.504%

1   **Q.    How did you determine what costs should be assigned to each class**  
2       **of customers?**

3    A.        The starting point was classifying the functionalized costs by FERC  
4        account for all rate base and income statement items as demand, energy  
5        or customer related based on the component of service being provided.  
6        Demand-related costs are costs that vary with the demand imposed by the  
7        customer, energy-related costs are costs that vary with the natural gas  
8        commodity the customer uses, and customer-related costs are fixed costs  
9        driven by the number of customers served.

10        Next the plant, expense and revenue items that were identified as  
11        directly related to a specific class of customers were directly assigned to  
12        the appropriate class. Finally, the remaining costs were allocated using  
13        the various allocation factors shown in Statement O, pages 29-40, on the  
14        basis of cost responsibility.

15   **Q.    Would you please provide an overview of the allocation process**  
16       **including the rationale underlying the choice of allocation factors?**

17    A.        Yes. I will start with the plant in service items on the rate base  
18        schedule starting on Statement O, Page 5. The plant allocation serves as  
19        the basis for allocating many of the other rate base items. The investment

1 in production plant represents the Company's investment in the Billings  
2 Landfill facility and was allocated to the demand component based on  
3 projected dk sales (Factor 3) on the basis the gas produced is utilized by  
4 the sales customers.

5 Turning now to the distribution plant investment; each distribution  
6 plant account is analyzed and allocated based on the cause for the  
7 investment. Distribution mains, services and meters represent  
8 approximately 90% of the total distribution investment and therefore the  
9 allocation of these three accounts drives the allocation of the remaining  
10 distribution investment. The investment in distribution mains has been  
11 assigned 75 percent to the demand component and 25 percent to the  
12 customer component. The amount classified as demand related was  
13 allocated to each rate class based on the system peak demand attributed  
14 to each class and the amount classified as customer related was allocated  
15 to each rate class based on average customers taking service in each rate  
16 class. The investment in services, service regulators and meters is  
17 related solely to a customer connection and therefore classified as  
18 customer related. Services were allocated to each rate class based on  
19 weighted services while service regulators and meters were allocated to  
20 the rate classes based on Factor 9 representing meters weighted by  
21 customer class derived by comparing the installed cost per meter for each  
22 rate class to the cost necessary to serve residential customers. The  
23 weights were then applied to the number of customers in each rate class.

1 The remainder of the rate base items is self-explanatory with the allocation  
2 factor noted for each line item.

3 **Q. Would you please continue with an explanation of the income**  
4 **statement items in the class cost of service study?**

5 A. Yes. The allocation of the income statement items starts on  
6 Statement O, page 7 with the allocation of revenues. As shown, sales and  
7 transportation service revenues are directly assigned based on the  
8 revenues produced by each rate class. The other revenues are allocated  
9 based on the source of the revenue item. Each item is shown along with  
10 the allocation factor applied. Operation and maintenance expenses  
11 consisting of the cost of purchased gas, production, distribution, customer  
12 accounts, customer service and information, sales and administrative and  
13 general expenses are also shown. The cost of purchased gas is directly  
14 assigned to each class based on the gas costs included in projected  
15 revenues. The cost of purchased gas is recovered through the gas cost  
16 tracking adjustment and is not recovered through the rates that will be  
17 established in this rate case. The operation and maintenance expenses  
18 are allocated based on cost causation and typically follow the plant  
19 investment previously described in the rate base section. The remainder  
20 of the income statement reflects the allocation of depreciation expense,  
21 taxes other than income and income taxes as denoted by each line item.

22 **Q. Would you please explain the rate class labeled as Minot Air Force**  
23 **Distribution found on Statement O, pages 23 through 28?**

1 A. Yes. The Minot Air Force Distribution rate class represents the cost  
2 of service associated with the Minot Air Force Distribution system  
3 Montana-Dakota purchased in 2008. The costs associated with Montana-  
4 Dakota's ownership of this system are recovered under a contract with the  
5 Minot Air Force Base and set forth on the Air Force Distribution System  
6 Rate 65 rate schedule authorized by the North Dakota Public Service  
7 Commission in Case No. PU-06-470. Montana-Dakota has included an  
8 updated cost of service analysis in this case to demonstrate that other  
9 customers are not subsidizing this investment under the currently effective  
10 contract rate applicable to the Minot Air Force Distribution system.

