



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

September 27, 2017

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

Re: Case No. PU-16-666  
Electric Rate Increase  
Compliance – Update on Discounted  
Rate Contracts

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits this update to the North Dakota Public Service Commission (Commission) regarding the Company's electric discounted rate contracts in compliance with Paragraph 10 of the Settlement Agreement between Montana-Dakota, the Advocacy Staff of the Commission, and the AARP as approved by the Commission in its Findings of Fact, Conclusions of Law and Order, dated June 16, 2017. Paragraph 10 of the Settlement Agreement states: "[t]he Company agrees that it will provide an update to the Commission regarding each contract reflecting a discounted rate by September 30, 2017."

Montana-Dakota has reviewed the four discounted rate contracts and has determined that three of the four contracts, at a minimum, require modification to include the application of rate riders. However, the rate impacts of applying the current tracking adjustments and moving customers to the otherwise applicable standard rate, if proven to be necessary, may be too significant in one step. Company personnel will be meeting with each individual customer noted below to discuss rate options and negotiate new agreements. Any changes or proposed rate phase-in plans will be submitted as a replacement of, or amendment to, the applicable contract with the Commission for approval. Following are the four discounted rate customers with the notification time frames applicable under each contract:

- American Colloid – This agreement is an extension of the Interruptible Rate 39 schedule that was eliminated in Case No. PU-10-124. The agreement requires a one-year notification by either party for termination.
- ND State Capitol – The currently approved agreement was negotiated in order to ensure the State Capitol complex would be participating in the interruptible Rate 38 offering upon elimination of Interruptible Service Rate 39. The

agreement requires a six-month notification by either party for termination.

- Sabin Metals – The currently approved agreement was entered into in order to assist in making it economically feasible for Sabin to begin operating a spent catalyst processing plant in Williston that had been idle since May 1997, with reactivation of the facility assisting in economic growth for the state of North Dakota and providing benefits to the Company's other electric service customers. The agreement also provides that Sabin will not install or operate any additional electric power generation equipment or purchase electricity from any supplier other than Montana-Dakota. The agreement requires a six-month notification by either party for termination.
- Tesoro Petroleum – The currently approved agreement was entered into to ensure all new load growth was supplied by the Company through a commitment by the customer not to install additional on-site generation. The agreement requires a six-month notification by either party for termination. Tesoro Petroleum is now doing business as Andeavor Corporation.

Montana-Dakota will provide an update regarding customer discussions and necessary contract replacements or amendments no later than December 1, 2017.

Please contact me at 701.222.7856 if you have any questions regarding this required update regarding contract rates.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto.

Sincerely,



Tamie A. Aberle  
Director of Regulatory Affairs