



UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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Bismarck, ND 58501
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July 19, 2019

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

Re: System Safety & Integrity Plan
2019 Update
Case No. PU-17-295

Montana-Dakota Utilities Co. (Montana-Dakota) herewith submits updates for the 2019 System Safety and Integrity Plan (SSIP) projects currently underway as referenced in Montana-Dakota's May 1, 2019 report submitted in Case No. PU-17-295.

Following is a description of the projects that were carried over from 2018 along with the Dickinson SSIP project initiated in 2019. The estimated costs for 2019 are based on the construction contracts that were awarded to contractors in response to Requests for Proposals issued in April 2019.

New Salem – The SSIP project that started in New Salem in 2018 consisted of the removal/retirement and replacement of Early Vintage Plastic Pipe (EVPP) and Early Vintage Steel Pipe (EVSP) gas mains and services, and the tie-over of existing facilities. In 2019 the continuation of this project will include the installation of approximately 1,769 feet of 2-inch Medium Density Polyethylene (MDPE) distribution main and 410 feet of 4-inch steel distribution main, with an estimated project cost in 2019 of \$88,141. The 2019 portion of this project will also include 70 service line replacements and 15 tie-overs, with an estimated 2019 project cost of \$171,201. This will complete the planned SSIP project for New Salem.

Glen Ullin – The SSIP project that started in Glen Ullin in 2018 consisted of the removal/retirement and replacement of EVPP and EVSP gas mains and services, and the tie-over of existing facilities. In 2019 the continuation of this project will include the installation of approximately 4,155 feet of 2-inch MDPE distribution main and 330 feet of 4-inch steel distribution main, with an estimated 2019 project cost of \$128,753. The 2019 portion of this project will also include 46 service line replacements and 2 tie-

overs, with an estimated 2019 project cost of \$113,777. This will complete the planned SSIP project for Glen Ullin.

Fairview – The SSIP project that started in Fairview in 2018 consisted of the removal/retirement and replacement of EVPP and EVSP gas mains and services, and the tie-over of existing facilities. In 2019 the continuation of this project will include the installation of approximately 4,760 feet of 2-inch MDPE distribution main, 1,570 feet of 4-inch MDPE distribution main, and 275 feet of 4-inch steel distribution main, with an estimated 2019 project cost of \$193,555. The 2019 portion of this project will also include 30 service line replacements and 15 tie-overs, with an estimated 2019 project cost of \$84,552. This will complete the planned SSIP project for Fairview.

Dickinson – The Company began an EVSP and EVPP system replacement project in Dickinson in 2019 based on the 2019 Risk Ratio assigned to this system in the 2019 update to the Company's DIMP model. This SSIP project consists of the removal/retirement and replacement of EVSP and EVPP gas mains and services, and the tie-over of existing facilities. In 2019 this SSIP project includes the installation of approximately 30,453 feet of 2-inch MDPE distribution main; 7,722 feet of 4-inch MDPE distribution main; 6,837 feet of 6-inch MDPE distribution main; 91 feet of 6-inch High Density Polyethylene (HDPE) distribution main, and 4,075 feet of 12-inch of HDPE distribution main, with an estimated 2019 project cost of \$3,625,197. The 2019 portion of this project will also include 458 service line replacements and 108 tie-overs, with an estimated 2019 project cost of \$1,565,338. The Dickinson replacement project is estimated to take 3-5 years to complete.

The revenue requirement for the projects described above is provided in Exhibit 1. As shown, the revenue requirement for 2019 through October 2020 is \$478,314 relating to the investment in mains and \$298,175 for the investment in services necessary to accomplish the replacements identified in the Company's Distribution Integrity Management Program (DIMP) for 2019. Under the proposed cost recovery mechanism, a total of \$776,489 would be collected from customers under the System Safety and Integrity Program Adjustment Mechanism and trued up next year with actual costs along with the revenue requirement for replacement projects in 2020. The calculation of the revenue requirement to be recovered through the SSIP includes depreciation, ad valorem taxes and income taxes related to the projects, with a return on investment based on the current capital structure with the return on equity as authorized in Case No. PU-17-295.