11 **Q. For what other purposes has the embedded class cost of service  
12 study been used?**

13 A. The study results have been used for the purpose of analyzing the  
14 various components comprising the total rate applicable to each customer  
15 class.

16 **Distribution of the Revenue Requirement**

17 **Q. What methodology did you use to apportion the proposed rate  
18 increase among the customer classes?**

19 A. In designing the proposed rates to reflect the additional revenue  
20 requirement, I primarily used the embedded cost study as a guide. The  
21 revenue increase necessary to bring each of the rate classes to the overall  
22 rate of return ranges from an increase of approximately 10 percent for  
23 Residential Rate 60 to a reduction of 18 percent for Large Interruptible

1 Service Rates 82 and 85. In allocating the revenue increase to each class  
 2 I used an iterative process to mitigate the impact associated with the  
 3 increase required to reach the overall return by rate class. By setting the  
 4 Firm General Service class, Air Force Delivery service provided under  
 5 Rate 64 and the Small Interruptible Service class at increases necessary  
 6 to bring those classes to the overall rate of return (2.17 percent, 1.19  
 7 percent and 8.07 percent respectively), and by holding the Large  
 8 Interruptible class at current levels, an increase of 9.52 percent was  
 9 required from the Residential class. This represents less than the  
 10 required amount to bring the residential class to the overall requested  
 11 return but represents approximately 94 percent of the Residential required  
 12 increase based on the embedded cost study, representing a significant  
 13 movement to cost based rates.

14 **Q. What is the percentage of the proposed final increase by rate class?**

15 **A.** The proposed final increase to each of the classes is shown in the  
 16 table below:

<u>Class</u>	<u>Final</u>
Residential	9.5%
Firm General	2.2%
Air Force Delivery	1.2%
Small Interruptible	8.1%
Large Interruptible	<u>-0.1%</u>
Overall	6.4%

1 **Q. What were the objectives underlying the allocation of the increase**  
2 **and the rates proposed to recover the revenue requirement?**

3 **A.** The embedded cost of service study and proposed revenue  
4 allocation embody several of the recognized objectives by their  
5 effectiveness in yielding the total revenue requirement under the fair-  
6 return standard, fairness of the specific rates in the apportionment of the  
7 total costs of service among the different consumers, and efficiency of the  
8 rate classes. The rate forms proposed also recognize a balanced and  
9 gradual move toward meeting the objectives noted above in order to be  
10 cognizant of the objective of rate stability. In order to capture that  
11 balance, the proposed rates reflect a move toward cost based rates but  
12 not the full step necessary to price each service to reflect the specific  
13 embedded cost components.

14 **Q. How are you proposing to collect the allocated final increase from**  
15 **the residential rate class?**

16 **A.** I am proposing to collect the entire amount of distribution revenues  
17 assigned to the residential class (Rates 60 and 90) through a fixed daily  
18 charge denoted as the "Delivery Service Charge". The proposed Delivery  
19 Service Charge applicable under Rates 60 and 90 equates to a daily  
20 charge of \$0.6732 or \$20.48 per month on average. This fixed charge  
21 would replace the current Basic Service Charge (fixed per day) and the  
22 Distribution Delivery Charge (charge per dk for the delivery of natural gas).  
23 Residential customers will continue to pay for Cost of Gas on a volumetric

1 basis for all gas delivered to their home.

