

-Info-Public Service Commission

From: Schock, Victor F.
Sent: Thursday, April 13, 2017 8:52 AM
To: -Info-Public Service Commission
Cc: 'Tamie Aberle (tamie.aberle@mdu.com)'
Subject: ex parte communication for docketing in PU-17-123 and PU-17-144
Attachments: doc18271320170412164020.pdf

Darrell,

Attached for docketing in the cases listed in the subject line of this email is an electronic copy of an ex parte communication from Montana-Dakota Utilities that was shared with Commissioner Fedorchak shortly before the cases were filed.

Thanks,

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- 2 PU-17-144 Filed 04/13/2017 Pages: 5
Electronic copy of an ex parte communication from Montana-Dakota Utilities
Public Service Commission Staff
Victor Schock
- 3 PU-17-123 Filed 04/13/2017 Pages: 5
Electronic copy of an ex parte communication from Montana-Dakota Utilities
Public Service Commission Staff
Victor Schock

Bobcat Natural Gas Transportation Service

- Contract between Montana-Dakota Utilities Co. and Clark Equipment Company was signed on March 5, 2017. A 15 year contract. Project is backed by a Doosan Bobcat Inc. guarantee.
- Pipeline expected route from a tap off of the Alliance pipeline near Milnor, ND to the Bobcat facility near Gwinner, ND. Approximately 21 miles.
- Plan to construct the pipeline with 12" plastic pipe.
- Most recent project cost is estimated at \$13.8 million.
 - \$4.4 million for the Alliance tap (Alliance includes a 30% contingency)
 - \$9.4M to construct the pipeline (MDU estimate includes 10% contingency)
- Financing for the project will not be a typical 50/50 utility capital structure in order to meet Bobcat's economic benchmarks.
 - 80% debt financing or approximately \$11 million; 20% MDU equity or \$2.8 million
 - This project will not be included in other ND gas rate base but will be a standalone regulated project with a 15 year contract life.
- The debt financing will be obtained through the Match Program from the Bank of ND. This project is a perfect fit for the match program.
- The debt will be issued from the Bank of ND to MDU Resources Group, Inc. as the parent of Montana-Dakota Utilities Co.
- Given the loan amount the Industrial Commission board does not need to approve this project as it is below their threshold, just the Bank of ND leadership needs to approve.
- The Industrial Commission does require that there be a lead bank or financial institution acting as an agent to administer the funds and the repayments under this program. US Bank will provide this function for the project. So the funds will pass through US Bank to MDU.
- The interest rate is the 5 year US Treasury rate (Currently at 1.95%) plus 25 basis points, or 2.20% range. There is also approximately a 10 basis point charge/fee for the services of the lead bank, US Bank, so an all-in rate of 2.30%. The floor of the rate is 2%.
- The rate is reset every five years at the 5 year US Treasury plus 25 basis points and the 10 points for the agent fee.
- We anticipate drawing down the funds in the July time frame, maybe earlier as the project is contingent upon Regulatory approval of the contract as well as final cost estimates not exceeding \$13.8 million. Given the Fed's rate hike trend we would want to lock in the financing sooner rather than later.

*Volume of
in 15 years*

*stand
alone project
not part of*

- This match program financing will be used for the sole purpose of this pipeline project. These funds will not be comingled with other MDU debt nor shared with other MDU rate base or MDU projects but used exclusively for constructing the pipeline to provide natural service to Bobcat.
- MDU plans to file with the ND PSC by March 31 a request for approval of the contract with Clark Equipment and the certificate of Public Convenience and Necessity.
- The first large payment or cash outflow is due in August to Alliance pipeline so they can begin the work on their end, as they need about a 12 month window to complete the tap.
- Construction of the pipeline would begin in the spring of 2018 with an expected in service date of August 2018.
- Once PSC approval is obtained we will begin in earnest to secure the right of way for the pipeline route. We will request use of state right of ways where available for a part of the route.
- A determination will need to be made if a siting permit is required, if so targeting a December filing for the siting permit.
- A rigorous marketing effort will also commence upon contract approved as there is the Hutterite colony along the route as well as potential customers near Gwinner such as Ray-Mac. Maybe other potential grain dryers along the way as well as longer term possibilities for new industry to be located near line or other Bobcat service providers.
- Bobcat has an annual load of approx. 185,000 dekatherms, we would like an annual load to grow to 250,000 dekatherms when including the other parties or a 35% additional load over Bobcat's requirements,

