

April 4, 2014

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

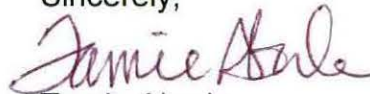
Re: Application for Approval of Service
Area Agreement & Request for a Certificate
of Public Convenience & Necessity-
Watford City, North Dakota
Case No. PU-14-_____
Case No. PU-14-_____

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

Montana-Dakota also requests the Commission issue a Certificate of Public Convenience & Necessity authorizing it to extend service to locations within the Montana-Dakota service area set forth in the Agreement.

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,



Tamie Aberle
Director of Regulatory Affairs

Attachments

cc: Dan Kuntz
John Skurupey
Jacob Zettel
Myrlene Wallander

- 1 PU-14-158 Filed 04/04/2014 Pages: 14
Application for approval of service area agreement and Cert. of PC & N
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
Tamie Aberle
- 1 PU-14-157 Filed 04/04/2014 Pages: 14
Application for approval of service area agreement and Cert. of PC & N
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
Tamie Aberle

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Watford City Area – Service Area
Agreement
Public Convenience & Necessity

Case No. PU-14-_____

**Application for Approval of a Certificate of Public Convenience & Necessity
Associated with the Watford City Area Service Agreement**

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., (“Montana-Dakota”), an electric public utility, requests that the Commission issue a Certificate of Public Convenience and Necessity to Montana-Dakota for the extension of electric distribution facilities and electric distribution service to provide electric service to customers in areas around the city of Watford City, North Dakota as established in the service area agreement negotiated with McKenzie Electric Cooperative filed separately on this date.

Notices regarding this matter should be directed to:

For Montana-Dakota Utilities Co.:

Tamie Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501
Telephone: (701) 222-7856
tamie.aberle@mdu.com

Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
PO Box 5650
Bismarck, ND 58502-5650
Telephone: (701) 530-1016
Dan.kuntz@mduresources.com

For McKenzie Electric Cooperative:

Carol Larson
Pringle & Herigstad Law Firm
2525 Elk Drive
PO Box 1000
Minot, ND 58701

John Skurupey
General Manager/Chief Executive Officer
McKenzie Electric Cooperative, Inc.
908 4th Ave NE
Watford City, ND 58854

Dennis Johnson
Johnson & Sundeen Law Firm
109 5th St SW
PO Box 1260
Watford City, ND 58854

Dated this 4th day of April, 2014.

Respectfully submitted,

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



By: Tamie Aberle
Director of Regulatory Affairs

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

McKenzie Electric Cooperative/Montana-
Dakota Utilities Co.
Watford City Service Area Agreement

Case No. PU-14-_____

Application for Approval of Service Area Agreement

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

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

Notices regarding this matter should be directed to:

For Montana-Dakota Utilities Co.:

Tamie Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501
Telephone: (701) 222-7856
tamie.aberle@mdu.com

Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
PO Box 5650
Bismarck, ND 58502-5650
Telephone: (701) 530-1016
dan.kuntz@mduresources.com

For McKenzie Electric Cooperative:

Carol Larson
Pringle & Herigstad Law Firm
2525 Elk Drive
PO Box 1000
Minot, ND 58701

John Skurupey
General Manager/Chief Executive Officer
McKenzie Electric Cooperative, Inc.
908 4th Ave NE
Watford City, ND 58854

Dennis Johnson
Johnson & Sundeen Law Firm
109 5th St SW
PO Box 1260
Watford City, ND 58854

Dated this 26 day of March, 2014.

Respectfully submitted,

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


By: Tamie Aberle
Director of Regulatory Affairs

McKenzie Electric Cooperative, Inc.


By: Ray Tescher
President *Chairperson*

SERVICE AREA AGREEMENT

This Service Area Agreement (Agreement) is between Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. 400 North Fourth Street, Bismarck, ND 58501 (Montana-Dakota), and McKenzie Electric Cooperative, Inc., 908 - 4th Avenue NE, Watford City, ND 58854 (McKenzie).

RECITALS

Montana-Dakota has a franchise to construct, maintain and operate an electric distribution system in the City of Watford City, North Dakota granted by the City of Watford City pursuant to §40-05-01 NDCC. McKenzie has a franchise to construct, maintain and operate an electric distribution system in the City of Watford City, North Dakota granted by the City of Watford City pursuant to NDCC §40-05-01.

NDCC Section 49-03-06 authorizes agreements among electric providers to encourage harmony and operational efficiency in the provision of electric distribution service; to promote safety; to discourage unreasonable duplication of electric facilities; to assure adequate and reliable electric service; and to obtain anti-trust immunity for agreements such as this.

