

NG01-005

 **MONTANA-DAKOTA**
UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, NE 58501
(701) 222-7500

May 10, 2001

Ms. Debra Elofson
South Dakota Public Utilities
Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

RECEIVED

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: Morris Asphalt Inc.
Contract with Deviation
Docket No. NG96-010

Dear Ms. Elofson:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits for Commission approval Section No. 3, 3rd Revised Sheet No. 30.1 Purchased Gas Cost Adjustment Rate 89 and Section No. 4, 9th Revised Sheet No. 1 List of Gas Contracts with Deviations (Exhibit 2). Montana-Dakota has entered into an Amendment No. 3 to the Letter Agreement with Morris Asphalt Inc. (Morris) originally approved in the above-referenced Docket. The Amendment extends the term for natural gas service to Morris' asphalt facility located at Fort Pierre, South Dakota at a rate that deviates from the currently authorized Rate 66 applicable to all natural gas service provided by Montana-Dakota in the East River Natural Gas System.

The attached Amendment No. 3 (Exhibit 3) provides for the sale of natural gas to Morris at a rate equal to the price of gas, pipeline charges stated at a 100% load factor basis and a distribution charge of 32.1¢ per dk. The prior agreement was based on a flexible price based on annual propane bids obtained by Morris with a minimum price clause of 32.1¢ per dk plus the cost of gas. This Amendment was entered into in order to extend the original contract term. In addition, the pricing provision under the existing contract was found to be extremely volatile dependent upon market conditions. The recovery of pipeline costs and distribution costs, down to the minimum of 32.1¢, varied dependent upon the propane bid for the season and the actual cost of gas for the month. The pricing provision under the newly executed agreement provides for a more stable

recovery of pipeline and distribution related costs while still providing Morris with a competitive price for natural gas service. Based on the purchased gas cost adjustment applicable to East River on May 1, 2001, the gas cost applicable to Morris will be \$5.171 per dk as shown on Exhibit 4. The resulting total commodity rate applicable to Morris is \$5.492 per dk based on the May 1 gas costs. The information set forth on Page 1 of Exhibit 4 will be included in all future purchased gas cost adjustment filings submitted to the Commission.

The 100% load factor allocation of pipeline related charges is appropriate for Morris' asphalt facilities because of the off-peak nature of this load. Montana-Dakota currently allocates transportation service costs on this basis to interruptible service customers under Large Interruptible Service Rate 85 pursuant to the terms of the Purchased Gas Cost Adjustment Rate 88 applicable in the Company's Black Hills' service area. In order to extend this provision to the East River gas system, attached hereto is Section 3, 3rd Revised Sheet No. 30.1 incorporating the 100% load factor allocation of pipeline charges to the Purchased Gas Cost Adjustment Rate 89 tariff applicable to the East River gas system.

Incremental load such as this will benefit all customers taking natural gas service on Montana-Dakota's East River System through the addition of volumes that will serve to minimize the minimum bill requirement applicable under the Company's contract with South Dakota Intrastate Pipeline Company for pipeline transmission service.

In accordance with Section 20:10:13:20, Montana-Dakota hereby requests that this request be approved by May 25, 2001 in order to effectively serve the customer. The attached Amendment No. 3 to the original Letter Agreement has been signed by the customer and will not have an adverse impact on existing customers.

The Company further requests waiver of the 30 days notice to the Commission required by ARSD 20:10:13:15 and 30 days notice to the public required by 20:10:13:17.

Attached as Exhibit 1 is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26.

Included herein is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions requested by lining through the existing language which the Company proposes to delete and highlighting the new language proposed.

Please refer all inquires regarding this filing to:

Mr. Donald R. Ball
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquires, correspondence and pleadings to:

Mr. Douglas W. Schulz
Senior Attorney
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

The original and ten (10) copies of this Letter of Transmittal and tariffs have been provided to the South Dakota Public Utilities Commission.

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.

