

**North Dakota Public Service Commission  
INFORMAL HEARING  
May 6, 2014**

**MDU/McKenzie Electric Cooperative, Inc.  
City of Watford City  
Service Area Agreement**

**Case No. PU-14-158**

**Montana-Dakota Utilities Co. a Division of MDU  
Resources Group, Inc.  
City of Watford City – Service Area Agreement  
Public Convenience & Necessity**

**Case No. PU-14-157**

**Summary of Proposal:** On April 4, 2014, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (MDU) and McKenzie Electric Cooperative, Inc. (McKenzie Electric) filed a joint application for approval of a Service Area Agreement to establish service areas and designate service locations to be served by MDU and McKenzie Electric within and around the City of Watford City, North Dakota. The Agreement provides that each supplier will continue to serve existing customers, but will not serve new customers, within the other supplier's agreed upon service area. There are provisions under which McKenzie will serve existing McKenzie County Healthcare Systems load and new MCHS load upon request along with certain oil wells located within MDU's service area. The term of the Agreement extends through September 30, 2033. After September 30, 2032, the Agreement remains in effect until either party gives twelve months notice to terminate. MDU further requests issuance of a certificate of public convenience and necessity authorizing it to extend service to locations within the MDU service area set forth in the agreement.

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

**Discussion:** On April 23, 2014 the Commission issued a Notice of Filing, Notice of Informal Hearing and Notice of Opportunity for Hearing, which provided until May 30, 2014 for receiving written comments or hearing requests. No response has yet been received. The notice identified the issues to be considered in this proceeding as whether the Service Area Agreement complies with section 49-03-06 of the North Dakota Century Code, and whether the approval of the Service Area Agreement and resulting certificate issuance are compatible with the public interest.

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

1. Avoid misunderstanding and disagreement over areas to be served by each party,
2. Accomplish the legislative intent of N.D.C.C. section 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 Dickinson during the term of the agreement.

**Prepared by: Jerry Lein**

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Memorandum  
Public Service Commission advocacy staff  
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