

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Chris Hanson, Public Utility Analyst

Date: June 1, 2023

Re: Montana-Dakota Utilities Co. (MDU), Case Label 1, Natural Gas Distribution Facilities - Burke County, Case No. PU-23-175

On May 3, 2023, as per North Dakota Century Code (NDCC) Chapter 49-03.1, MDU filed an Application for a Certificate of Public Convenience and Necessity (Application) with the North Dakota Public Service Commission (Commission) to construct and operate a natural gas facility (the system) to serve the City of Portal, ND (the City).

On May 8, 2023, MDU submitted the requisite Application Fee of \$10,000.

On May 22, 2023, the Commission issued a Notice of Opportunity for Hearing providing until June 26, 2023, for receiving written comments or requests for hearing on this matter. As of the date of this memo, no requests have been received.

The City previously had a Pipeline Service Agreement with SaskEnergy to provide natural gas supply to approximately seventy customers within city limits. In 2022, SaskEnergy informed the City they would require additional insurance in order to renew that agreement. The City determined the cost of this additional insurance was not affordable and would require them to discontinue this agreement with SaskEnergy at the end of the term in April 2023.

As a result of this situation, the City contacted MDU to determine their interest in purchasing the Portal gas system. MDU declined as the current system is unlocatable. Instead, the City and MDU entered into a new agreement dated June 28, 2022, to provide operations and maintenance support for the current system, decommission that system and construct a new system. The City issued a natural gas Franchise Agreement to MDU on February 7, 2023.

The new facilities will be constructed in two phases. Phase One is comprised of 8,200 feet of four-inch polyethylene (PE) main from the WBI Energy (WBI) transmission system to the Portal city limits and a distribution system within the city limits comprised of four- and two-inch PE mains. Phase Two will entail constructing service lines to customers under MDU's gas extension tariff (Rate 120). This is estimated to be in-service in late 2023.

These facilities will be owned by MDU and all costs will be offset by Contribution in Aid of Construction (CIAC) by the City plus a calculation of the Maximum Allowable Investment

(MAI) based upon the MDU Gas Extension Rates 120 (Residential Customers) and Rates 70 (Firm General) and 74 (Firm Contracted) Rates. Any cost overruns will be funded by the City.

SaskEnergy has verbally agreed to continue service until new services can be constructed as outlined in the MDU agreement.

An informal meeting with staff from MDU and the City of Portal has been scheduled for June 6, 2023, from 1:30PM to 3:00PM to discuss these matters further.