Exhibit 2 provides the allocation of the revenue requirement to the rate classes and the resulting per unit rate.

Also attached as Exhibit 3 is a proposed rate schedule for a cost recovery mechanism reflecting amendments to the proposal originally submitted as part of the rate case. The amendments address comments/concerns expressed during the rate case proceeding.

As shown, in addition to clarifying what would be recovered under the mechanism, Montana-Dakota is proposing a filing fee of \$100,000 that would accompany a request to implement an SSIP adjustment under the SSIP tariff. This filing fee is consistent with the fees provided under 49-05-04.2 and 49-05-04.3 under the North Dakota Century Code applicable to the Rate adjustments for Federal environmental mandate costs and Transmission facility costs, respectively. This amount is also consistent with the filing fee applicable to Montana-Dakota's Generation Cost Recovery Rider that is filed each year.

We look forward to further discussions regarding this additional information relating to a cost recovery mechanism for system safety and integrity projects.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: PU-17-295 Service List

**Montana-Dakota Utilities Co.
Gas Utility - North Dakota
System Safety & Integrity Plan
Revenue Requirement - Mains
2019 Plant Additions - Year 1**

	Projected 2019												Average Balance
	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	
Rate Base													
Plant Balance 1/										\$362,520	\$1,316,748	\$3,673,126	\$4,035,646
Accumulated Depreciation										758	3,512	11,195	
Net Plant in Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$362,520	\$1,315,990	\$3,669,614	\$4,024,451	\$781,048
Accum Def Income Taxes 3/	\$2,616	\$5,013	\$7,168	\$9,089	\$10,768	\$12,212	\$13,414	\$14,374	\$15,100	\$15,584	\$15,834	\$15,842	
Total Rate Base	(\$2,616)	(\$5,013)	(\$7,168)	(\$9,089)	(\$10,768)	(\$12,212)	(\$13,414)	(\$14,374)	\$347,420	\$1,300,406	\$3,653,780	\$4,008,609	\$769,630
Return on Rate Base 5/	(\$15)	(\$29)	(\$42)	(\$53)	(\$63)	(\$72)	(\$79)	(\$84)	\$2,038	\$7,628	\$21,432	\$23,514	\$54,175
Expenses													Year End
Depreciation 2/										\$758	\$2,754	\$7,683	\$11,195
Taxes Other Than Income 4/	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,713	20,501
Total Expenses	\$1,708	\$1,708	\$1,708	\$1,708	\$1,708	\$1,708	\$1,708	\$1,708	\$1,708	\$2,466	\$4,462	\$9,396	\$31,696
Income before Taxes	(\$1,708)	(\$1,708)	(\$1,708)	(\$1,708)	(\$1,708)	(\$1,708)	(\$1,708)	(\$1,708)	(\$1,708)	(\$2,466)	(\$4,462)	(\$9,396)	(\$31,696)
Interest Expense 5/	(5)	(10)	(14)	(18)	(22)	(25)	(27)	(29)	697	2,611	7,335	8,047	18,540
Taxable income	(\$1,703)	(\$1,698)	(\$1,694)	(\$1,690)	(\$1,686)	(\$1,683)	(\$1,681)	(\$1,679)	(\$2,405)	(\$5,077)	(\$11,797)	(\$17,443)	(\$50,236)
Income Taxes 6/	(\$416)	(\$414)	(\$413)	(\$412)	(\$411)	(\$411)	(\$410)	(\$410)	(\$587)	(\$1,239)	(\$2,879)	(\$4,257)	(\$12,259)
Operating Income	(\$1,292)	(\$1,294)	(\$1,295)	(\$1,296)	(\$1,297)	(\$1,297)	(\$1,298)	(\$1,298)	(\$1,121)	(\$1,227)	(\$1,583)	(\$5,139)	(\$19,437)
Revenue Requirement	\$1,689	\$1,673	\$1,658	\$1,644	\$1,632	\$1,620	\$1,613	\$1,606	\$4,179	\$11,714	\$30,445	\$37,903	\$97,376

1/ Plant in-service based on estimated close-out schedule.

