



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

December 28, 2018

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

Re: Tesoro Refining & Marketing Company
Electric Service Agreement Amendment
Case No. PU-18-_____

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits for Commission approval an original and seven (7) copies of Amendment No. 2 to Tesoro Refining & Marketing Company (Tesoro) Electric Service Agreement with Montana-Dakota in accordance with Section 69-09-02-01 Subsection 3 of the North Dakota Public Service Commission's Electric Rules and Regulations.

On March 25, 2003, in Case No. PU-399-03-155, Montana-Dakota requested Commission approval of an Electric Service Agreement with Tesoro. The agreement was offered to recognize the additional growth associated with changes in Tesoro's process requirements at its Mandan, North Dakota location and in exchange for Tesoro's commitment not to install or operate any additional electric power generation equipment or to purchase electricity from any supplier other than Montana-Dakota during the 5-year term. The Commission approved the Electric Service Agreement on April 9, 2003.

On May 14, 2007, in Case No. PU-07-189, Montana-Dakota requested Commission approval of Amendment No. 1 to the Tesoro Agreement. The amendment expanded the 2003 agreement to include an additional substation at a rate structure that enabled Tesoro to operate its facilities more efficiently by distributing between Tesoro's facilities and providing the opportunity to serve additional load in the near term. The Commission approved the amended agreement on August 8, 2007.

In the Company's most recent electric rate case, Case No. PU-16-666, Montana-Dakota entered into a Settlement Agreement with Commission Advocacy Staff and the AARP which was approved by the Commission on June 16, 2017. In compliance with

Paragraph 10 of the Settlement Agreement, Montana-Dakota submitted updates to the Commission advising the Commission that the four contract rates, including the agreement with Tesoro, had been reviewed, customers meetings were being held to discuss rate options and negotiate new agreements, if needed, and that updated amendments would be submitted to the Commission. On December 10, 2018, Montana-Dakota filed updated agreements in Case No. PU-16-666. Amendments to the American Colloid and Sabin Metals agreements have been requested in separate cases. No change is proposed to the North Dakota State Capitol agreement.

Montana-Dakota now herewith submits for Commission approval the attached Amendment No. 2 to the Tesoro Electric Service Agreement reflecting the results of the aforementioned customer meetings and the updated contract submitted on December 10, 2018 in Case No. PU-16-666. Amendment No. 2 provides for the continued sale of all firm electric power required by Tesoro at a rate other than the otherwise applicable General Electric Service Rate 30. The rate is being offered for Tesoro's continued commitment to not install or operate any additional electric power generation equipment or to purchase electricity from any other supplier other than Montana-Dakota during the term of the agreement, thereby providing a benefit to all other customers.

The rates applicable under the attached Amendment No. 2 reflect a two-phase rate agreement, which are further outlined in Exhibits B and B1 of Amendment No. 2. The attached Amendment No. 1 replaces Section 5 of the Amendment No. 1 in its entirety. The first phase reflects the continuation of the electric service rates charged Tesoro today, which reflect the rate decrease authorized in Case No. PU-18-89, Montana-Dakota's Tax Cuts and Jobs Act docket, authorized by the Commission November 20, 2018 with rates implemented December 31, 2018. These rates will continue until Commission takes action on the proposed rates included in Amendment No. 2 to the agreement.

Phase two rates, included herein and identified as Exhibit "B1", will then commence upon Commission authorization of Amendment No. 2. The contracted electric service rate components included in Phase 2 are:

- A Basic Service Charge of \$100.00 per month which is the same Basic Service Charge applicable to primary service customers under General Electric Service Rate 30, the otherwise applicable service rate.
- Continuation of Phase 1 demand and energy charges effective in the first phase and the addition of the Company's four rate riders, Renewable Resource Cost Adjustment Rate 55, Generation Resource Recovery Rider Rate 56, Environmental Cost Recovery Rider Rate 57, and Transmission Cost Adjustment Rate 59.

- In addition, the 1806 substation will no longer be covered under the Tesoro Agreement as service has been stopped at this location.

Provision 1 of Amendment No. 1 provides that the rates included in the agreement shall be modified subject to unilateral rate filings approved by the Commission in addition to future rate adjustment mechanisms approved by this Commission during the contract's term.

Please refer all inquiries regarding this filing to:

Tamie A. Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

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

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.