Sincerely,



Donald R. Ball
Director of Regulatory Affairs

Attachments
cc: D. Schulz

Report of Tariff Schedule Change

NAME OF UTILITY: Montana-Dakota Utilities Co.
 ADDRESS: 400 North Fourth Street
 Bismarck, ND 58501

Section No.		New Sheet No
3	Purchased Gas Cost Adjustment Rate 89	3rd Revised 30 1
4	List of Gas Contracts with Deviation	9th Revised 1

Change: Morris Asphalt Gas Service Agreement.
 (State part of tariff schedule affected by change, such as: Applicability, availability, rates, etc)

Reason for Change: Contract with Deviation - Morris Asphalt

Present rates n/a
 Proposed Rates n/a
 Approximate annual reduction in revenue n/a
 Approximate annual increase in revenue n/a

Points Affected	Estimated Number of Customers Whose Cost of Service will be:					
	Reduced		Increased		Unchanged	
	# of Customers	Amount in \$	# of Customers	Amount in \$	# of Customers	Amount in \$
Morris Asphalt		n/a		n/a		n/a

Received: _____

By: _____
 Executive Director
 South Dakota
 Public Utilities Commission

By: Donald R. Ball
 Director of Regulatory Affairs



Continued)

Page 2 of 6

**EAST RIVER NATURAL GAS SYSTEM
PURCHASED GAS COST ADJUSTMENT Rate #9**

PURCHASED GAS COST ADJUSTMENT: (Cont.)

- (b) (2) Commodity costs shall include all annual gathering, transportation and storage charges at current rates.
- (3) The gas commodity cost shall reflect all commodity related gas costs estimated to be in effect for the month the PGC will be in effect and annual dk requirements.
- (4) The return on prepaid demand and commodity balances and storage balances, if applicable, shall be computed on an annual basis at the overall rate of return on rate base.

The cost per dk for the month is the sum of the above divided by annual, weather normalized dk deliveries for the most recent twelve month period adjusted to reflect losses.

(c) Monthly gas costs shall be calculated as follows:

- (1) Demand costs if applicable, shall be apportioned to all state jurisdictions served by Montana-Dakota on the basis of the overall ration of each state's Maximum Daily Delivery Quantity (MDDQ).
- (2) Demand costs for interruptible and specified contract service customers shall be stated on a 100% load factor basis.
- (3) All commodity costs and other costs associated with the acquisition of gas for the East River System Supply.
- (4) The return requirement related to prepaid demand and commodity charges and gas storage balances, if applicable, shall be included on a per dk basis. The prepaid demand and storage balances shall be apportioned to all states on the basis of each state's MDDQ. The prepaid commodity charges shall be apportioned to all states on the basis of annual dk's sold in each states. The unit cost shall be calculated using a thirteen month average balance and the currently authorized return on rate base.
- (5) All costs related to specific end-use transactions shall not be included in the cost of gas supply determination but shall be directly billed to the customer(s) contracting for such service.

Date Filed: May 11, 2001

Effective Date: _____

Issued By: C. Wayne Fox, President

Docket No.: _____

STATE OF SOUTH DAKOTA
GAS RATE SCHEDULE

	SD P.U.C.	Section No.	4
	9th Revised	Sheet No.	1
Cancelling	8th Revised	Sheet No.	1

LIST OF GAS CONTRACTS WITH DEVIATIONS

<u>Name and Location Of Customer</u>	<u>Type or Class of Service</u>	<u>Execution And Expiration Dates</u>	<u>Most Comparable Regular Tariff</u>	
			<u>Schedule No.</u>	<u>Contract Differences</u>
Morris, Inc.	Firm Commercial	05-10-01	Rate 66	Rate
Spwisch Public School	Firm Commercial	07-15-96 To 07-14-01	Rate 66	Rate/ Minimum Bill
Merillat Corporation	Firm Commercial	05-01-98 To 10-31-03	Rate 70	Rate

Date Filed: May 11, 2001 Effective Date: _____

Issued By: C. Wayne Fox, President

Docket No.: _____

TARIFFS REFLECTING PROPOSED CHANGES



(Continued)

Page 2 of 6

EAST RIVER NATURAL GAS SYSTEM
PURCHASED GAS COST ADJUSTMENT Rate 89

3. PURCHASED GAS COST ADJUSTMENT: (Cont.)

- (b) (2) Commodity costs shall include all annual gathering, transportation and storage charges at current rates.
- (3) The gas commodity cost shall reflect all commodity related gas costs estimated to be in effect for the month the PGA will be in effect and annual dk requirements.
- (4) The return on prepaid demand and commodity balances and storage balances, if applicable, shall be computed on an annual basis at the overall rate of return on rate base.

The cost per dk for the month is the sum of the above divided by annual, weather normalized dk deliveries for the most recent twelve month period adjusted to reflect losses.