	September	October	November	December
Dickinson:	362,520	543,779	2,356,378	362,520
Glen Ullin:		128,753		
New Salem:		88,141		
Fairview:		193,555		
Total:	362,520	954,228	2,356,378	362,520

5/ Current cost of capital with Authorized return on equity.

	Ratio	Cost	
Long Term Debt	46.371%	4.921%	2.282%
Short Term Debt	4.371%	2.906%	0.127%
Common Equity	49.258%	9.400%	4.630%
	100.000%		7.039%

2/ Depreciation Rate - 2.51%

3/ Deferred Income Tax: (Half Year Convention, 20 year asset)

Year End Plant:	\$4,035,646	
Tax Depreciation:	151,337	3.75% Year 1
Book Depreciation:	11,195	
Difference:	140,142	
Deferred Income Tax:	34,202	
Monthly:	2,850	

6/ Federal and State income tax.

Tax Rate	24.4049%	(Federal Tax Rate = 21%, ND State Tax Rate = 4.31%)
1- tax rate	75.5951%	
Gross Revenue Factor	1.32284	

January	February	March	April	May	June	
91.78%	84.11%	75.62%	67.40%	58.90%	50.68%	
2,616	2,397	2,155	1,921	1,679	1,444	
July	August	September	October	November	December	Total
42.19%	33.70%	25.48%	16.99%	8.77%	0.27%	
1,202	960	726	484	250	8	15,842

4/ Property Tax:

Year End Plant:	\$4,035,646
Effective Tax Rate:	0.508%
Property Tax:	20,501

**Gas Utility - North Dakota
System Safety & Integrity Plan
Revenue Requirement - Mains
2019 Plant Additions - Year 2**

	Projected 2020												Average Balance
	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	
Rate Base													
Plant Balance	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646	\$4,035,646
Accumulated Depreciation	19,636	28,077	36,518	44,959	53,400	61,841	70,282	78,723	87,164	95,605	104,046	112,487	
Net Plant in Service	\$4,016,010	\$4,007,569	\$3,999,128	\$3,990,687	\$3,982,246	\$3,973,805	\$3,965,364	\$3,956,923	\$3,948,482	\$3,940,041	\$3,931,600	\$3,923,159	\$3,969,585
Accum Def Income Taxes 2/	\$37,749	\$41,000	\$43,923	\$46,528	\$48,804	\$50,763	\$52,394	\$53,697	\$54,682	\$55,339	\$55,678	\$55,688	
Total Rate Base	\$3,978,261	\$3,966,569	\$3,955,205	\$3,944,159	\$3,933,442	\$3,923,042	\$3,912,970	\$3,903,226	\$3,893,800	\$3,884,702	\$3,875,922	\$3,867,471	\$3,919,897
Return on Rate Base 4/	\$23,336	\$23,267	\$23,201	\$23,136	\$23,073	\$23,012	\$22,953	\$22,896	\$22,840	\$22,787	\$22,736	\$22,686	\$275,923
Expenses													Year End
Depreciation 1/	\$8,441	\$8,441	\$8,441	\$8,441	\$8,441	\$8,441	\$8,441	\$8,441	\$8,441	\$8,441	\$8,441	\$8,441	\$101,292
Taxes Other Than Income 3/	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,713	20,501
Total Expenses	\$10,149	\$10,149	\$10,149	\$10,149	\$10,149	\$10,149	\$10,149	\$10,149	\$10,149	\$10,149	\$10,149	\$10,154	\$121,793
Income before Taxes	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,149)	(\$10,154)	(\$121,793)
Interest Expense 2/	7,986	7,963	7,940	7,918	7,896	7,876	7,855	7,836	7,817	7,799	7,781	7,764	94,431
Taxable income	(\$18,135)	(\$18,112)	(\$18,089)	(\$18,067)	(\$18,045)	(\$18,025)	(\$18,004)	(\$17,985)	(\$17,966)	(\$17,948)	(\$17,930)	(\$17,918)	(\$216,224)
Income Taxes 4/	(\$4,426)	(\$4,420)	(\$4,415)	(\$4,409)	(\$4,404)	(\$4,399)	(\$4,394)	(\$4,389)	(\$4,385)	(\$4,380)	(\$4,376)	(\$4,373)	(\$52,770)
Operating Income	(\$5,723)	(\$5,729)	(\$5,734)	(\$5,740)	(\$5,745)	(\$5,750)	(\$5,755)	(\$5,760)	(\$5,764)	(\$5,769)	(\$5,773)	(\$5,781)	(\$69,023)
Revenue Requirement	\$38,440	\$38,357	\$38,276	\$38,198	\$38,122	\$38,048	\$37,976	\$37,907	\$37,839	\$37,775	\$37,713	\$37,657	\$456,308