Bobcat Gwinner Plant Natural Gas Project Timeline

Secure Project Funding with BND	In-Progress
Contract Execution	March 5, 2017
File agreement and CPCN with ND PSC	March, 31 2017
Discuss with Bobcat a soft announcement with key stakeholders	March/April 2017
Finalize project design & route	March/April 2017
Final estimated construction costs	April 2017
Contingency event for Contract Termination	August 31, 2017
PSC Approval	July 2017
Formal Announcement	August 2017
Sign Preliminary Tap Siting Agreement with Alliance (\$100k)	August 2017
Sign Engineering/Design Contract with Alliance (\$1.25M)	September 2017
Rights of Way acquisition	Aug 2017 – Mar 2018
File Pipeline Siting Permit with ND PSC (If needed)	December 2017
Pipeline Construction	April-July 2018
Alliance Tap in-Service Date	August 1, 2018
In-Service Date of Project	August 1, 2018
Marketing to additional customers along proposed route	Aug 2017– Aug 2018
Continued Marketing to other customers	On-Going during term

*713.8
No Reg App.*

Bobcat Pipeline Construction Budget

<u>Month</u>	<u>Year</u>	<u>MDU</u>	<u>Drafting</u>	<u>ROW/Permitting</u>	<u>Construction</u>	<u>Materials</u>	<u>Tap</u>	<u>subtotal</u>	<u>Total w/ Contingency</u>
January	2017							0	\$0
February	2017							0	\$0
March	2017							0	\$0
April	2017							0	\$0
May	2017							0	\$0
June	2017	10,000						0	\$0
July	2017	10,000	10,000					10,000	\$10,800
August	2017	10,000	10,000	150,000				20,000	\$21,600
September	2017	10,000	10,000	150,000			1,200,000	1,370,000	\$1,383,600
October	2017	10,000	10,000	150,000				170,000	\$183,600
November	2017	5,000	10,000	150,000				170,000	\$183,600
December	2017	5,000	10,000	75,000			1,200,000	1,365,000	\$1,378,200
January	2018	15,000	15,000	140,000	8,000	700,000		90,000	\$97,200
February	2018	15,000	15,000	135,000	10,000	700,000	2,000,000	2,878,000	\$2,948,240
March	2018	15,000	15,000	30,000	10,000	700,000		875,000	\$945,000
April	2018	7,500	15,000	30,000	100,000	500,000		770,000	\$831,600
May	2018	13,000	12,500	25,000	675,000	5,000		652,500	\$704,700
June	2018	20,000	10,000	25,000	1,000,000	10,000		730,500	\$788,940
July	2018	20,000	25,000	25,000	1,300,000	10,000		1,065,000	\$1,150,200
August	2018	20,000	25,000	25,000	700,000	10,000		1,380,000	\$1,490,400
September	2018	10,000	25,000	10,000	500,000	5,000		780,000	\$842,400
October	2018	5,000	5,000	10,000	100,000	5,000		550,000	\$594,000
November	2018	1,000	1,000		100,000	5,000		125,000	\$135,000
December	2018	700	1,000		100,000			102,000	\$110,160
subtotal		\$202,200	\$223,500	\$1,130,000	\$4,503,000	\$2,645,000	\$4,400,000	\$13,103,700	\$13,799,996
subtotal w/ contingency		\$218,376	\$241,380	\$1,220,400	\$4,863,240	\$2,856,600	\$4,400,000	\$13,799,996	

In-Service Date