



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: Sabin Metals West Corporation  
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 Sabin Metals West Corporation's (Sabin) 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 24, 2000, in Case No. PU-399-00-134, Montana-Dakota requested Commission approval of an Electric Service Agreement with Sabin. The initial agreement was offered to assist in making it economically feasible for Sabin to begin operating a processing plant in Williston, North Dakota that had been idle since May 1997. Reactivation of the facility would provide economic growth for North Dakota as well as provide other benefits to the Company's other electric service customers. Under the agreement, Sabin received reduced rates compared to those that would otherwise have been applicable under the Company's Large General Service Rate 30. In return, Sabin agreed to not install additional generation other than for emergency backup purposes and not to purchase electricity from another supplier during the ten-year term of the contract. The Commission approved the Electric Service Agreement with Sabin on April 26, 2000.

On November 23, 2011, the Sabin Electric Service Agreement was modified to include Amendment No. 1. The amendment reflected updated energy and demand rates incorporating the electric rate increase authorized in the Company's 2010 rate case, Case No. PU-10-124 and as included in the Montana-Dakota's Compliance Filing submitted on June 14, 2011.

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 Sabin, 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 Tesoro 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 Sabin Electric Service Agreement reflecting the results of the aforementioned customer meetings and updated contract submitted on December 10, 2018 in Case No. PU-16-666. Amendment No. 2 provides for the continued agreement not to install additional generation other than for emergency backup purposes and for the continued sale of all firm electric power required by the Sabin facility at a rate other than the otherwise applicable General Electric Service Rate 30. The amended rate is being offered in order to retain the existing processing load at the customer's Williston location, minimize the budget impact on Sabin for 2018, and provide additional incentive for the customer to expand their operations at this location versus the customer's other location(s) which are not served by Montana-Dakota, thereby providing a benefit to all customers.

The rates applicable under the attached Amendment No. 2 reflect a two-phase rate agreement, which are further described in Section 1 of Amendment No. 2 and the exhibits referenced and attached to the amendment. Section 1 of Amendment No. 2 replaces Section 5 of the Electric Service Agreement in its entirety.

The first phase reflects the continuation of the electric service rates charged Sabin 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 on 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 "A1", will then commence upon Commission authorization of Amendment No. 2. The contracted electric service rate components included in phase two 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 customer's otherwise applicable service rate.
- A seasonal demand charge of:
  - \$5.72 per KW of billing demand for October through May
  - \$8.58 per KW of billing demand for the first 5,000 KW for June through September
  - \$5.72 per KW of billing demand for the KW greater than 5,000 for June through September
- A stepped energy charge of:
  - \$0.01751 per Kwh for the first 2.3 million Kwh per month. This rate is equal to the energy charge applicable to all Kwh for primary service under General Electric Service Rate 30.
  - \$0.01200 per Kwh for the Kwh greater than 2.3 million Kwh per month.
- All applicable rate adjustments billed under the otherwise applicable Rate 30 which currently includes the Company's Renewable Resource Cost Adjustment Rate 55, Generation Resource Recovery Rider Rate 56, Environmental Cost Recovery Rider Rate 57, and Transmission Cost Adjustment Rate 59.

Provision 1 of Amendment No. 2 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 five-year term and year to year thereafter.

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](mailto: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 8<sup>th</sup> day of JUNE, 2018, by and between SABIN METALS WEST CORPORATION whose address is 300 Pantigo Place, Suite 102, East Hampton, New York 11937 ("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, Sabin Metals West Corporation ("Customer") and Company entered into an Electric Service Agreement (the "Agreement") dated March 10, 2000, as amended on November 23, 2011, pursuant to which Company contracted to provide electric service to Customer's facility in Williston, ND;

WHEREAS, said Agreement and its Exhibits were to remain in effect for a period of ten (10) years from the January 1, 2001 date of commencement of said Agreement and year to year thereafter;

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 Section 5 of the 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 A and Exhibit A1. 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 A and Exhibit A1 shall be modified to represent the same percentage differential between Exhibit A and Exhibit A1, 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. It is further agreed and in accordance with adjustments discussed above that updated Exhibit A and A1 as applicable, will be provided by Company to Customer within, and effective, in 60 days of the approved effective date as ordered by the North Dakota Public Service Commission.

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

11. **TERM:** The Agreement, as amended by this Amendment, shall become effective upon final approval from the North Dakota Public Service Commission 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 initial 5-year period, provided that no less than six (6) months written notice is furnished to the other Party prior to the termination date.

3. The Parties agree to delete Section 14 of the 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: Sabin Metals West Corporation  
Attn: Plant Manager  
15 E 12<sup>th</sup> Avenue  
Williston ND, ND 58801

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

4. The Parties agree to delete Exhibit A (Rate Schedule) of the Agreement, as amended and erroneously referenced as Exhibit B (although the parties intended to reference Exhibit A) in the First Amendment to the Agreement, in its entirety and replace it in its entirety with the revised Exhibit A, and Exhibit A1 which are attached hereto. Exhibit A shall be applicable and in effect through December 31, 2018 and Exhibit A1 shall be applicable and in effect from January 1, 2019 and thereafter.

5. The Parties hereby ratify, adopt and confirm all the terms and conditions of the Agreement, as amended, except as specifically modified herein as of the Effective Date.

6. 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.

Sabin Metals West Corporation

By: \_\_\_\_\_

Title: \_\_\_\_\_

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

By: \_\_\_\_\_

Pat Darras  
Vice President of Operations

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

**RATE SCHEDULE**

This Exhibit "A" is effective through December 31, 2018

Base Rate:	\$15.00 per month
Demand Charge:	
October – May	\$5.44 per kW of Billing Demand
June – September	\$5.44 per kW of Billing Demand
Energy Charge:	\$0.01872 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.

**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 Rate 130 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.
2. As per Section 5 of the Electric Service Agreement this rate schedule and adjustment mechanisms are as per approved Company rates effective with service rendered on or after December 1, 2018.

**EXHIBIT "A1"**  
**TO AMENDMENT NO. 2**  
**OF THE ELECTRIC SERVICE AGREEMENT**

**RATE SCHEDULE**

This Exhibit "A1" is effective January 1, 2019.

Base Rate: \$100.00 per month

Demand Charge:

First 5,000 kW per month:	
October – May	\$5.72 per kW of Billing Demand
June – September	\$8.58 per kW of Billing Demand
All Excess kW per month:	
October – May	\$5.72 per kW of Billing Demand
June – September	\$5.72 per kW of Billing Demand

Energy Charge:

First 2.3 Million kWh per month:	\$0.01751
All Excess kWh per month:	\$0.01200

**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 Rate 130 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.**
- 2. As per Section 5 of the Electric Service Agreement this rate schedule and adjustment mechanisms are as per approved Company rates effective with service rendered on or after December 1, 2018.**