2 **Q. How are you proposing to collect the allocated final increase from**  
3 **the other rate classes?**

4 A. First, I am proposing increases to the Basic Service Charges for  
5 each of the other rate schedules as shown below:

	<u>Current</u>	<u>Proposed</u>	
Firm General Service			
< 500 cubic ft/hr	\$0.52	\$0.67	per day
> 500 cubic ft/hr	1.75	1.90	per day
Air Force			
Firm	135.00	175.00	per month
Interruptible	1,000.00	2,000.00	per month
Small Interruptible			
Sales	100.00	300.00	per month
Transportation	150.00	300.00	per month
Large Interruptible			
Sales	675.00	2,200.00	per month
Transportation	725.00	2,200.00	per month

6 After taking into account the revenue increase associated with the  
7 changes in the Basic Service Charge, the remaining increase in revenues  
8 is proposed to be collected through the applicable Distribution Delivery  
9 Charge components charged on a per dk basis. As noted above, the  
10 Residential Delivery Charge proposed for Rates 60 and 90 will collect all  
11 assigned distribution revenues eliminating the need for a separate  
12 volumetric charge.

13 The rate design calculations supporting the final rate levels are  
14 included in Statement P, Pages 4-18.

15 **Q. Would you please explain the proposed Residential Delivery Service**

1           **Charge?**

2    A.           Yes. I am proposing to collect all distribution revenues assigned to  
3           the residential class through a fixed daily charge recognizing that  
4           distribution costs are primarily fixed in nature. This change will eliminate  
5           the Distribution Delivery Charge currently applied on a volumetric basis  
6           and will eliminate the need to apply the Distribution Delivery Stabilization  
7           Mechanism (DDSM) to the residential rates because it is no longer  
8           necessary to adjust a volumetric charge to reflect variations in weather  
9           from the normal weather assumed in the rate case process. Moving fixed  
10          cost recovery to the Delivery Charge and eliminating the usage charge will  
11          first minimize subsidies within the class and secondly minimize the under-  
12          recovery of fixed costs when customers take measures to conserve  
13          energy and more efficiently utilize natural gas. Today the Company and its  
14          shareholders are harmed when conservation results in lower use. This  
15          inequity may be addressed through tracking mechanisms or more simply  
16          by adjusting the rate components to more closely match costs.  
17          Residential customers in North Dakota have reduced their average annual  
18          usage on a weather normalized basis from 110 dk at the time of the last  
19          rate case in 2004 to 92 dk on an annual basis today as a result of  
20          conservation efforts, including improved appliance efficiency and improved  
21          housing construction. An Energy Information Administration (EIA), Office  
22          of Oil and Gas report in June 2010 entitled "Trends in U.S. Residential  
23          Natural Gas Consumption" supports that this trend is expected to continue

1 into the future in a couple of key findings 1) A long-term trend in declining  
2 U.S. household consumption is apparent, with year over year declines in  
3 residential per-customer consumption in 16 out of the past 19 years 2)  
4 according to EIA data, newer vintage homes or houses constructed  
5 between 1990 and 2005, consumed 25 percent less natural gas for space  
6 heating, than homes built prior to 1990 and 3) one-third of all furnaces  
7 currently sold measure an AFUE of 90 percent or higher. This trend  
8 causes a need to address the current rate structure where a significant  
9 portion of fixed costs are recovered through the usage charge. A recent  
10 survey by the American Gas Association (AGA) as of September 2012  
11 indicates Commissions and utilities across the nation are addressing this  
12 issue through Non-Volumetric Rate Designs, Decoupling, Flat Monthly  
13 Fees or Rate Stabilization mechanisms. As shown on Exhibit No.  
14 \_\_\_\_ (TAA-3), 33 such mechanisms have been approved with two pending  
15 as of September 2012. This Commission recognized the variability in  
16 recovering fixed costs when weather is colder or warmer than normal by  
17 authorizing the DDSM for Montana-Dakota's residential and firm general  
18 service customers in 2004 and taking that one step further by authorizing  
19 a flat fixed charge rate for Northern States Power Company's residential  
20 natural gas customers that is currently effective.