January - October 2020 Revenue Requirement: \$380,938
2019 Revenue Requirement: 97,376
Total Projected Revenue Requirement - Mains: \$478,314

1/ Depreciation Rate - 2.51%

2/ Deferred Income Tax: (Half Year Convention, 20 year asset)

Year End Plant:	\$4,035,646	
Tax Depreciation:	291,333	7.219% Year 2
Book Depreciation:	101,292	
Difference:	190,041	
Deferred Income Tax:	46,379	
Monthly:	3,865	

	January	February	March	April	May	June	July	August	September	October	November	December	Total
	91.78%	84.11%	75.62%	67.40%	58.90%	50.68%	42.19%	33.70%	25.48%	16.99%	8.77%	0.27%	
	3,547	3,251	2,923	2,605	2,276	1,959	1,631	1,303	985	657	339	10	21,486

3/ Property Tax:

Year End Plant:	\$4,035,646
Effective Tax Rate:	0.508%
Property Tax:	20,501

4/ Current cost of capital with Authorized return on equity.

	Ratio	Cost	
Long Term Debt	46.371%	4.921%	2.282%
Short Term Debt	4.371%	2.906%	0.127%
Common Equity	49.258%	9.400%	4.630%
	100.000%		7.039%
			2.409%

5/ Federal and State income tax.

Tax Rate	24.4049% (Federal Tax Rate = 21%, ND State Tax Rate = 4.31%)
1- tax rate	75.5951%
Gross Revenue Factor	1.32284

**Montana-Dakota Utilities Co.
Gas Utility - North Dakota
System Safety & Integrity Plan
Revenue Requirement - Services
2019 Plant Additions - Year 1**

	Projected 2019												Average Balance			
	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019				
Rate Base																
Plant Balance 1/										\$156,534	\$760,865	\$1,778,334	\$1,934,868			
Accumulated Depreciation											826	4,840	14,221			
Net Plant in Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$156,534	\$760,039	\$1,773,494	\$1,920,647	\$384,226		
Accum Def Income Taxes 3/	\$1,089	\$2,087	\$2,984	\$3,783	\$4,482	\$5,083	\$5,583	\$5,983	\$6,285	\$6,487	\$6,591	\$6,594				
Total Rate Base	(\$1,089)	(\$2,087)	(\$2,984)	(\$3,783)	(\$4,482)	(\$5,083)	(\$5,583)	(\$5,983)	\$150,249	\$753,552	\$1,766,903	\$1,914,053	\$379,474			
Return on Rate Base 5/	(\$6)	(\$12)	(\$18)	(\$22)	(\$26)	(\$30)	(\$33)	(\$35)	\$881	\$4,420	\$10,364	\$11,228	\$26,711			
Expenses													Year End			
Depreciation 2/													\$826	\$4,014	\$9,381	\$14,221
Taxes Other Than Income 4/	819	819	819	819	819	819	819	819	819	819	819	820	9,829			
Total Expenses	\$819	\$819	\$819	\$819	\$819	\$819	\$819	\$819	\$819	\$1,645	\$4,833	\$10,201	\$24,050			
Income before Taxes	(\$819)	(\$819)	(\$819)	(\$819)	(\$819)	(\$819)	(\$819)	(\$819)	(\$819)	(\$1,645)	(\$4,833)	(\$10,201)	(\$24,050)			
Interest Expense 5/	(2)	(4)	(6)	(8)	(9)	(10)	(11)	(12)	302	1,513	3,547	3,842	9,142			
Taxable income	(\$817)	(\$815)	(\$813)	(\$811)	(\$810)	(\$809)	(\$808)	(\$807)	(\$1,121)	(\$3,158)	(\$8,380)	(\$14,043)	(\$33,192)			
Income Taxes 6/	(\$199)	(\$199)	(\$198)	(\$198)	(\$198)	(\$197)	(\$197)	(\$197)	(\$274)	(\$771)	(\$2,045)	(\$3,427)	(\$8,100)			
Operating Income	(\$620)	(\$620)	(\$621)	(\$621)	(\$621)	(\$622)	(\$622)	(\$622)	(\$545)	(\$874)	(\$2,788)	(\$6,774)	(\$15,950)			
Revenue Requirement	\$812	\$804	\$798	\$792	\$787	\$783	\$779	\$777	\$1,886	\$7,003	\$17,398	\$23,814	\$56,433			

