

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

In the matter of the Application of Montana-) DOCKET NO. NG12-____
Dakota Utilities Co., a Division of MDU)
Resources Group, Inc., for authority to)
Establish an East River Natural Gas System)
Transportation Service Rate 86)

Montana-Dakota Utilities Co., ("Montana-Dakota"), a Division of MDU Resources Group, Inc., respectfully submits this Application for authority to establish an optional Interruptible Natural Gas Transportation Service Rate 86 tariff.

I.

Montana-Dakota, a Division of MDU Resources Group, Inc., is a Delaware corporation duly authorized to do business in the State of South Dakota as a foreign corporation. Montana-Dakota is doing business in the State of South Dakota as a public utility.

II.

That Applicant's full name and post office address are:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, North Dakota 58501

III.

That Montana-Dakota was contacted by a representative from Constellation Energy Resources, LLC (Constellation) regarding the availability of transportation

service on its East River natural gas system. Constellation indicated they had customer interest in a transportation service offering in Montana-Dakota's East River territory.

IV.

That Montana-Dakota proposes to offer a transportation service rate to its East River natural gas service customers whose interruptible natural gas service load will exceed an input rate of 2,500,000 Btu per hour, metered at a single delivery point. Montana-Dakota currently offers a similar natural gas transportation service rate in its Black Hills territory.

V.

That Montana-Dakota respectfully submits herewith the following proposed rate schedules applicable to its proposed offering of Transportation Service to its East River Natural Gas System customers:

- o Section No. 1 - 5th Revised Sheet No. 1 & 3rd Revised Sheet No. 1.1 Table of Contents.
- o Section No. 3 - Original Sheet Nos. 27 – 27.7 East River Natural Gas System Transportation Service Rate 86
- o Section No. 6 - Original Sheet Nos. 25-25.4 Gas Transportation Agreement

VI.

That Montana-Dakota proposes a Basic Service Charge of \$125.00 for the East River Transportation Service rate which is equivalent to the Basic Service Charge under Transportation Service Rates 81 and 82 offered in Montana-Dakota's Black Hills area. Montana-Dakota proposes to offer a Maximum Rate per dk of \$2.598 which is the Distribution Delivery Charge authorized in Docket No. NG05-002 under the East River Natural Gas System Firm General Gas Service Rate 76 and a Minimum rate per dk of \$0.050 based on variable operation and maintenance (O&M) expenses identified in Docket No. NG05-002. A fuel charge, subject to change monthly based on changes

submitted as part of the Purchased Gas Cost Adjustment submissions, is applicable to all gas transported to customers within the distribution system.

VII.

That the terms under which the Transportation Service is proposed to be offered are the same as the Black Hills Rate Schedules 81 and 82 with the exception of the following measures:

- **The Penalty For Failure to Curtail or Interrupt (§5)** reflects a proposed penalty equal to the greater of any penalty payments or overrun charges the Company is required to make to the interconnecting pipeline under the terms of its contract as a result of the customer's failure to curtail or interrupt or \$50.00 per dk of gas used in excess of the volume of gas to which the customer was requested to curtail or interrupt. A provision allowing the Company at its own discretion, to install automatic shut-off or curtailment equipment, at the customer's expense, to regulate the amount of gas the customer may use at the time of a curtailment or interruption has been added. The proposed penalty represents an increase in the penalty currently included in the Black Hills Transportation Service tariff and the option to install automatic shut-off or curtailment equipment is a new provision.
- **Monthly Imbalance (§10)** reflects a proposed cash-out mechanism to be applied to the difference between the amount of gas received by the Company on the customer's behalf and the actual gas deliveries made to the customer. The monthly imbalance will not be carried forward to the next calendar month with the cash-out mechanism, which differs from the current Transportation Service Rate in Black Hills area where the balance is carried forward to the next month and balancing charges are applied until the imbalance is corrected. Under the Company's proposal, if the monthly imbalance is caused by more gas delivered on the customer's behalf than the actual volumes used, the Company will pay the customer an Undertake Purchase Payment, which is equal to the lesser of the

Company's weighted average cost of gas (WACOG) or an Index Price. If the monthly imbalance is due to more gas actually used by the customer than volumes delivered on their behalf, the customer shall pay Montana-Dakota an Overtake Charge which is equal to the greater of the Company's WACOG or an Index Price. The Index Price is as reported in the first issue of the month of Delivery of Platts, Inside FERC's Gas Market Report in the table titled "Prices of Spot Gas Delivered to Pipelines-under the heading – Northern Natural Gas Co. – Ventura, Iowa". The Company's WACOG includes the commodity cost of gas and applicable commodity related transportation and storage charges. In addition to the monthly imbalance cash-out mechanism, the customer is responsible for any additional costs incurred by Montana-Dakota from the interconnecting pipeline due to a deviation between scheduled daily volumes and actual daily volumes of gas.

VIII.

That Montana-Dakota proposes to impose the measures listed above to ensure the firm customers' interests and capacity requirements are protected and firm customers are not subsidizing costs incurred due to the implementation of Transportation Service Rate 86 in Montana-Dakota's East River service area.

IX.

That this Application is submitted in accordance with the provisions of the South Dakota Codified Laws and the rules and regulations promulgated by the Public Utilities Commission of the State of South Dakota and the Commission's filing guidelines.


X.

Montana-Dakota requests that the Commission approve the proposed tariff sheets listed above in order to offer an optional Interruptible Gas Transportation Service

to its East River customers to be effective with service rendered on or after December 1, 2012.

Dated this 18th day of October, 2012.

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

BY: 
Tamie A. Aberle
Director of Regulatory Affairs

State of North Dakota)
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County of Burleigh)

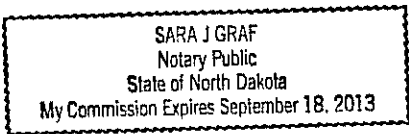
Tamie A. Aberle, being first duly sworn, deposes and says that she is the Director of Regulatory Affairs at Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., that she has read the foregoing Application, knows the contents thereof, and that the same is true and correct to the best of her knowledge, information and belief.

Dated this 18th day of October, 2012.

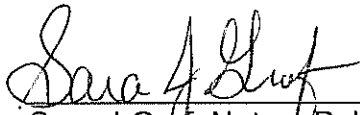


Tamie A. Aberle
Director of Regulatory Affairs

Subscribed and sworn to before me this 18th day of October, 2012.



(SEAL)



Sara J Graf, Notary Public
Burleigh County, North Dakota
My Commission Expires: 9/18/2013

OF COUNSEL:

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