(c) Monthly gas costs shall be calculated as follows:

- (1) Demand costs if applicable, shall be apportioned to all state jurisdictions served by Montana-Dakota on the basis of the overall ration of each state's Maximum Daily Delivery Quantity (MDDQ).

- (2) Demand costs for interruptible and specified contract service customers shall be stated on a 100% load factor basis.

- ~~(3)~~ All commodity costs and other costs associated with the acquisition of gas for the East River System Supply.

- ~~(4)~~ The return requirement related to prepaid demand and commodity charges and gas storage balances, if applicable, shall be included on a per dk basis. The prepaid demand and storage balances shall be apportioned to all states on the basis of each state's MDDQ. The prepaid commodity charges shall be apportioned to all states on the basis of annual dk's sold in each states. The unit cost shall be calculated using a thirteen month average balance and the currently authorized return on rate base.

- ~~(5)~~ All costs related to specific end-use transactions shall not be included in the cost of gas supply determination but shall be directly billed to the customer(s) contracting for such service.

Date Filed: _____ Effective Date: _____

Issued By: C. Wayne Fox, President

Docket No.: _____

Public Utilities Commission
 300 East 17th Street
 Pierre, S.D. 57501

SD PUC

Section 10

Sheet 10

Cancellation

Sheet 10

Page 1 of 1

LIST OF GAS CONTRACTS WITH DIFFERENTIALS

<u>Name and Location Of Customer</u>	<u>Type or Class of Service</u>	<u>Expiration and Expiration Dates</u>	<u>Most Comparable Regular Tariff</u>	
			<u>Schedule No.</u>	<u>Contract Differentials</u>
Morris, Inc.	Firm Commercial	04-01-98 To 04-01-01	Rate 66	Rate Minimum Bill
Ipswich Public School	Firm Commercial	07-15-96 To 07-14-01	Rate 66	Rate Minimum Bill
Merrillat Corporation	Firm Commercial	05-01-98 To 10-31-03	Rate 70	Rate

Date Filed: _____

Effective Date _____

Issued By: C. Wayne Fox, President

Docket No.: _____

ATTACHMENT
AMENDMENT NO. 3
LETTER AGREEMENT

Exhibit 3

THIS AMENDMENT to LETTER AGREEMENT, made in duplicate this 10 day of May, 2001, by and between Morris Inc., Fort Pierre, SD, hereinafter referred to as "Morris", and MONTANA-DAKOTA UTILITIES CO., a division of MDU Resources Group, Inc., 400 North Fourth Street, Bismarck, North Dakota, hereinafter referred to as "Montana-Dakota",

WITNESSETH:

WHEREAS, as of April 19, 1996 Morris and Montana-Dakota entered into a Letter Agreement whereby Montana-Dakota undertook the construction of natural gas facilities to provide natural gas to Morris' facility located on East Highway 34 in Pierre, SD and,

WHEREAS, said Letter Agreement was to remain in effect for a period of four (4) years from the date natural gas service was available to the Morris facilities and,

WHEREAS, Morris and Montana-Dakota now mutually desire to modify said Letter Agreement and its Attachment Amendments No. 1 and No. 2.

NOW THEREFORE, in consideration of the mutual covenants contained in said Agreement and herein, the parties agree as follows:

1. To delete paragraph 2, of Letter Agreement in its entirety and insert in lieu thereof a new paragraph 2 to read as follows:

"Montana-Dakota agrees to provide full requirements natural gas service to Morris' facilities based upon the base rate applicable under Rate 66, a distribution charge of \$.321 plus the total cost of gas delivered to the town border station stated at a 100% load factor basis and subject to the Purchased Gas Cost Adjustment Rate 89."

2. To delete paragraph 3, of Letter Agreement in its entirety.

3. To delete paragraph 5, of Letter Agreement in its entirety and insert in lieu thereof a new paragraph 5 to read as follows:

"Both parties agree the term of this Agreement shall be for a period commencing when natural gas is available to the Morris facilities and terminate November 16, 2001 or at such time as the minimum purchase amount of 40,000 dk is reached. This Letter Agreement shall continue, thereafter, for one-year increments until either party furnishes the other party 30 days written notice of termination."

4. To delete the second WHEREAS clause of the Attachment Amendment No 1 in its entirety.

5. To replace Amendment No. 2, in its entirety, with this Amendment No. 3.

6. This Amendment is subject to approval and acceptance of the South Dakota Public Utilities Commission.

7. All remaining terms and conditions of Letter Agreement and Attachment Amendments No. 1, except as specifically amended herein, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

MORRIS INC.

