STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

In the Matter of the Application of	)	
MONTANA-DAKOTA UTILITIES CO., a	)	
Division of MDU Resources Group, Inc.	)	Docket No. NG17-______
for Approval of Revised Transportation	)	
Service Rates 81 and 82 and Related Gas	)	
Transportation Agreement		

I. Summary of Application

Montana-Dakota Utilities Co. (Montana-Dakota or Applicant), a Division of MDU Resources Group, Inc, the Applicant in the above entitled proceeding, makes this application requesting authority to revise Transportation Service Rates 81 and 82 (Transportation Tariffs), attached hereto as Exhibit 1, and related Gas Transportation Agreement (Agreement), attached hereto as Exhibit 2.

II. Description of Applicant

Montana-Dakota is a Division of MDU Resources Group, Inc., a Delaware corporation duly authorized to do business in the State of South Dakota as a foreign corporation, and doing business in the State of South Dakota as a public utility subject to the jurisdiction of and regulation by the South Dakota Public Utilities Commission (Commission). Montana-Dakota's Certificate of Incorporation and amendments thereto have been previously filed with the Commission and such Certificate and Amendments are hereby incorporated by reference as though fully set forth herein. Montana-Dakota provides natural gas transportation service to twenty-nine customers in South Dakota.

III. Current Transportation Service Rates 81 and 82 Balancing Provision

The Company's current Transportation Service Rates 81 and 82 tariff provides for the transportation of natural gas to a customer's premise, metered at a single delivery point, using Montana-Dakota's distribution facilities. Customers taking service under the Transportation Tariffs must purchase their natural gas requirements from an independent third-party source and arrange for the shipment of that gas to Montana-Dakota's distribution system. Qualifying interruptible customers enter into a Gas Transportation Agreement that identifies the receipt and delivery points, the applicable rate, and the quantity of natural gas to be delivered daily to the customer's premise.

If at the end of the month, the accumulated difference between the actual gas delivered to the customer and the nominated or scheduled amount of gas for that customer exceeds four percent of the month's scheduled receipts, resulting in a negative imbalance (i.e. delivered amount exceeds nominated) the customer is assessed a balancing charge on the imbalance exceeding four percent. If the imbalance remains at the end of the following month, the customer is billed a penalty for the under nominated gas volume exceeding four percent based on the Company's Firm General Gas Service Rate 70 charges.

If at the end of the month, the accumulated difference results in a positive imbalance (i.e. scheduled receipts exceed deliveries) the customer is assessed a balancing charge on the imbalance exceeding four percent. If the imbalance remains at the end of the following month, the Company (1) may adjust the volume of gas received on behalf of the customer to eliminate the prior period over nomination exceeding four percent up to ten percent, and (2) shall retain the over-nomination exceeding ten percent free and clear of any adverse claims when accumulated difference exceeds fifty Dk.

The customer is also subject to any penalties the Company incurs from interconnecting pipeline(s) due to the customer's imbalance.

IV. Revised Transportation Service Rates 81 and 82 Tariff

The Company is proposing the following modifications to the Company's Transportation Service Rates 81 and 82 tariff:

- Replace the current balancing provision with a monthly cash-out or cash-in mechanism based on a graduated scale of the gas received by the Company on a customer's behalf measured against the actual gas delivered to the customer. Monthly imbalances would no longer carry forward to the next billing month under the proposed cash mechanism.

  Under the proposed balancing provision, if the monthly imbalance is caused by more gas being delivered to the customer than the actual volumes used by the customer, the Company will pay the customer an Undertake Purchase Payment, which would be equal to the lesser of the Company's weighted average cost of gas or an Index Price.

  If the monthly imbalance is due to more gas used by the customer than the volume of gas delivered, the customer will pay Montana-Dakota an Overtake Charge which would be equal to the greater of the Company's weighted average cost of gas or an Index Price. The Index Price will be the average of the "Weekly

Weighted Averages Prices" published by Gas Daily for CIG Rockies and Northern Ventura during the given month.

Both the proposed Undertake Purchase Rate and the Overtake Charge are on a graduated scale basis designed to reflect the degree of the volume imbalance. As the degree of the variance increases between the customer's actual consumption and that received by the Company on the customer's behalf, the customer will either (1) receive an increasing smaller payment for the additional gas purchased by the Company in order to discourage the delivery of gas beyond that actually needed by the customer monthly or (2) pay an increasing rate for the gas used by the customer but not received by Company on customer's behalf in order to discourage the consumption of gas not scheduled for the customer.

As the proposed cash imbalance provision is settled each month and provides for the recovery of the gas costs associated with the imbalance, the need for the balancing and fuel charges, provided for under the current tariff, are eliminated.

The customer would continue to be responsible for any additional costs incurred by Montana-Dakota from the interconnecting pipeline due to a deviation between scheduled daily volumes and the actual daily volume delivered.

The above noted changes to the imbalance mechanism simplifies and clarifies the imbalance provision for both Montana-Dakota and the customer as the imbalance is disposed of within the month. It also provides a clear price signal to the customer, recognizes a purchase rate or overtake charge commensurate with the severity of the imbalance and holds other customers unharmed by imbalances.