21 **Q. What are the benefits to Montana-Dakota and to its customers of**  
22 **implementing a single fixed charge component applicable to the**  
23 **Residential schedules (60 and 90)?**

- 1 A. There are several significant benefits from implementing Montana-  
2 Dakota's fixed residential rate proposal, including:
- 3 1. The proposed mechanism will mitigate the impact of significantly  
4 colder-than-normal weather on customers' bills, without the  
5 application of the DDSM, while also mitigating the impact  
6 warmer than normal weather has on the Company's ability to  
7 recover fixed costs.
  - 8 2. The proposed charge reduces fluctuations in Montana-Dakota's  
9 earnings, both up and down, as the result of weather  
10 fluctuations and customers' conservation efforts.
  - 11 3. Customers' bills will be more stable as approximately 35 percent  
12 of the total bill will be fixed each month and not dependent on  
13 changes in weather.
  - 14 4. Customers will continue to have incentive to conserve as the  
15 Cost of Gas, representing approximately 65 percent of a typical  
16 customer's bill, will continue to be billed on a volumetric basis.
  - 17 5. Provides a better match of revenues to the investment made to  
18 serve each residential customer with a typical service line,  
19 meter and regulator at the same average cost. Under a  
20 volumetric distribution rate structure, customer using less than  
21 average use are being subsidized by customers using more  
22 than average use.
  - 23 6. The fixed rate will address the inequities caused by customers

1 using natural gas as a backup energy source during peak  
2 periods.

3 **Q. Would you please briefly describe other changes made to the**  
4 **Company's gas tariff?**

5 A. Yes, following is a description of other changes the Company is  
6 proposing to make to its gas tariff:

- 7 • Montana-Dakota is serving residential and firm general service  
8 customers, within the Company's certificated area, surrounding  
9 the pipeline installed to serve an ethanol plant near Hankinson,  
10 North Dakota. The Communities Served tariff has been  
11 updated to reflect this change.
- 12 • Metering requirements associated with customers taking  
13 interruptible sales or transportation service under Rates 71, 81,  
14 82 or 85 have been modified to require all interruptible service  
15 customers to pay the incremental cost associated with  
16 telemetering equipment required to obtain and process daily  
17 meter reads.
- 18 • The Distribution Delivery Stabilization Mechanism Rate 87 has  
19 been changed to exclude Rates 60 and 90. This change is  
20 contingent upon approval of the proposed Residential Delivery  
21 Charge.
- 22 • The Cost of Gas Rate 88 and Cost of Propane Rate 99  
23 schedules have been modified to reflect the margin sharing

1 adjustment associated with grain drying customers described by  
2 Ms. Mulkern.

- 3 • The charge applicable to customers providing the Company with  
4 an NSF check is proposed to increase from \$10.00 to \$15.00  
5 per occurrence.
- 6 • The fee for reconnection of service disconnected for non-  
7 payment of service has been increased from \$12.00 to \$20.00.
- 8 • Minor changes which are self-explanatory have been made to  
9 the majority of the rate schedules. These changes are clearly  
10 denoted on the tariff sheets reflecting the legislative format.

11 **Q. How was the proposed interim revenue requirement apportioned**  
12 **among the customer classes?**

13 **A.** The interim required revenue increase of \$4,457,000 identified by  
14 Ms. Mulkern is proposed to be billed as a separate line item on the bill  
15 based on 16.442% of the amounts billed under the Basic Service Charge  
16 and Distribution Delivery rate components on each bill under all rates with  
17 the exception of the market based interruptible sales under Rate 71 and  
18 the contract rates under Rate 82. This methodology was used in the  
19 application of the interim increase authorized in the Company's last  
20 electric rate case in Case No. PU-10-124. The Basic Service Charge and  
21 Distribution Delivery rate components applicable under Rates 71 and 85  
22 will also be subject to the interim increase however, the percentage  
23 applied under each of those schedules will be the effective increase

1 necessary to exclude the amounts collected under the Market Based  
2 differential shared with firm service customers. The interim increase has  
3 not been allocated to the contract customers served under Large  
4 Interruptible Transportation Service Rate 82. The calculations supporting  
5 the application of the interim increase to each class are provided in  
6 Appendix C attached to the Application for Interim Increase in Natural Gas  
7 Rates. The proposed tariff sheets reflecting the proposed interim increase  
8 are provided in Appendix A of the Application for Interim Increase in  
9 Natural Gas Rates. As shown, the tariffs prescribe the interim increase  
10 percentage of the amount billed under the Basic Service Charge and  
11 Distribution Delivery Charge. The interim percentage increase will not be  
12 applied to any amounts billed under the Cost of Gas Rate 88. The interim  
13 increase represents an average increase of 4.2% over total projected  
14 revenues including the cost of gas revenues.