1/ Plant in-service based on estimated close-out schedule.

	September	October	November	December
Dickinson:	156,534	234,801	1,017,469	156,534
Glen Ullin:		113,777		
New Salem:		171,201		
Fairview:		84,552		
Total:	156,534	604,331	1,017,469	156,534

5/ Current cost of capital with Authorized return on equity.

	Ratio	Cost	
Long Term Debt	46.371%	4.921%	2.282%
Short Term Debt	4.371%	2.906%	0.127%
Common Equity	49.258%	9.400%	4.630%
	100.000%		7.039%

2/ Depreciation Rate - 6.33%

3/ Deferred Income Tax: (Half Year Convention, 20 year asset)

Year End Plant:	\$1,934,868	
Tax Depreciation:	72,558	3.75% Year 1
Book Depreciation:	14,221	
Difference:	58,337	
Deferred Income Tax:	14,237	
Monthly:	1,186	

6/ Federal and State income tax.

Tax Rate	24.4049%	(Federal Tax Rate = 21%, ND State Tax Rate = 4.31%)
1- tax rate	75.5951%	
Gross Revenue Factor	1.32284	

January	February	March	April	May	June	
91.78%	84.11%	75.62%	67.40%	58.90%	50.68%	
1,089	998	897	799	699	601	
July	August	September	October	November	December	Total
42.19%	33.70%	25.48%	16.99%	8.77%	0.27%	
500	400	302	202	104	3	6,594

4/ Property Tax:

Year End Plant:	\$1,934,868
Effective Tax Rate:	0.508%
Property Tax:	9,829

**Gas Utility - North Dakota
System Safety & Integrity Plan
Revenue Requirement - Services
2019 Plant Additions - Year 2**

