

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Dakota Natural Gas, LLC**  
**Natural Gas System – Drayton, ND**  
**Public Convenience & Necessity**

**Case No. PU-18-224**

**ORDER**

**October 10, 2018**

**Preliminary Statement**

On June 28, 2018, Dakota Natural Gas, LLC (DNG) filed an Application for a Certificate of Public Convenience and Necessity to construct and operate a natural gas system to serve the community and the environs of Drayton, North Dakota and an Application for Protection of Information.

On July 9, 2018, the North Dakota Public Service Commission (Commission) issued a Notice of Opportunity for Hearing providing until August 31, 2018 for receiving written comments or requests for hearing. No response or request for hearing was received. The notice identified the following issues to be considered:

1. Is there a need for the service?
2. Is DNG technically, financially and managerially fit and able to provide the service?
3. What is the effect on other public utilities providing similar service?
4. Is the proposed service adequate?

On September 5, 2018, the Commission discussed these matters with DNG and Commission staff during an informal hearing.

**Discussion**

During the September 5, 2018 informal hearing the following was offered and accepted into the official record.

DNG is a limited liability company organized under the laws of North Dakota created to deliver gas to the Drayton area. DNG is a wholly owned subsidiary of Greater Minnesota Transmission, LLC, a Minnesota limited liability company (GMT). GMT is a

subsidiary of Greater Minnesota Synergy, Inc., a Minnesota corporation. GMS and its subsidiaries have provided similar natural gas service in Minnesota since 1995.

DNG proposes to construct and operate a distribution system serving the city of Drayton, ND and its environs along with a large commercial customer adjacent to the city (American Crystal Sugar). The distribution system will begin at an interconnection with the Viking natural gas transmission line near Donaldson, Minnesota. The total cost of the distribution system is estimated to be \$3.74 million. DNG proposes to supply the distribution system via a 4" steel and plastic main line. DNG is seeking approval of a Hinshaw exemption from the Federal Energy Regulatory Commission (FERC) for a local distribution company served by an interstate pipeline pursuant to 18 CFR Part 284, Subpart G. The City of Drayton and American Crystal Sugar Company have filed documents with FERC in support of DNG's proposal.

The residents in the Drayton area currently rely on alternative heating sources such as propane, coal, electricity, and wood. DNG anticipates signing approximately 200 customers in the proposed service territory within the first 12 months of operation. The system will have an additional 25% capacity available after adding the 200 initial customers for future additions and expansions. At the informal hearing, a representative from American Crystal Sugar, Teresa Warne, stated that natural gas service would benefit its expansion and efficiency of operation. DNG estimates that its service will save residential customers \$500 to \$1000 and businesses 20% to 40% per year. There are no other public utilities providing similar service in the Drayton area.

DNG will have a dedicated service center located in Drayton and is a member of the American Gas Association, which has a larger mutual aid agreement with other natural gas companies for emergency response. GMS or any of its subsidiaries have not filed for bankruptcy, temporarily or permanently ceased operation, had difficulty remaining competitive with an alternative heating source, or been subject to a revocation proceeding. GMT and GMS will be guarantors of DNG debt and DNG will benefit from shared management, personnel, scalability, and overhead of GMS. DNG also stated that it has the financing available to add service to the Drayton area. The Company will have insurance dedicated to DNG sufficient to cover any emergent liability.

On September 24, 2018, commission staff filed a recommendation that the Application for Protection of Information be granted.

Based on the record and having received no objections, the commission finds:

1. There is a need for the service.
2. DNG is technically, financially and managerially fit and able to provide natural gas service in North Dakota.
3. There is no effect on other public utilities providing similar service.
4. The proposed service is adequate.

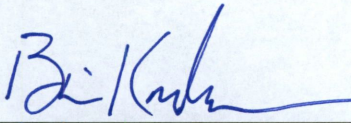
5. It is in the public interest that the Certificate of Public Convenience and Necessity be issued to provide natural gas service to Drayton, ND and its environs.

**Order**

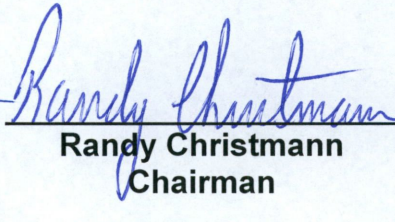
The Commission orders:

1. DNG's application for a Certificate of Public Convenience and Necessity to construct and operate a natural gas distribution system to serve Drayton, North Dakota and its environs is granted.
2. Certificate of Public Convenience and Necessity No. 5922 is issued to DNG to construct and operate a natural gas distribution system to Drayton, North Dakota and its environs.
3. DNG's Application for Protection of Information is granted.

**PUBLIC SERVICE COMMISSION**



**Brian Kroshus**  
Commissioner



**Randy Christmann**  
Chairman



**Julie Fedorchak**  
Commissioner

# **PUBLIC SERVICE COMMISSION**

## **STATE OF NORTH DAKOTA**

### **Certificate of Public Convenience and Necessity**

#### **Certificate Number 5922**

*This is to certify that public convenience and necessity require, and permission is granted for Dakota Natural Gas, LLC, to construct and operate a natural gas distribution system to serve Drayton, ND and its environs in Pembina County, North Dakota.*

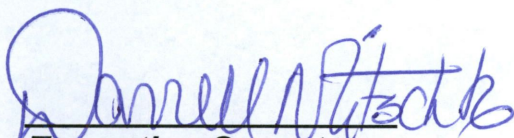
*This certificate is issued in accordance with the Order of this Commission dated October 10, 2018 in Case No. PU-18-224, and is subject to the conditions and limitations noted in the Order.*

*This certificate is conditioned upon Dakota Natural Gas, LLC securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, October 10, 2018.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
**Executive Secretary**

  
**Commissioner**