15 **Q. Does this conclude your direct testimony?**

16 A. Yes, it does.

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**REVENUES UNDER CURRENT AND PROPOSED RATES - INTERIM**  
*Proposed Interim Rates*

Customer Class/Rate	Projected 2014			Total Proposed Revenue	Proposed Revenue Increase	Percent Increase
	Customers	Dk	Revenues			
<b>Residential - Rate 60</b>	89,713	8,285,778	\$57,715,371	\$60,436,789	\$2,721,418	4.7%
<b>Firm General Service - Rate 70</b>	13,631	6,429,931	40,103,576	41,445,190	1,341,614	3.3%
<b>Air Force - Rate 64</b>						
Firm	1	32,291	166,498	167,497	999	
Interruptible	2	520,209	2,138,280	2,150,783	12,503	
Total Air Force	3	552,500	2,304,778	2,318,280	13,502	0.6%
<b>Small Interruptible</b>						
Sales - Rate 71	86	1,107,934	4,985,865	5,080,618	94,753	1.9%
Transportation - Rate 81	64	1,050,534	563,778	656,474	92,696	16.4%
Total Small IT	150	2,158,468	5,549,643	5,737,092	187,449	3.4%
<b>Large Interruptible</b>						
Sales - Rate 85	1	24,626	113,450	115,988	2,538	2.2%
Transportation - Rate 82	7	4,810,572	1,302,628	1,493,136	190,508	14.6%
Total Large IT	8	4,835,198	1,416,078	1,609,124	193,046	13.6%
<b>Total North Dakota</b>	<u>103,505</u>	<u>22,261,875</u>	<u>\$107,089,446</u>	<u>\$111,546,475</u>	<u>\$4,457,029</u>	<u>4.2%</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**REVENUES UNDER CURRENT AND PROPOSED RATES**  
**GAS UTILITY - NORTH DAKOTA**  
*Proposed Final Rates*

Customer Class/Rate	Projected 2014		Total Proposed Revenue	Proposed Revenue Increase	Percent Increase	
	Customers	Dk				Revenue
<b>Residential - Rate 60</b>	89,713	8,285,778	\$57,715,371	\$63,207,844	\$5,492,473	9.5%
<b>Firm General Service - Rate 70</b>	13,631	6,429,931	40,103,576	40,978,470	874,894	2.2%
<b>Air Force - Rate 64</b>						
Firm	1	32,291	166,498	168,464	1,966	1.2%
Interruptible	2	520,209	2,138,280	2,163,806	25,526	1.2%
Total Air Force	3	552,500	2,304,778	2,332,270	27,492	1.2%
<b>Small Interruptible</b>						
Sales - Rate 71	86	1,107,934	4,985,865			0.0%
Transport - Rate 81	64	1,050,534	563,778			0.0%
Total Small Interruptible	150	2,158,468	5,549,643	5,998,593	448,950	8.1%
<b>Large Interruptible</b>						
Sales - Rate 85	1	24,626	113,450			
Transport - Rate 82	7	4,810,572	1,302,628			
Total Large Interruptible	8	4,835,198	1,416,078	1,415,140	(938)	-0.1%
<b>Total North Dakota</b>	<u>103,505</u>	<u>22,261,875</u>	<u>\$107,089,446</u>	<u>\$113,932,317</u>	<u>\$6,842,871</u>	<u>6.4%</u>

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - NORTH DAKOTA  
 RATE 60 BILL COMPARISON  
 RESIDENTIAL GAS SERVICE**