Please contact me at (701) 222-7856 or at Tamie.Aberle@mdu.com with any questions regarding this filing.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: Karl Liepitz
Garret Senger

**AMENDMENT NO. 2
ELECTRIC SERVICE AGREEMENT**

THIS AMENDMENT to the ELECTRIC SERVICE AGREEMENT ("**Amendment**"), is dated and entered into this 17th day of September, 2018, by and between TESORO REFINING & MARKETING COMPANY LLC whose address is 19100 Ridgewood Parkway, San Antonio, Texas 78259 ("**Customer**"), and MONTANA-DAKOTA UTILITIES CO., a division of MDU Resources Group, Inc., whose address is 400 North Fourth Street, Bismarck, North Dakota 58501 ("**Company**"), sometimes singularly referred to as "**Party**", or, collectively as "**Parties**".

WHEREAS, Tesoro Petroleum Corporation ("**Tesoro**") and Company entered into an Electric Service Agreement (the "**Agreement**") dated March 24, 2003, as amended on April 20, 2007, pursuant to which Company contracted to provide electric service to Customer's facility in Mandan, ND;

WHEREAS, said Agreement and its Exhibits were to remain in effect for a period of five (5) years from the March 24, 2003 date of commencement of said Agreement and year to year thereafter;

WHEREAS, Tesoro assigned all of its rights, obligations and liabilities under the Agreement to Customer, the present owner and operator of the facility; and

WHEREAS, Customer and Company now mutually desire to modify said Agreement;

NOW THEREFORE, in order to satisfy the purposes of the Parties as set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties agree to amend the Agreement as follows:

1. The Parties agree to delete Exhibit A of the Electric Service Agreement, as amended, in its entirety and replace it in its entirety with the revised Exhibit A attached hereto.

2. The Parties agree to delete Section 1(f) of the Electric Service Agreement as amended in its entirety and substitute the following in lieu thereof:

f. Company's "existing facilities" under this agreement means Company's facilities providing electric service at the Central Substation point of delivery listed on the revised Exhibit A and through December 31, 2018, and not thereafter, Company's "existing facilities" shall also include the "1806 Substation" as listed on Exhibit A. After December 31, 2018 Company's "existing facilities" shall only include the Central Substation point of delivery listed on the revised Exhibit A.

3. The Parties agree to delete Section 2 of the Electric Service Agreement as amended in its entirety and substitute the following in lieu thereof:

2. **POINTS OF DELIVERY:** All electric power delivered hereunder shall be metered by Company at the "Central Substation" point of delivery listed on the revised Exhibit "A") attached hereto. Company will read the meters monthly and report such readings to Customer.

4. The Parties agree to delete Section 5 of the Electric Service Agreement as amended in its entirety and substitute the following in lieu thereof:

5. **RATE SCHEDULE:** All electric power delivered hereunder shall be purchased by Customer in accordance with the rate schedules attached hereto as Exhibit B and Exhibit B1. It is agreed any current or future electric rate adjustments mechanisms that are approved by the North Dakota Public Service Commission and applicable to the Company's Large General Electric Service Rate 30 shall also be applicable to the rate schedule under this Agreement. It is further agreed that in the event the Base Rate, Demand Charge, or Energy Charge, applicable under the Company's Large General Service Rate 30, are modified pursuant to a general rate case or other regulatory proceeding before the North Dakota Public Service Commission the charges applicable under Exhibit B and Exhibit B1 shall be subject to review and modification in order to represent the same percentage differential between Exhibit B and Exhibit B1, as adjusted by rate adjustment mechanisms, and the Large General Electric Service Rate 30, as adjusted by rate adjustment mechanisms, applicable to the last consecutive twelve months of Customer's billing usage prior to implementation of interim or permanent rates from the general rate case or other regulatory proceeding before the North Dakota Public Service Commission.

1. The Parties agree to delete Section 11 of the Electric Service Agreement as amended in its entirety and substitute the following in lieu thereof:

11. **TERM:** This Agreement shall become effective upon execution and shall remain in full force and effect for a period extending from the date thereof for five (5) years, and from year to year thereafter. Either Party may cancel this Agreement at any time after the 5-year period, provided that no less than six (6) months written notice is furnished to the other Party prior to the termination date.

2. The Parties agree to delete Section 14 of the Electric Service Agreement as amended in its entirety and substitute the following in lieu thereof:

14. **Notices:** Notices required hereunder shall be in writing and shall be sent by trackable letter delivery or electronically to the respective addresses below:

To Company: Montana Dakota Utilities Co.
Attn: VP of Operations
400 N Fourth Street
Bismarck, ND 58501

With Copy To:
MDU Resources Group Inc.
Attn: General Counsel
1200 W Century Avenue
Bismarck, ND 58503

To Customer: Tesoro Refining & Marketing Company LLC
Attn: Commercial / Electricity

19100 Ridgewood Parkway
San Antonio, TX 78259
satnatgas@andeavor.com

With Copy To:
Tesoro Refining & Marketing Company LLC
Attn: Refinery Manager
900 Old Red Trail NE
Mandan, ND 58554

And To:
Tesoro Refining & Marketing Company LLC
Attn: Legal Department
19100 Ridgewood Parkway
San Antonio, TX 78259

Either Party may change any address referenced above by sending Notice under this Agreement.