Montana-Dakota and McKenzie are "electric providers" as defined under NDCC §49-03-01.5.

Montana-Dakota and McKenzie desire to avoid misunderstanding and disagreement over areas that each party is to serve and over Service Locations within these areas; provide both parties with equitable participation in the provision of electric distribution service in areas governed by this Agreement; encourage operational efficiency and safety and discourage unreasonable duplication of electric facilities; and assure orderly growth of electric infrastructure for adequate and reliable service in the areas governed by this Agreement.

ARTICLE I. SERVICE AREAS, LOCATIONS AND FACILITIES

Montana-Dakota and McKenzie agree to the following:

1. Areas Governed. The areas governed by this Agreement are the areas currently within the City of Watford City shaded in green and red, the areas shaded in green and red on the attached map currently outside the City of Watford City that are annexed to the City of Watford City during the term of this Agreement, and such other areas outside the of the green and red shaded areas on the attached map that are annexed to the City of Watford City during the term of this Agreement. The provision of electric distribution service to Service Locations outside the geographic scope of this Agreement shall be governed by applicable

law, any future amendments extending the scope of this Agreement or new service area agreements that may be made between the parties.

2. Definitions. For purposes of this Agreement:

The term "Service Location" shall mean structures, facilities, or improvements located within the areas governed by this Agreement to which retail electric service is provided.

The term "existing Service Location" shall mean the Service Locations to which a party provides service as shown by its books and records as of the date of signing of this Agreement. The term includes all expansions, improvements, or additions to a Service Location made after the date of signing of this Agreement that do not amount to a new Service Location.

The term "new Service Location" shall mean a Service Location that is not an existing Service Location. An existing Service Location is converted to a new Service Location when: (1) retail electric service is provided to a Service Location after electric service has been disconnected and electric service use abandoned at the Service Location for a period of at least 90 days; or (2) a customer makes a material change of use of the Service Location or modifies the structures, facilities or improvements on the Service Location and such change or modification necessitates a replacement or substantial modification of the electric service facilities historically used to serve the Service Location, including but not limited to:

- Replacement of single phase family/farm use to three phase commercial/industrial or three phase high density residential use (18 or more units); and
- Replacement of single phase commercial/industrial use to three phase commercial/industrial use of 2MW or greater of connected load.

3. Montana-Dakota Service Area. The service area of Montana-Dakota is that area governed by this Agreement shaded in red on the attached map, incorporated by reference as integral to this Agreement. Montana-Dakota will provide retail electric service in this service area and McKenzie shall not provide retail electric service in this area, except as otherwise provided in this Agreement or in any amendment to this Agreement. That is, unless changed by the written consent of both parties, Montana-Dakota will service all of its existing Service Locations and all new Service Locations in its service area while McKenzie will continue to serve only its existing Service Locations in Montana-Dakota's service area. McKenzie may serve new Service Locations within Montana-Dakota's service area only as provided in this Agreement or in any amendment to this Agreement.

4. McKenzie Service Area. The service area of McKenzie is that area governed by this Agreement shaded in green on the attached map, incorporated by reference as integral to this Agreement. McKenzie will provide retail electric service in this service area and Montana-Dakota shall not provide retail electric service in this

service area, except as otherwise provided in this Agreement or in any amendment to this Agreement. That is, unless changed by the written consent of both parties, McKenzie will serve all of its existing Service Locations and all new Service Locations in its service area while Montana-Dakota will continue to serve only its existing Service Locations within McKenzie's service area. Montana-Dakota may serve new Service Locations within McKenzie's service area only under conditions further stipulated in this Agreement.

5. Separate Agreements pertaining to Service Locations.

A. With the written consent of the parties:

- 1) Electric service may be supplied by one party to a new Service Location in another party's service area on a temporary or permanent basis.
- 2) New or existing Service Locations may be exchanged, even though the number or service characteristics of the Service Locations to be exchanged are not equal.

Agreements pertaining to Service Locations shall not alter or stand as precedent to alter the intent of this Agreement regarding the provision of retail electric service in defined service areas.

B. McKenzie shall serve new Service Locations that are oil wells located in Montana-Dakota's service area and operated by SM Energy, Newfield Exploration or XTO Energy or their respective successors or assigns and where service is provided from extension of existing McKenzie distribution lines located along 17th Street and 26th Street, which existing lines were financed by contributions in aid of construction by such companies.

