

## Memo

To: Darrell Nitschke

From: Victor Schock

Date: November 14, 2017



Re: Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.,  
Capacity Reservation – Gwinner Pipeline, Tariff and Rates, Case No. PU-17-346.

On September 7, 2017 Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (MDU) filed an application to implement a Capacity Reservation Charge on their Gwinner Pipeline. The proposed tariff and associated rates would be applicable to any customer taking service either directly or through another connection to the Gwinner Pipeline.

The commission issued a Notice of Opportunity for Hearing on September 20, 2017 requesting that comments and requests for a hearing be received by November 6, 2017. As of November 14, 2017 no comments or requests for hearing were received.

Staff has reviewed the filing and recommends approval of the proposed tariff and rates. A Motion to approve will be added to the November 29, 2017 agenda.

### Analysis

MDU's proposed Capacity Reservation Charge would create a tariff and rate that allows for customers other than Bobcat Company in Gwinner, ND to connect to the Gwinner Pipeline.

Customers taking service via the Gwinner Pipeline would be MDU Natural Gas service customers, who would be billed in accordance with the applicable MDU gas rate schedule i.e. MDU Rate 60 for Residential customers. In addition to the applicable rate schedule, customers connected to the Gwinner Pipeline would also be assessed a Capacity Reservation Charge which would equal \$0.8712 per day for Residential class service or \$26.50 per month per maximum daily quantity for other classes of service. Since all potential customers would require service line extensions, the cost of those service lines and what each customers required contribution is will be calculated using MDUs existing line extension policy defined in Rate 124.

Staff has reviewed the calculations used to determine the Capacity Reservation charge and finds that the method used is reasonable. The methodology provides price certainty

to customers by using a fixed charge. The fixed charge amount will provide an offset to Bobcat's monthly contract demand charge and also provide a contribution to the overall system, this will help pay down the rate base for this investment sooner, which will provide for a re-evaluation of this rate schedule at that time.

For these reasons, staff believes the proposed tariff and rates are reasonable. Staff also believes the proposed rate schedule is designed in such a manner that they will result in a basis of charge to its customers that is just and reasonable without undue discrimination.