



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

September 7, 2017

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

Re: Case No. PU-17-____
Request to Implement a Capacity
Reservation Charge on Gwinner
Pipeline

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., (Montana-Dakota) herewith files an original and seven (7) copies of a proposed Capacity Reservation Charge Rate 75 designated as Original Sheet Nos. 17 and 17.1 with the North Dakota Public Service Commission (Commission) for approval. The proposed Capacity Reservation Charge Rate 75 attached as Exhibit A will be applicable to customers requesting natural gas service that will be provided by Montana-Dakota off the pipeline to be installed from a tap on the Alliance Pipeline located northeast of Milnor, North Dakota to the Bobcat Company's facility located near Gwinner, North Dakota (Gwinner Pipeline). An updated Table of Contents (4th Revised Sheet No. 1) is also attached and included in Exhibit A.

Background

A Certificate of Public Convenience and Necessity providing the Company the authority to provide service off this pipeline extension throughout the counties of Sargent and Ransom Counties was approved by this Commission on June 16, 2017 with the issuance of Certificate No. 5903 in Case No. PU-17-123. The Agreement for Transportation service with the Bobcat Company was also approved by the Commission on June 16, 2017 in Case No. PU-17-144.

As discussed in Case No. PU-17-144, the Agreement for Transportation Service with the Bobcat Company includes a Monthly Contract Demand Charge to be applicable

under the term of the Agreement to recover the cost of the pipeline extension necessary to provide service to the Bobcat facility. The Contract Demand Charge is initially estimated to be \$79,700 per month for the first five years, \$74,000 for in Years 6 through 10 and \$65,058 for Years 11-15. The Contract Demand Charge is subject to adjustment for actual construction costs and additional contracted load by other customers.

Proposed Capacity Reservation Charge

Montana-Dakota is proposing to create a Capacity Reservation rate schedule (Rate 75) that would be applicable to all customers provided natural gas service either directly or through another connection with the Gwinner Pipeline. The charge of \$26.50 per dk applied to the maximum daily contract quantity is based on the Bobcat Company's annual contract quantity of 3,000 dk as shown below.

Monthly Contract Demand	\$79,700
Annual Pipeline Revenue Requirement	\$956,400
Contract MDQ	\$3,000
Annual Contract Demand \$/MDQ	\$318.80
Monthly Contract Demand \$/MDQ	\$26.57

A portion of the amounts collected from other customers will be credited to Bobcat based on the annual quantities reserved by other customers and the effective Maximum Daily Quantity charge derived from the total capacity of the pipeline (\$956,400/10,000 dk or \$95.64 per dk. The remainder of the Capacity Reservation Charge revenues will be credited to the total cost of the project providing the opportunity to reevaluate the minimum Contract Demand Charge applicable to Bobcat and the other customers prior to the current 15-year term of the project. This methodology provides a fixed charge rate to offer to interconnecting customers while providing a benefit to the Bobcat Company and all other customers interconnecting to the Gwinner Pipeline. An example of the crediting mechanism is provided on Exhibit B. Also shown on Exhibit B is a calculation of an estimated annual bill for a customer interconnecting through the Gwinner Pipeline and the propane equivalent cost.

Montana-Dakota is proposing to establish the Residential Capacity Reservation Charge at \$26.50 per month to be assessed on a daily basis at a rate of \$0.8712 and to assess the Capacity Reservation Charge for all other customers at a rate of \$26.50 per month applied to their Maximum Daily Quantity reservation set forth in an agreement with each customer.

In addition to the Capacity Reservation Charge, customers connecting to the Gwinner Pipeline or served off an extension interconnected to the Gwinner Pipeline will be

required to take service under the otherwise applicable natural gas service rate schedule. The main and service line extensions will be subject to the Firm Gas Extension Policy Rate 120 or the Interruptible Extension Policy Rate 119 as applicable. The cost to extend under the extension policies will not include any costs associated with the Gwinner Pipeline and the non-gas revenue considered in determination of the contribution requirement or potential refund under the extension policies will not include the Capacity Reservation Charge applicable under Rate 75.

The Capacity Reservation Charge provided on the proposed Rate 75 tariff will need to be resubmitted upon completion of construction for a true up to actual construction costs. However, Montana-Dakota requests approval of the attached Rate 75 tariff reflecting the estimated charge to be effective by December 1, 2017 in order for Montana-Dakota to market the capacity available on the Gwinner Pipeline to other customers during the construction phase. A filing will be made to reflect actual costs prior to any customer being charged the estimated cost.

Please refer all inquiries regarding this filing to:

Ms. Tamie Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501
Tamie.aberle@mdu.com

Also, please send copies of all written inquiries, correspondence and pleadings to:

Karl Liepitz
Assistant General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650
Karl.liepitz@mduresources.com

Montana-Dakota also herewith submits a check for \$10,000 pursuant to the requirements of Section 49-03.1-03 of the N.D.C.C.

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,.



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

Cc: Karl Liepitz
Eric Spilde - Doosan Bobcat North America

Exhibit A

Exhibit A



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

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Canceling 3rd Revised Sheet No. 1

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Date Filed: September 7, 2017

Effective Date:

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.:



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. 17

GWINNER PIPELINE CAPCACITY RESERVATION CHARGE Rate 75

Page 1 of 2

Availability:

To customers provided natural gas service either directly or through another connection with the Company's pipeline interconnecting with the Alliance Pipeline near Milnor, North Dakota and running through Ransom and Sargent Counties to the Bobcat Company's facility located near Gwinner, North Dakota (Gwinner Pipeline).