Month	Dk	Present Rate	Proposed Rate	Amount of Increase	% Increase
January	16	\$101.78	\$100.36	(\$1.42)	-1.40%
February	15	95.10	93.37	(1.73)	-1.82%
March	13	84.44	85.45	1.01	1.20%
April	9	61.02	64.91	3.89	6.37%
May	5	38.20	45.71	7.51	19.66%
June	3	26.34	35.10	8.76	33.26%
July	2	20.86	30.81	9.95	47.70%
August	1	15.08	25.84	10.76	71.35%
September	2	20.56	30.13	9.57	46.55%
October	4	32.42	40.74	8.32	25.66%
November	9	61.02	64.91	3.89	6.37%
December	13	84.44	85.45	1.01	1.20%
<b>Total</b>	<b>92</b>	<b>\$641.26</b>	<b>\$702.78</b>	<b>\$61.52</b>	<b>9.59%</b>

Average Increase per Month \$5.13

RATE 60	Current 1/	Proposed 2/
Basic Delivery Charge	\$0.30	\$0.6732
Distribution Delivery	\$0.812	\$0.000
Cost of Gas	4.968	\$4.968

1/ Rate effective October 1, 2004  
 2/ Includes projected cost of gas.

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - NORTH DAKOTA  
 RATE 70 BILL COMPARISON  
 FIRM GENERAL GAS SERVICE ( < 500 Cubic Feet Per Hour Meters)**

MONTH	DK	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE	% INCREASE
January	35	\$210.90	\$216.25	\$5.35	2.54%
February	32	192.64	197.48	4.84	2.51%
March	26	160.81	165.98	5.17	3.21%
April	19	121.34	126.22	4.88	4.02%
May	9	66.21	71.04	4.83	7.29%
June	4	37.86	42.44	4.58	12.10%
July	2	27.25	31.94	4.69	17.21%
August	1	21.69	26.36	4.67	21.53%
September	3	32.30	36.86	4.56	14.12%
October	7	55.08	59.87	4.79	8.70%
November	18	115.77	120.63	4.86	4.20%
December	27	166.38	171.57	5.19	3.12%
<b>Total</b>	<b>183</b>	<b>\$1,208.23</b>	<b>\$1,266.64</b>	<b>\$58.41</b>	<b>4.83%</b>

Average Increase per Month \$4.87

RATE 70	Current 1/	Proposed 2/
Basic Delivery Charge	\$0.52	\$0.670
Distribution Delivery	\$0.597	\$0.617
Cost of Gas	4.968	\$4.968

1/ Rate effective October 1, 2004

2/ Includes projected cost of gas.

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - NORTH DAKOTA  
 RATE 70 BILL COMPARISON  
 FIRM GENERAL GAS SERVICE ( > 500 Cubic Feet Per Hour Meters)**

MONTH	DK	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE	% INCREASE
January	204	\$1,189.51	\$1,198.24	\$8.73	0.73%
February	189	1,100.79	1,108.77	7.98	0.72%
March	160	944.65	952.50	7.85	0.83%
April	117	703.61	710.45	6.84	0.97%
May	69	438.24	444.27	6.03	1.38%
June	39	269.54	274.82	5.28	1.96%
July	27	204.51	209.70	5.19	2.54%
August	25	193.38	198.53	5.15	2.66%
September	31	225.02	230.14	5.12	2.28%
October	55	360.33	366.08	5.75	1.60%
November	111	670.22	676.94	6.72	1.00%
December	163	961.35	969.26	7.91	0.82%
<b>Total</b>	<b>1190</b>	<b>\$7,261.15</b>	<b>\$7,339.70</b>	<b>\$78.55</b>	<b>1.08%</b>

Average Increase per Month \$6.55

RATE 70	Current 1/	Proposed 2/
Basic Delivery Charge	\$1.75	\$1.90
Distribution Delivery	\$0.597	\$0.617
Cost of Gas	4.968	\$4.968

1/ Rate effective October 1, 2004

2/ Includes projected cost of gas.

# STATES WITH NON-VOLUMETRIC RATE DESIGNS (DECOUPLING, FLAT MONTHLY FEE, RATE STABILIZATION)

33 Approved, 2 Pending As of September 2012