	Projected 2020												Average Balance
	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	
Rate Base													
Plant Balance	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868	\$1,934,868
Accumulated Depreciation	24,427	34,633	44,839	55,045	65,251	75,457	85,663	95,869	106,075	116,281	126,487	136,693	
Net Plant in Service	\$1,910,441	\$1,900,235	\$1,890,029	\$1,879,823	\$1,869,617	\$1,859,411	\$1,849,205	\$1,838,999	\$1,828,793	\$1,818,587	\$1,808,381	\$1,798,175	\$1,854,308
Accum Def Income Taxes 2/	\$14,558	\$14,852	\$15,117	\$15,353	\$15,559	\$15,736	\$15,884	\$16,002	\$16,091	\$16,150	\$16,181	\$16,182	
Total Rate Base	\$1,895,883	\$1,885,383	\$1,874,912	\$1,864,470	\$1,854,058	\$1,843,675	\$1,833,321	\$1,822,997	\$1,812,702	\$1,802,437	\$1,792,200	\$1,781,993	\$1,838,669
Return on Rate Base 4/	\$11,121	\$11,059	\$10,998	\$10,937	\$10,876	\$10,815	\$10,754	\$10,693	\$10,633	\$10,573	\$10,513	\$10,453	\$129,425
Expenses													Year End
Depreciation 1/	\$10,206	\$10,206	\$10,206	\$10,206	\$10,206	\$10,206	\$10,206	\$10,206	\$10,206	\$10,206	\$10,206	\$10,206	\$122,472
Taxes Other Than Income 3/	819	819	819	819	819	819	819	819	819	819	819	820	9,829
Total Expenses	\$11,025	\$11,025	\$11,025	\$11,025	\$11,025	\$11,025	\$11,025	\$11,025	\$11,025	\$11,025	\$11,025	\$11,026	\$132,301
Income before Taxes	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,025)	(\$11,026)	(\$132,301)
Interest Expense 2/	3,806	3,785	3,764	3,743	3,722	3,701	3,680	3,660	3,639	3,618	3,598	3,577	44,293
Taxable income	(\$14,831)	(\$14,810)	(\$14,789)	(\$14,768)	(\$14,747)	(\$14,726)	(\$14,705)	(\$14,685)	(\$14,664)	(\$14,643)	(\$14,623)	(\$14,603)	(\$176,594)
Income Taxes 4/	(\$3,619)	(\$3,614)	(\$3,609)	(\$3,604)	(\$3,599)	(\$3,594)	(\$3,589)	(\$3,584)	(\$3,579)	(\$3,574)	(\$3,569)	(\$3,564)	(\$43,098)
Operating Income	(\$7,406)	(\$7,411)	(\$7,416)	(\$7,421)	(\$7,426)	(\$7,431)	(\$7,436)	(\$7,441)	(\$7,446)	(\$7,451)	(\$7,456)	(\$7,462)	(\$89,203)
Revenue Requirement	\$24,508	\$24,433	\$24,359	\$24,285	\$24,211	\$24,137	\$24,062	\$23,988	\$23,916	\$23,843	\$23,770	\$23,699	\$289,211

January - October 2020 Revenue Requirement: **\$241,742**
 2019 Revenue Requirement: **56,433**
Total Projected Revenue Requirement - Services: \$298,175

1/ Depreciation Rate - 6.33%

2/ Deferred Income Tax: (Half Year Convention, 20 year asset)
 Year End Plant: \$1,934,868
 Tax Depreciation: 139,678 7.219% Year 2
 Book Depreciation: 122,472
 Difference: 17,206
 Deferred Income Tax: 4,199
 Monthly: 350

	January	February	March	April	May	June	July	August	September	October	November	December	Total
	91.78%	84.11%	75.62%	67.40%	58.90%	50.68%	42.19%	33.70%	25.48%	16.99%	8.77%	0.27%	
	321	294	265	236	206	177	148	118	89	59	31	1	1,945

3/ Property Tax:

Year End Plant: \$1,934,868
 Effective Tax Rate: 0.508%
 Property Tax: 9,829

4/ Current cost of capital with Authorized return on equity.

	Ratio	Cost	
Long Term Debt	46.371%	4.921%	2.282%
Short Term Debt	4.371%	2.906%	0.127%
Common Equity	49.258%	9.400%	4.630%
	100.000%		7.039%
			2.409%

5/ Federal and State income tax.

Tax Rate 24.4049% (Federal Tax Rate = 21%, ND State Tax Rate = 4.31%)
 1- tax rate 75.5951%
 Gross Revenue Factor 1.32284

Montana-Dakota Utilities Co.
Gas Utility - North Dakota
System Safety & Integrity Program Mechanism
Proposed Rate Structure
2019 - 2020 Revenue Requirement

Revenue Requirement \$776,489

Rate Class	Authorized				Allocation of Costs using Proposed Rate Design					
	Customers	Distribution Revenues	Increase	Total Dist Rev	% of Total	Allocated Costs	Cost per Customer	Daily Rate	Monthly Rate	Monthly Bill
Residential	96,792	\$22,762,526	\$1,473,223	\$24,235,749	62.164%	\$482,697	\$4.99	\$0.0137		\$0.42
Firm General - Small	10,850	4,140,259	283,792	4,424,051	11.348%	88,116	\$8.12	\$0.0223		\$0.68
Firm General - Large	4,710	7,645,528	743,778	8,389,306	21.519%	167,093	\$35.48	\$0.0972		\$2.95
Small Interruptible	155	1,700,349	(171)	1,700,178	4.361%	33,863	\$218.47		\$18.21	\$18.21
Large Interruptible 3/	5	236,703	139	236,842	0.608%	4,721	\$944.20		\$78.68	\$78.68
	<u>112,512</u>	<u>\$36,485,365</u>	<u>\$2,500,761</u>	<u>\$38,986,126</u>	<u>100.000%</u>	<u>\$776,490</u>				
	3	119,891								
	1	1,091,078								
	<u>112,516</u>	<u>37,696,334</u>								