Applicability:

Customers requesting natural gas service where service must be provided off the Gwinner Pipeline shall contract for capacity required to serve their annual requirements. The Reservation Charge shall be in addition to all other charges applicable under the otherwise applicable rate schedule 60, 70, 71, 72, 81, 82 or 85.

Capacity Reservation Charge:

Residential Customers provided Service Under Rate 60	\$0.8712 per day
All other Customers	\$26.50 per maximum daily quantity reservation

Minimum Bill:

Capacity Reservation Charge.

Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.12, or any amendments or alterations thereto.

Determination of Monthly Billing Demand:

As specified in customer's contract except for residential customers that will be assessed the daily charge above. All other customers will specify a contract quantity based on the maximum daily quantity required. Customer's actual demand will be reviewed annually and, if warranted, a new monthly billing demand established.

Date Filed: September 7, 2017

Effective Date:

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.:



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. 17.1

GWINNER PIPELINE CAPCACITY RESERVATION CHARGE Rate 75

Page 2 of 2

General Terms and Conditions:

1. The customer agrees to contract for service under the Gwinner Pipeline Capacity Reservation Charge Rate 75 for a minimum period of one year.
2. Service under any other rate schedule is not available to customers served through the Gwinner Pipeline without a reservation for capacity on the Gwinner Pipeline.
3. Any main or service line extension necessary to provide service to the Customer shall be subject to the Firm Gas Service Extension Policy Rate 120 or Interruptible Service Extension Policy Rate 119.
4. The foregoing schedule is subject to the requirements set forth under the otherwise applicable rate schedule for natural gas service and Rates 100 through 124, including any amendments or alterations thereto or additional rules and regulations promulgated by the Company under the laws of the state.

Date Filed: September 7, 2017

Effective Date:

Issued By: Tamie A. Aberle
Director - Regulatory Affairs

Case No.:

Tariffs Reflecting Proposed Changes



Montana-Dakota Utilities Co.

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State of North Dakota Gas Rate Schedule

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Date Filed: April 14, 2014

Effective Date: Service rendered on and
after May 1, 2014

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-13-803



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. 17

GWINNER PIPELINE CAPACITY RESERVATION CHARGE Rate 75

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Capacity Reservation Charge:

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Date Filed: September 7, 2017

Effective Date:

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Director - Regulatory Affairs

Case No.:

**Montana-Dakota Utilities Co.
Gwinner Pipeline Reservation Charge - Derivation and Example of Credit**

Project parameters

Estimated Cost	\$ 13,800,000
Total system capacity (dk/day)	10,000
Annual \$/MDQ Total System Capacity	\$ 95.64
Monthly \$/MDQ Tottal System Capacity	\$ 7.97
Bobcat % of System capacity	30.0%

<u>Bobcat Contract</u>	<u>Yr 1-5</u>	<u>Yr 6-10</u>	<u>Yr 11-15</u>	
Monthly Contract Demand	\$79,700	\$74,000	\$65,058	
Annual Pipeline revenue requirement	\$956,400	\$888,000	\$780,696	
Contract MDQ	\$3,000	\$3,000	\$3,000	
Annual Contract Demand \$/MDQ	\$318.80	\$296.00	\$260.23	
Monthly Contract Demand \$/MDQ	\$26.57	\$24.67	\$21.69	All connecting customers pay the first year rate until minimum is satisfied.

Example of Credit Assuming Additional Customer Connections

	Additional MDQ	Revenue Requirement	Additional Annual Rev	Bobcat Rev Credit	Bobcat Net Charge	Amount Offsetting Future Minimum	Cummlative Revenue
Year 1	-	\$956,400	\$0	\$0	\$956,400	\$0	\$956,400
Year 2	500	956,400	159,400	47,820	908,580	111,580	1,976,560
Year 3	1,000	956,400	318,800	95,640	860,760	223,160	3,060,480
Year 4	1,200	956,400	382,560	114,768	841,632	267,792	4,169,904
Year 5	1,500	956,400	478,200	143,460	812,940	334,740	5,317,584
Year 6	1,500	888,000	444,000	143,460	744,540	300,540	6,362,664
Year 7	1,700	888,000	503,200	162,588	725,412	340,612	7,428,688
Year 8	2,000	888,000	592,000	191,280	696,720	400,720	8,526,128
Year 9	2,200	888,000	651,200	210,408	677,592	440,792	9,644,512
Year 10	2,500	888,000	740,000	239,100	648,900	500,900	10,794,312
Year 11	2,500	780,696	650,580	239,100	541,596	411,480	11,747,388
Year 12	2,500	780,696	650,580	239,100	541,596	411,480	12,700,464
Year 13 Minimum is satisfied - Rate to be Reviewed	2,500	780,696	650,580	239,100	541,596	411,480	13,653,540
Year 14	2,500	780,696	650,580	239,100	541,596	411,480	14,606,616
Year 15	2,500	780,696	650,580	239,100	541,596	411,480	15,559,692
Total Rev Requirement (15yrs)		\$ 13,125,480					

Additional Customers Rate analysis

	Average Annual dk	Annual Basic Service Charge	Distribution Charge \$/dk	Contract Demand Charge	Cost of Gas	Total Cost	\$/dk	Propane \$/gal
Residential	95	\$235.17	\$0.00	\$318.80	\$4.00	\$933.97	\$9.83	\$0.90
Commercial	430	\$244.55	\$0.73	\$1,434.60	\$4.00	\$2,934.75	\$6.83	\$0.62