- C.
- 1) McKenzie shall serve all expansions, improvements, or additions to McKenzie County Healthcare System's Good Shepherd Home and Horizons Assisted Living campus bounded on the east by 8th Street NE, on the west by the alley between 8th Street NE and 7th Street NE, on the north by 4th Avenue NE, and on the south by the alley between 4th Avenue and 2nd Avenue NE, in Watford City ("MCHS Campus") as McKenzie's existing service location in Montana-Dakota's service area. That is, expansions, improvements, or additions to the MCHS Campus shall not be deemed a new Service Location, definitions under paragraph 2 to the contrary notwithstanding.
 - 2) Notwithstanding the definitions under paragraph 2, existing Service Locations to the MCHS Campus to which McKenzie may provide service as an existing service location shall include building expansions, improvements or additions located on property adjacent to and east of the MCHS Campus if such expansions,

improvements or additions are: (i) physically connected to and physically integrated with a structure located on the MCHS Campus; and (ii) 8th Street NE is vacated by the City of Watford City to accommodate such expansion, improvement or addition. For purposes of clarification, connections of structures by means of a tunnel or walkway (including attached facilities or appurtenances) alone shall not constitute physical connection or physical integration of the structures for purposes of this subparagraph.

- 3) If the McKenzie County Healthcare System develops new Service Locations within the service area of Montana-Dakota on property adjacent to the MCHS Campus other than as provided in paragraphs 5.C.1 and 5.C.2 above, and McKenzie County Healthcare System desires McKenzie to provide electric service to such new Service Locations, then upon the request of McKenzie, McKenzie and Montana-Dakota will agree to an equitable exchange of service areas or Service Locations based on expected load characteristics, including annual revenues and timing of service, to enable McKenzie to serve the new Service Location of McKenzie County Healthcare System. Failure of the parties to agree to an equitable exchange of service areas or Service Locations under this paragraph shall be considered a Service Location dispute subject to paragraph 6.
6. Service Location Disputes. This Agreement is subject to the continuing jurisdiction of the North Dakota Public Service Commission to settle Service Location disputes arising under the Agreement.
7. Duplication of Facilities. The parties will avoid unreasonable duplication of facilities in order to provide electric service for all consumers efficiently and economically. The duplication of some facilities, however, will not violate or serve as grounds to alter this Agreement.
8. Sale, Transfer, Exchange or Lease of Equipment or Facilities. A sale, transfer, exchange or lease of equipment or facilities owned by one party but located in the other party's service area may be made with the written consent of both parties. To the extent applicable, a sale, exchange, transfer or lease of equipment or facilities made under this section of this Agreement is subject to NDCC §49-04-05 and §10-13-08.1.
9. Adjustment of Service Areas.
 - a) During the term of this agreement, the parties shall meet as needed to determine and designate the service area or areas for areas annexed or proposed for annexation to the City of Watford City that are outside the area shaded in red or green on the attached map so as to provide both parties a reasonable opportunity to equitably participate in the provision of electric distribution service to new Service Locations annexed to the City

of Watford City that are outside the areas shaded in red or green on the attached map. This designation shall be provided to the City of Watford City. Each party will continue to serve its existing Service Locations as of the date of annexation in any annexed area that is outside the area shaded in red or green on the attached map.

10. Scope of the Agreement. This Agreement governs electric distribution service by the parties to Service Locations within the areas governed by this Agreement. This Agreement does not apply to nor does it affect the rights of either party:
 - o To construct transmission or distribution line facilities in the other party's service area for the purpose of providing adequate electric power in any area it serves;
 - o To maintain existing transmission or distribution line facilities in the other party's service area for the purpose of providing adequate electric power in any area it serves;
 - o To the provision of electric transmission or distribution services outside of the areas governed by this Agreement; or
 - o Under applicable law, except only to the extent specifically enumerated herein.

ARTICLE II. RELATIONSHIPS WITH OTHER ENTITIES

11. Filing the Agreement for Approval. This Agreement shall be filed with the North Dakota Public Service Commission and the City of Watford City substantially concurrent with its execution. Both parties will file written statements with and appear before the North Dakota Public Service Commission and the City Council of Watford City supporting unconditional approval of this Agreement.
12. Filing Franchise Agreements for Approval. Substantially concurrent with the filing of this Agreement with the City of Watford City, the parties shall jointly request the City Council of Watford City to issue new 20 year electric utility franchises to each party. The terms of each franchise is to be substantially in the form attached hereto, authorizing each party to provide electric distribution service to service locations within the areas governed by this Agreement and containing terms otherwise consistent with this Agreement. Both parties will file written statements with and appear before the City Council of Watford City supporting unconditional approval of each franchise.
13. Conditions Precedent to Agreement. This Agreement is subject to approval of the North Dakota Public Service Commission and the City Council of Watford City. If this Agreement is disapproved by either entity, or if the City Council of Watford City does not grant franchises consistent with the terms of this Agreement before February 28, 2014, this Agreement shall be void *ab initio*.