- Revise the Metering Requirements provision of the Transportation Service Rates 81 and 82 tariff to recognize that, while most customers are located within the Company's fixed network system used for meter reading and the additional equipment is not needed for their measurements, select customers may still be required to install additional equipment for the transmission of measurements if located outside the Company's fixed network.
- Remove redundant provisions on the assessment of interconnecting pipeline penalties and charges if caused by the customer. The current tariff provides for the billing of these penalties under each applicable cause resulting in a penalty. To simplify and streamline the tariff, the Company is proposing to include the assessment of any pipeline penalty only once in the tariff and identify that requirement within the monthly imbalance provision.
- Separate the provisions specific to Customer's Use of Non-Delivered Volumes and Replacement or Supplemental Sales Service to recognize one is a penalty situation and the other is the availability of supplemental service. The two provisions are currently included as one provision, "Non-Delivered Volumes/Penalty".
- Revise current Paragraph 12(a) of Daily Nominations Requirements of the Transportation Service Rates 81 and 82 tariff to reflect that a customer's next day requirements must be posted in accordance with FERC timelines rather than include a specific time. The proposed change eliminates future tariff filings

necessary, in order to incorporate a nomination timeline change as authorized by FERC, into the Company's tariff. Nominations are scheduled today in accordance with FERC Order No. 809 which changed the nationwide nomination deadline for the scheduling natural gas transportation from 11:30 Central Clock Time to 1:00 p.m. Central Clock Time.

- Remove the last two sentences of current Paragraph 12(c) of Daily Nominations Requirements of the Transportation Service Rates 81 and 82 tariff as well as Paragraph 12(d). The provisions are no longer applicable as the pipeline nominations are customer specific today.

V. Gas Transportation Agreement

In addition to the above changes to the transportation tariff, the Company is proposing the following changes to its Gas Transportation Agreement:

- Delete the entirety of Section 2.2 Metering and Measurement from the standard agreement form. This section is duplicative of the Metering Requirements provision included in the Rates 81 and 82 tariff and therefore appropriate to remove from the standard agreement.
- Delete Section 2 Taxes from the standard agreement form. The section is duplicative of the tax provision included in the Company's General Provisions Rate 100 tariff, Section V, Paragraph 13 and therefore appropriate to remove from the standard agreement form.
- Delete Section 4.3 Replacement or Supplemental Sales Service from the standard agreement form. The section is duplicative of Section 6(c) of the

current (or Section 7 of the proposed) Transportation Service Rates 81 and 82 and therefore appropriate to remove from the standard agreement form.

- Delete Section 6.0 Indemnification from the standard agreement form. The section is duplicative of the Indemnification provision included in the Company's General Provisions Rate 100 tariff, Section IV, Paragraph 4 and therefore appropriate to remove from the standard agreement form.
- Delete Section 7.0 Ingress and Egress from the standard agreement form. The Company's General Provisions Rate 100, Section III, Paragraph 4 tariff provides for the Company to have access to a customer's premise and is therefore duplicative in the agreement and appropriate to remove from the standard agreement form.
- Delete Section 8.0 Force Majeure from the standard agreement form. The section is duplicative of the Force Majeure provision included in the Company's General Provisions Rate 100 tariff, Section IV, Paragraph 5 and therefore appropriate to remove from the standard agreement form.

VI. Implementation of Proposed Changes

In 2013, Montana-Dakota implemented a new Customer Care and Billing (CC&B) system. At that time, the billing of all customers was moved to the new billing platform except for the Company's transportation customers. The decision was made to maintain these customers in the Company's former Customer Information System (CIS) due to the billing complexity for these services. The billing of the transportation customers would be moved to CC&B at a later date.

The Company is now filing an application with the Commission in each of its respective jurisdictions to revise its transportation tariffs and agreement. Upon approval of the proposed changes noted herein in each of the respective jurisdictions, the Company is anticipating the conversion of billing transportation customers in CC&B in the 4th quarter of 2017. The Company requests the continued application of the current tariff's provisions until the billing conversion is complete.

VII. Conclusion

The changes proposed herein to the Company's Transportation Service Rates 81 and 82 tariff and related Gas Transportation Agreement provides customers with a more streamlined agreement through the removal of duplicate provisions currently also included in the tariff and with an easier to understand and price signaling balancing charge structure.

Montana-Dakota respectfully requests that the Commission approve the revisions to its Transportation Service Rates 81 and 82 tariff and related Gas Transportation Agreement, with implementation of the changes to coincide with the conversion of the Company's transportation customers into CC&B in the 4th quarter of 2017.

Dated this 7th day of June 2017.

Tamie A. Aberle
Director of Regulatory Affairs

Subscribed and sworn to before me this 7th day of June 2017.

CAITLIN STRAABE
Notary Public
State of North Dakota
My Commission Expires August 28, 2019

Caitlin Straabe

Caitlin Straabe, Notary Public
Burleigh County, North Dakota
My Commission Expires 08/28/2019

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