3. The Parties agree to delete Exhibit B (Rate Schedule) of the Electric Service Agreement, as amended, in its entirety and replace it in its entirety with the revised Exhibit B, and Exhibit B1 which are attached hereto.
4. The Parties hereby ratify, adopt and confirm all of the terms and conditions of the Agreement, as amended, except as specifically modified herein as of the Effective Date.
5. This Amendment is subject to filing with the North Dakota Public Service Commission pursuant to NDAC Rule 69-09-02-01.

IN WITNESS WHEREOF, the Parties hereto have caused these presents to be duly executed as of the day and year first above written.

TESORO REFINING & MARKETING
COMPANY LLC

By: _____

Cynthia J. Warner

Title: Executive Vice President, Operations

MONTANA-DAKOTA UTILITIES CO.,
a division of MDU Resources Group, Inc.

By: _____

Scott Madison

Title: EVP, Business Development & Gas
Supply



To Heskett
Power Plant

TL402-6

Refinery Switching
Substation

402-6, 402-6

1806 Substation

Central Substation

Collins Substation

TL039-4

Exhibit A
Electric Service Agreement

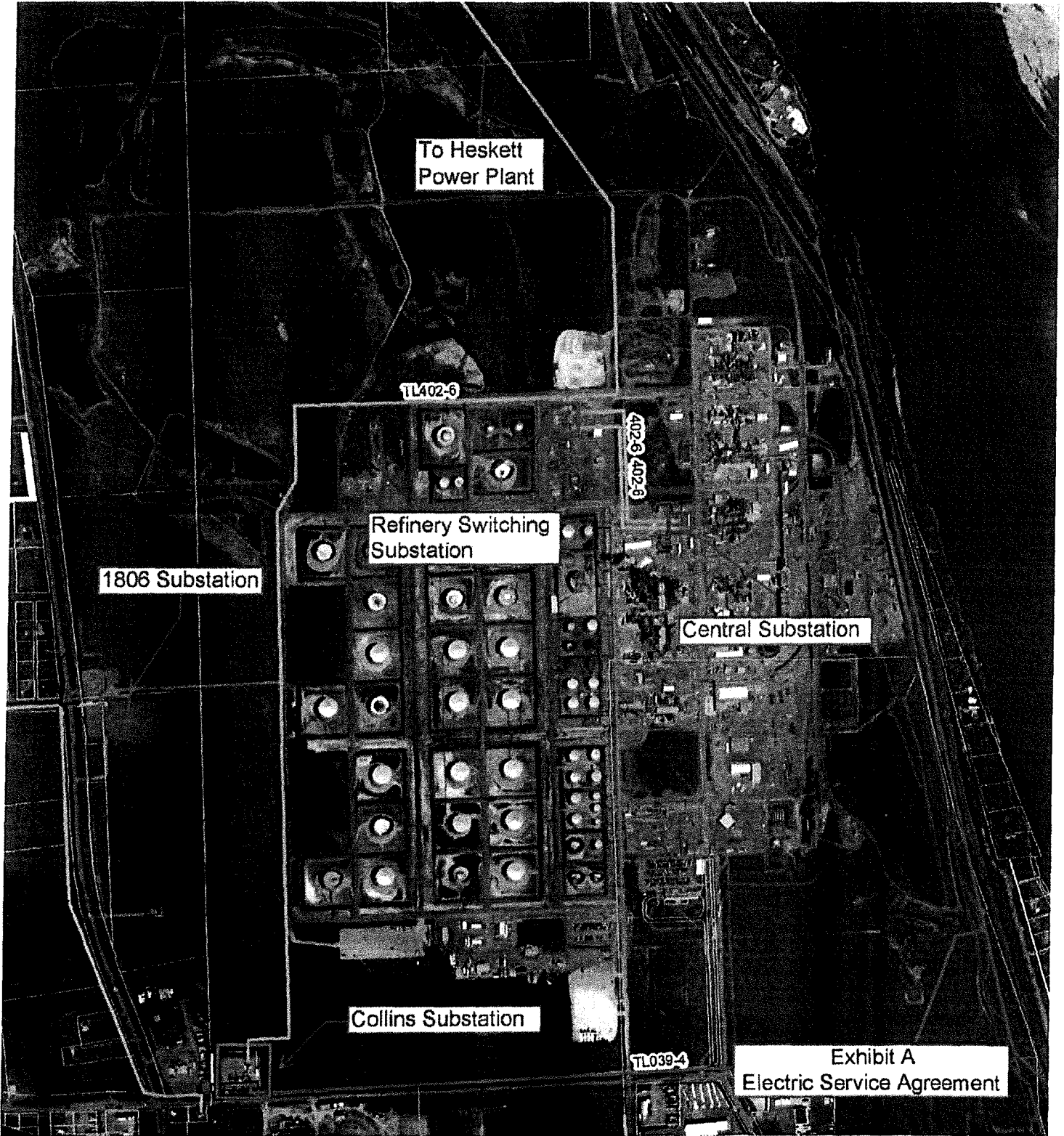


EXHIBIT "B1"
TO AMENDMENT NO. 2
OF THE ELECTRIC SERVICE AGREEMENT

RATE SCHEDULE

This Exhibit "B1" is effective January 1, 2019.

Base Rate:	\$100.00 per month
Demand Charge:	
October – May	\$5.44 per kW of Billing Demand
June – September	\$8.56 per kW of Billing Demand
Energy Charge:	
	1st 1,500,000 kWh per month - \$0.02148per kWh
	Over 1,500,000 kWh per month - \$0.01472 per kWh

MINIMUM BILL:

 Base Rate plus Demand Charge

PAYMENT:

 Bills 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 109 or any amendments or alterations thereto.

DETERMINATION OF BILLING DEMAND:

 The demand in kilowatts for billing purposes shall be the maximum 15-minute measured demand in the current month. Demands will be determined to the nearest one-tenth kilowatt.

POWER FACTOR CLAUSE:

 Company reserves the right to require Customer to install adequate equipment so that at all times it can operate its facility to maintain a power factor between 90% lagging and 90% leading. If Customer operates outside this range, the maximum 15-minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15-minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such demand.

ADJUSTMENT CLAUSES:

 Bills are subject to the following adjustments or any amendments or alterations thereto:

1. Renewable Resource Cost Adjustment (RRCA) Rate 55
2. Generation Resource Recovery Rider (GRRR) Rate 56
3. Environmental Cost Recovery Rider (ECRR) Rate 57
4. Fuel and Purchased Power Adjustment (F&PP) Rate 58
5. Transmission Cost Adjustment (TCA) Rate 59

SPECIAL TERMS AND CONDITIONS:

1. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by Company under the laws of the state. This Rate Schedule is subject to filing with the North Dakota Public Service Commission pursuant to NDAC Rule 69-09-02-01.

EXHIBIT "B"
TO AMENDMENT NO. 2
OF THE ELECTRIC SERVICE AGREEMENT

RATE SCHEDULE

This Exhibit "B" is effective December 1, 2018 through December 31, 2018

Base Rate: \$95.00 per month

Demand Charge:

October – May \$5.44 per kW of Billing Demand

June – September \$8.56 per kW of Billing Demand

Energy Charge:

Central Substation - 1st 1,500,000 kWh per month - \$0.02148 per kWh
Over 1,500,000 kWh per month - \$0.01472 per kWh

1806 Substation - All kWh per month - \$0.01472 per kWh

MINIMUM BILL:

Base Rate plus Demand Charge

PAYMENT:

Bills 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 109 or any amendments or alterations thereto.

DETERMINATION OF BILLING DEMAND:

The demand in kilowatts for billing purposes shall be the greater of the maximum 15-minute measured demand in the current month or 1,000 kW. Demands will be determined to the nearest one-tenth kilowatt.

POWER FACTOR CLAUSE:

Company reserves the right to require Customer to install adequate equipment so that at all times it can operate its facility to maintain a power factor between 90% lagging and 90% leading. If Customer operates outside this range, the maximum 15-minute integrated reactive kilovolt amperes in excess of 50% of the maximum 15-minute integrated kilowatt demand for the same month will be billed at \$3.35 per Kvar of such demand.

FUEL AND PURCHASED POWER CLAUSE:

Bills are subject to an adjustment for cost of fuel and purchased power as provided in Rate 58, or any amendments or alterations thereto.

SPECIAL TERMS AND CONDITIONS:

1. The foregoing schedule is subject to Rates 100-112 and any amendments or alterations thereto or additional rules and regulations promulgated by Company under the laws of the state. This Rate Schedule is subject to filing with the North Dakota Public Service Commission pursuant to NDAC Rule 69-09-02-01.