14. Future Requests for Certificates of Public Convenience and Necessity. After the effective date of this Agreement, in all cases under the provisions of NDCC Ch. 49-03, when Montana-Dakota applies to the North Dakota Public Service Commission for a certificate of public convenience and necessity to extend its electric service to a new Service Location that is within its service area illustrated in red on the attached map under the terms of this Agreement, McKenzie shall not object to Montana-Dakota's application.
15. Future Reports to City and Public Service Commission. After the effective date of this Agreement, the parties will report any transactions under paragraph 5 (A) to the North Dakota Public Service Commission and the City of Watford City, to the extent required by law, regulation, franchise or ordinance.

ARTICLE III.
EFFECTIVE DATE AND TERM

16. Effective Date. This Agreement shall become effective on the first day of the month following the date of the last of these events:
 - Approval of this Agreement by the North Dakota Public Service Commission;
 - Approval of this Agreement by the City Council of Watford City.
17. Term. Unless terminated sooner by the written consent of both parties, this agreement shall continue from its effective date through September 30, 2033.

Either party may give written notice to the other on or before September 30, 2032, of its intent to terminate the Agreement at the end of its term.

If neither of the foregoing two events occurs, this Agreement shall remain in force after September 30, 2033, until either party gives twelve months written notice to the other party of its intent to terminate this Agreement or negotiate a new agreement consistent with the intent and purpose of this Agreement. It is the intent of the parties that upon or prior to termination of this Agreement, they will enter into negotiations for a new service area agreement to provide both parties with a reasonable opportunity for equitable participation in the future provision of electric distribution service to new Service Locations annexed to the City of Watford City.

The party giving notice to terminate under this paragraph must also give contemporaneous notice to the North Dakota Public Service Commission and the City of Watford City.

ARTICLE IV.
MISCELLANEOUS PROVISIONS

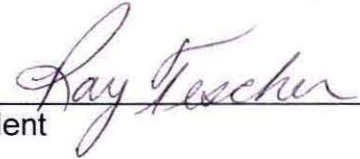
18. Entire Agreement. This Agreement, including the attachments, constitutes the parties' entire agreement. It supersedes and terminates all previous agreements, written or oral, between the parties with respect to matters included within the scope of this Agreement.
19. Waiver of Certain Rules of Construction. This Agreement is the result of good faith negotiations between the parties, each having equal bargaining status and each having participated in the drafting of this Agreement to express the parties' intentions. Accordingly, each party waives the benefit of any rule of contract interpretation premised on the other party's responsibility for drafting the Agreement or the other party's bargaining status.
20. Independence of the Parties. The parties are entirely independent and neither have the right to act for or control the other. This Agreement does not create a joint venture, partnership or other agency relationship between the parties.
21. No Third-Party Rights. This agreement confers no rights or obligations upon anyone other than the parties. It may be enforced solely by the parties. This Agreement creates no third-party beneficiaries.
22. Assignment. Either Party may assign this Agreement in connection with a merger, sale of substantially all of its assets, consolidation or other reorganization resulting in another acquiring the right of a party to provide electric service in the service area of that party.
23. Waiver of Right of Enforcement. The failure of either party to require strict performance of any portion of this Agreement or the waiver of a breach of any condition in this Agreement shall not waive or affect that party's right to require full and conforming performance thereafter.
24. Partial Invalidity. Each provision of this Agreement is to be interpreted to make this Agreement effective and enforceable under applicable law. If any provision is held invalid or unenforceable, the remainder of this Agreement is not to be affected thereby but is to be reformed only to the extent necessary to make the Agreement effective and enforceable as if the invalid or unenforceable provision had never been included in the Agreement.
25. Notices. All notices from one party to the other shall be given in writing to the address for the party stated above, by any means of delivery that provides for confirmation of delivery to that address.

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




President & Chief Executive Officer

MCKENZIE
ELECTRIC COOPERATIVE, INC.