By: Will Moore

Title: Pres

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

By: William J. Huether

WILLIAM J. HUETHER
Director of Marketing &
Customer Services

del

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
EAST RIVER - 100% LOAD FACTOR
EFFECTIVE MAY 2001

Exhibit 4
Page 1 of 2

	<u>Amount</u>
Total Gas Costs 1/	\$2,559,301
Dk Requirements	500,000
Average Cost of Gas per dk	\$5.119
Average Cost of Gas as Adjusted for Losses @ 99%	\$5.171
Less: Gas Cost Level in Base Tariff Rates	<u>\$0.000</u>
Cumulative Gas Cost Adjustment	<u><u>\$5.171</u></u>

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 4 - 7 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C, allocated on MDDQ.

MONTANA-DAKOTA UTILITIES CO.
GAS COST CALCULATION
EAST RIVER - 100% LOAD FACTOR
MAY 2001

Exhibit 4
Page 2 of 2

<u>Gas Costs</u>	<u>Amount</u>
Demand Charges	\$222,756
Commodity Charges	2,330,852
Return on Rate Base	<u>5,693</u>
Total Gas Costs	\$2,559,301
<i>Dk Requirements</i>	500,000
Average Cost of Gas per dk	\$5.119
Average Cost of Gas as Adjusted for Losses @ 99%	<u><u>\$5.171</u></u>

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of May 10, 2001 through May 16, 2001

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact
Delaine Kolbo within five business days of this filing. Phone: 605-773-3705 Fax: 605-773-3809

CONSUMER COMPLAINTS

CT01-021 In the Matter of the Complaint filed by Lawrence Blankenhorn, Flandreau, South Dakota, against MCI WorldCom Regarding Unauthorized Switching of Services and Billing for Services.

Complainant alleges that his long distance service was switched without his authorization which resulted in the unauthorized billing. Complainant is asking for \$1,000.00 as provided by South Dakota law.

Staff Analyst: Mary Healy
Staff Attorney: Kelly Frazier
Date Docketed: 05/14/01
Intervention Deadline: N/A

ELECTRIC

EL01-009 In the Matter of the Joint Request for an Electric Service Territory Boundary Change between Xcel Energy and Southeastern Electric Cooperative, Inc.

Xcel Energy and Southeastern Electric Cooperative, Inc. are jointly requesting a change to the existing electric service territory agreement, pursuant to SDCL 49-34A-55. The area in question is in the "Prairie Trails Addition" within the NW 1/4 of Section 35 of Range 51 West, Township 100N, Tea, South Dakota. The existing boundary intersects many of the proposed lots in the addition. The boundary change requested would allow the service territory to follow the proposed lot lines.

Staff Analyst: Michele Farris
Staff Attorney: Karen Cremer
Date Docketed: 05/14/01
Intervention Deadline: 06/01/01

NATURAL GAS

NG01-015 In the Matter of the Filing by Montana-Dakota Utilities Co. for Approval of an Amendment to a Contract with Deviations with Morris Asphalt, Inc.

Application by Montana-Dakota Utilities Co. for approval of an amendment to its contract with deviations with Morris Inc. The filing proposes to revise the calculation of the rate applicable to Morris Inc. The contract would be in effect for an initial period and continue in one year increments until either party furnishes 30 days notice of termination.

Staff Analyst: Dave Jacobson
Staff Attorney: Karen Cremer
Date Filed: 05/11/01
Intervention Deadline: 05/21/01

TELECOMMUNICATIONS

TC01-048 In the Matter of the Filing for Approval of Transfer of Certificate of Authority from GE Capital Communication Services Corporation to GE Capital Telemanagement Services Corporation.

GE Capital Telemanagement Services Corporation (GECTS) is seeking a transfer of GE Capital Communication Services Corporation's (GECCS) interexchange Certificate of Authority. GECTS intends to adopt GECCS's tariff.

Staff Analyst: Keith Senger
Staff Attorney: Karen Cremer
Date Docketed: 05/10/01
Intervention Deadline: 05/01/01

TC01-049 In the Matter of the Filing for Approval of an Amendment to an Interconnection Agreement between Qwest Corporation and Integra Telecom of South Dakota, Inc.

