

Memo

To: Darrell Nitschke

From: Victor Schock

Date: August 2, 2017

Re: Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., Gas Transportation – Schedules 81 and 82, Tariff and Rates, Case No. PU-17-194.

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (MDU) filed proposed revisions to its natural gas transportation service tariff rates 81 and 82 and associated service agreement on May 17, 2017 to modify the penalties for transportation customer imbalances and to eliminate duplicate language that was in both the transportation tariffs and the service agreement.

The commission issued a Notice of Opportunity for Hearing on May 31, 2017 requesting that comments and requests for a hearing be received by July 17, 2017. As of August 2, 2017 no comments or requests for hearing were received.

Staff has reviewed the filing and recommends approval of the proposed revisions. A Motion to approve will be added to the August 16, 2017 agenda.

Analysis

Transportation customers purchase natural gas from a third party supplier. They use MDU's distribution system to transport their natural gas from a transmission pipeline connected to MDU's distribution system to their business location/meter point (meter). Occasionally a transportation customer may bring more or less natural gas into MDU's distribution system than they are taking at their meter. When this happens, the remainder of the distribution system could be negatively impacted due to less available capacity and fluctuations in the price of natural gas. In order to discourage this imbalance, there is a balancing charge. In the current tariff language there is a straight balancing charge of 30 cents per dekatherm for any imbalances. The proposed tariff language provides a smaller penalty for lower imbalances and a much higher penalty for large imbalances. This language is consistent with other utilities in the region and a much better method to discourage large imbalances.

The other requested changes eliminate language contained in both the tariff and the standard service agreement.

For these reasons, staff believes the proposed changes will provide for rates and charges that are necessary to provide a just and reasonable rate of return on MDU's property, used and useful, for the service and convenience of the public of North Dakota. Additionally, staff believes the proposed rate schedules are designed in such a manner that they will result in a basis of charge to its customers that is just and reasonable without discrimination.