President

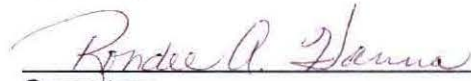
ATTEST:



Assistant Secretary

Date: 11/14/2013

ATTEST:



Secretary

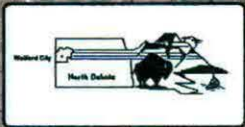
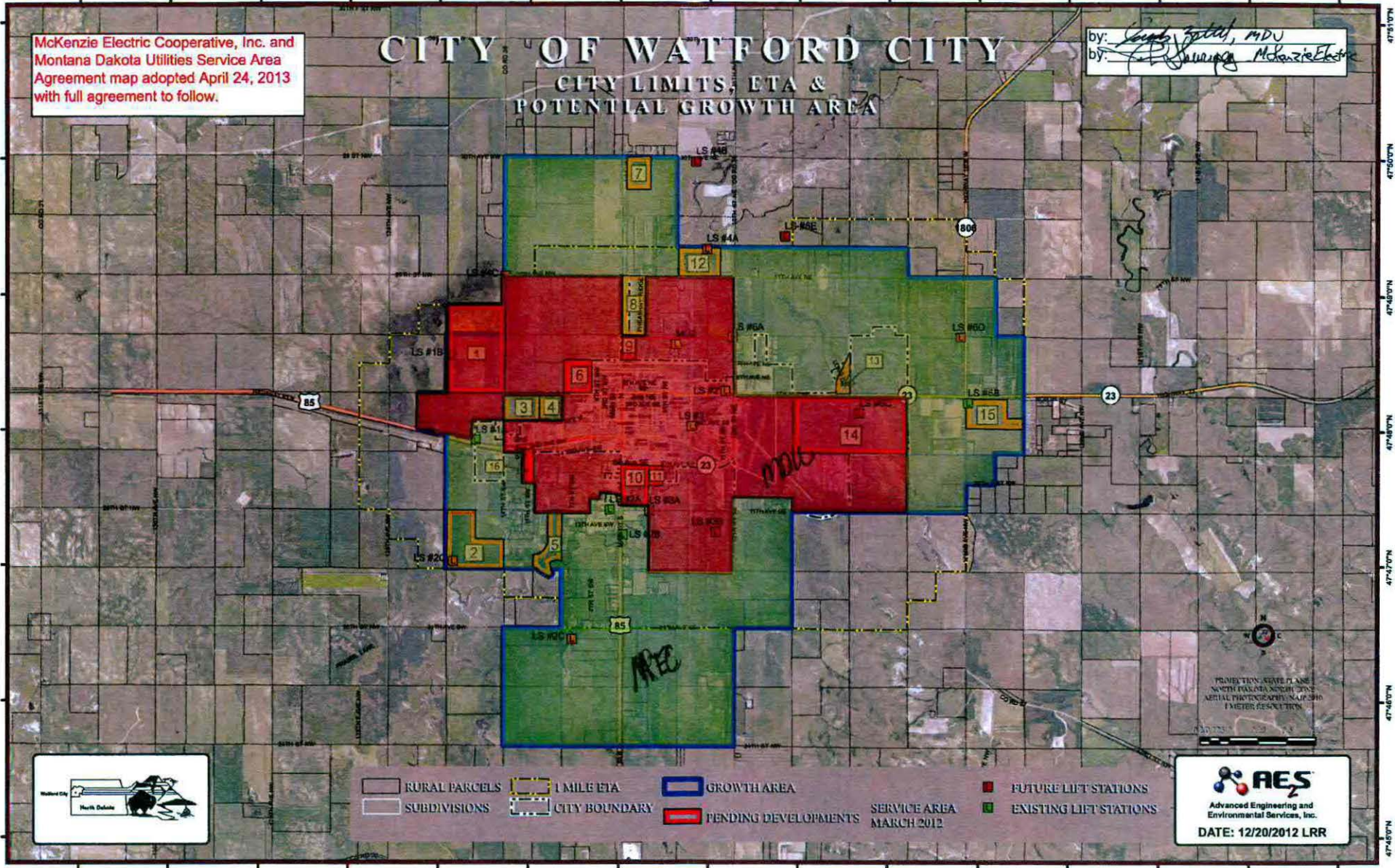
Date: 10/30/13

McKenzie Electric Cooperative, Inc. and Montana Dakota Utilities Service Area Agreement map adopted April 24, 2013 with full agreement to follow.

by: *Joseph Zittel, MDU*
 by: *William McKenzie Electric*

CITY OF WATFORD CITY

CITY LIMITS, ETA & POTENTIAL GROWTH AREA



- RURAL PARCELS
- 1 MILE ETA
- GROWTH AREA
- FUTURE LIFT STATIONS
- SUBDIVISIONS
- CITY BOUNDARY
- PENDING DEVELOPMENTS
- EXISTING LIFT STATIONS

SERVICE AREA
MARCH 2012

AES
 Advanced Engineering and Environmental Services, Inc.
 DATE: 12/20/2012 LRR

PROJECTION: NAD 83 UTM ZONE 18N
 NORTH POLAROID NORTH 2005
 AERIAL PHOTOGRAPHY: NAD 83
 1 METER RESOLUTION