On May 11, 2001 a docket was opened by the Commission to consider the approval of an Amendment regarding Enhanced Extended Loop ("EEL"), Local Number Portability (LNP) Managed Cuts; x-DSL-I and Express Entry Facilities to the Interconnection Agreement between Integra Telecom of South Dakota, Inc. ("Integra") and Qwest Corporation ("Qwest") for approval by the Commission. According to the parties the Agreement is a negotiated agreement with the parties adopting the negotiated interconnection agreement between Integra and Qwest which was approved by the Commission effective August 25, 2000. This Amendment is made in order to add terms, conditions and rates for EEL, LNP Managed Cuts; x-DSL-I and Express Entry Facilities to the Agreement, as set forth in Attachment 1, Exhibit A and Exhibit B, to this Amendment. Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than May 31, 2001. Parties to the agreement may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Kelly Frazier
Date Docketed: 05/11/01
Initial Comments Due: 05/31/01

TC01-050 In the Matter of the Application of Total Call International, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

Total Call International, Inc (Total Call) is seeking a Certificate of Authority to provide interexchange telecommunications services throughout South Dakota. Total Call intends to offer 1- and 101XXXXX outbound dialing, 800/888 toll-free inbound dialing, directory assistance, data services, travel card service, and prepaid calling card service.

Staff Analyst: Heather Forney
Staff Attorney: Kelly Frazier
Date Docketed: 05/14/01
Intervention Deadline: 06/01/01

TC01-051 In the Matter of the Application of Williams & Company Communications, Inc. for a Certificate of Authority to Provide Local Exchange Services in South Dakota.

Williams & Company Communications, Inc. is seeking a Certificate of Authority to provide local exchange and high speed internet access telecommunication services in South Dakota. The applicant intends to provide these services in Qwest exchanges using a combination of its own facilities, leased facilities and resale.

Staff Analyst: Keith Senger
Staff Attorney: Karen Cremer
Date Docketed: 05/15/01
Intervention Deadline: 06/01/01

TC01-052 In the Matter of the Filing by Qwest Corporation for Approval of Revisions to its Access Service Tariff.

On May 16, 2001, Qwest Corporation filed revisions to its Exchange and Network Services Tariff for approval. The purpose of the revisions is to introduce changes dealing with Jurisdictional Report Requirements.

Staff Analyst: Heather Forney
Staff Attorney: Kelly Frazier
Date Docketed: 05/16/01
Intervention Deadline: 06/01/01

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You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc/>

N401-005



UTILITIES CO.
A Division of MDU Resources Group, Inc.
401 North Fourth Street
Bismarck, ND 58501

STATE OF SOUTH DAKOTA
GAS RATE SCHEDULE

SD P.U.C. Section No. 4
9th Revised Sheet No. 1
8th Revised Sheet No. 1
Cancelling

LIST OF GAS CONTRACTS WITH DEVIATIONS

Name and Location Of Customer	Type or Class of Service	Execution And Expiration Dates	Most Comparable Regular Tariff	
			Schedule No.	Contract Differences
Morris, Inc.	Firm Commercial	05-10-01 To 11-15-01*	Rate 66	Rate
Ipswich Public School	Firm Commercial	07-15-96 To 07-14-01	Rate 66	Rate/ Minimum Bill
Merilat Corporation	Firm Commercial	05-01-88 To 10-31-03	Rate 70	Rate

* Renews automatically unless either party provides 30-day written notice of termination.

Date Filed: May 11, 2001 Effective Date: _____

Issued By: C. Wayne Fox, President

Docket No.: _____



MONTANA-DAKOTA UTILITIES CO.
 A Division of MDU Resources Group, Inc.
 401 West Fourth Street
 Energy, ND 58501

STATE OF SOUTH DAKOTA
 GAS RATE SCHEDULE

SD P.U.C. Section No. 4
 9th Revised Sheet No. 1
 C Cancelling 8th Revised Sheet No. 1

LIST OF GAS CONTRACTS WITH DEVIATIONS

<u>Name and Location Of Customer</u>	<u>Type or Class of Service</u>	<u>Execution And Expiration Dates</u>	<u>Most Comparable Regular Tariff</u>	
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Morris, Inc.	Firm Commercial	05-10-01 To 11-15-01*	Rate 66	Rate
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Merillat Corporation	Firm Commercial	05-01-99 To 10-31-03	Rate 70	Rate

- Renews automatically unless either party provides 30-day written notice of termination.