- 1/ October 5, 2018 Compliance Filing - Final Rates, Exhibit B.
- 2/ Excludes Air Force.
- 3/ Excludes transmission level customer.



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Gas Rate Schedule

NDPSC Volume 7
Original Sheet No. 37

SYSTEM SAFETY AND INTEGRITY PROGRAM ADJUSTMENT MECHANISM Rate 94

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Applicability:

This rate schedule provides for a System Safety and Integrity Program Adjustment Mechanism (SIA) and specifies the procedure utilized to recover the revenue requirement associated with the Company's additions and/or replacement of natural gas distribution facilities in compliance with operational, state, or federal pipeline safety programs identified through Montana-Dakota's Distribution Integrity Management Program (DIMP), deemed prudent by the Commission and not currently recovered through the Company's retail rates.

System Safety and Integrity Program Adjustment Mechanism:

1. Costs to be recovered under the System Safety and Integrity Program Adjustment Mechanism may include operation and maintenance expenditures, depreciation, taxes, and a current return on project costs during construction included in rate base. The return component of the revenue requirement calculation will include the authorized rate of return on equity from the Company's most recent general rate case and the current capital structure.
2. The System Safety and Integrity Program Adjustment Mechanism will be adjusted annually (or other period as authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this rate schedule.
3. A true-up will reflect any over or under collection of revenue under the System Safety and Integrity Program Adjustment Mechanism based on actual program expenditures from the preceding recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.
4. The projected revenue requirement and true-up balance shall be allocated to each rate class, excluding transmission level customers, based on the respective rate class' percentage of distribution (or non-gas) revenues authorized in the Company's last general rate case. Each rate classes' allocated costs will then be further divided by the projected customers to determine an annual cost per customer.

Date Filed:

Effective Date:

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.:



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SYSTEM SAFETY AND INTEGRITY PROGRAM ADJUSTMENT MECHANISM Rate 94

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5. The annual cost per customer by rate class will be divided by 365 days to derive the System Safety and Integrity Program Adjustment Mechanism rate per day. Customers being assessed a daily Basic Service Charge will be assessed the System Safety and Integrity Program Mechanism on a daily rate basis. Customers being assessed a monthly Basic Service Charge will be assessed the System Safety and Integrity Program Mechanism on a monthly rate basis.
6. All project costs will be removed from the System Safety and Integrity Program Adjustment Mechanism and included in base rates in the Company's next general rate case. Only the true-up component will remain in the System Safety and Integrity Program Adjustment Mechanism to be either collected or refunded to customers over a subsequent period.
7. The Company's filing will include a filing fee in the amount of \$100,000 for the Commission's use in determining the reasonableness and prudence of the Company's request.

System Safety and Integrity Program Adjustment Mechanism:

The System Safety and Integrity Program Adjustment Mechanism for each rate class:

<u>Rates 60 and 90</u>	<u>\$x.xxx per day</u> (applicable to Rates 60, 90, 70, 72, and 92)
<u>Rates 70, 74, and 92</u>	
<u>Meters rated under 500 CFH</u>	<u>\$x.xxx per day</u>
<u>Meters rated over 500 CFH</u>	<u>\$x.xxx per day</u>
<u>Rates 71 and 81</u>	<u>\$x.xx per month *</u>
<u>Rates 82 and 85</u>	<u>\$x.xx oer month *</u>
\$x.xx per month (applicable to Rates 71, 81, 82, and 85, *)	excluding transmission level customers.)

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