Date Filed: May 11, 2001 Effective Date: _____

Issued By: C. Wayne Fox, President

Docket No.: _____



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDCU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58501

**STATE OF SOUTH DAKOTA
GAS RATE SCHEDULE**

SD P.U.C.

Section No. 4

9th Revised

Sheet No. 1

Cancelling

8th Revised

Sheet No. 1

Page 1 of 1

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MONTANA-DAKOTA

UTILITIES CO.
A Division of MDU Resources Group, Inc.
400 North Fourth Street
Bismarck, ND 58501

**STATE OF SOUTH DAKOTA
GAS RATE SCHEDULE**

SD P.U.C. Section No. 4
9th Revised Sheet No. 1
Cancelling 8th Revised Sheet No. 1

LIST OF GAS CONTRACTS WITH DEVIATIONS

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STATE OF SOUTH DAKOTA
GAS RATE SCHEDULE

SD P.U.C. Section No. 4
9th Revised Sheet No. 1
Cancelling 8th Revised Sheet No. 1

LIST OF GAS CONTRACTS WITH DEVIATIONS

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* Renews automatically unless either party provides 30-day written notice of termination.

Date Filed: May 11, 2001 Effective Date: _____

Issued By: C. Wayne Fox, President

Docket No.: _____

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

IN THE MATTER OF THE FILING BY)	ORDER APPROVING
MONTANA-DAKOTA UTILITIES CO., A)	AMENDMENT TO
DIVISION OF MDU RESOURCES GROUP, INC.)	CONTRACT WITH
FOR APPROVAL OF AN AMENDMENT TO A)	DEVIATIONS
CONTRACT WITH DEVIATIONS WITH MORRIS)	
ASPHALT, INC.)	NG01-005

On May 11, 2001, the Public Utilities Commission (Commission) received a filing by Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (MDU), requesting approval of its Section No. 3, 3rd Revised Sheet No. 30.1 cancelling 2nd Revised Sheet No. 30.1 and Section No. 4, 9th Revised Sheet No. 1 cancelling 8th Revised Sheet No. 1 of MDU's State of South Dakota Gas Rate Schedule. According to the application, MDU has entered into an Amendment No. 3 to the Letter Agreement with Morris Asphalt, Inc. (Morris) originally approved in Docket NG96-010. The Amendment extends the term for natural gas service to Morris' asphalt facility located at Ft. Pierre, SD, at a rate that deviates from the currently authorized Rate 66 applicable to all MDU natural gas service customers in the East River Natural Gas System. The Amendment provides for the sale of natural gas to Morris at a rate equal to the price of gas, pipeline charges stated at a 100% load factor basis and a distribution charge of 32.1 cents per dk. The Amendment extends the original contract term. MDU requested that the proposed contract be approved by May 25, 2001, in order to effectively serve the customer. The company further requested waivers of the 30 days notice to the Commission required by ARSD 20:10:13:15 and 30 days notice to the public required by 20:10:13:17.

On May 22, 2001, at its regularly scheduled meeting, the Commission considered the request for approval of an Amendment to the Contract with Deviations. Commission Staff recommended approval.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL 49-34A, specifically, 49-34A-6, 49-34A-8, 49-34A-10, and 49-34A-11. Further, the Commission finds that the request for approval of an Amendment to the Contract with Deviations is just and reasonable and shall be approved, and that the Amendment to the Contract and the tariff sheets shall be modified to include a November 16, 2011, termination date. As the Commission's final decision in this matter, it is therefore

ORDERED, that as of May 25, 2001, the request seeking approval of an Amendment to the Contract with Deviations is in the public interest and is hereby granted, subject to MDU and Morris modifying and subsequently submitting the Amendment No. 3 and the tariff sheets with a November 16, 2011, termination date; and it is further

ORDERED, that a waiver of the notice requirements of ARSD 20:10:13:15 and 20:10:13:17 shall be granted; and it is further

ORDERED, that the above-mentioned tariff sheets, as modified, are approved and are effective for service rendered on and after May 25, 2001.

Dated at Pierre, South Dakota, this 30th day of May, 2001.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By:

Mildred Kelbo

Date:

5/30/01

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

 **MONTANA-DAKOTA**
UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58101
(701) 222-7900

June 27, 2001

Ms. Debra Elofson
South Dakota Public Utilities Commission
State Capitol Building
500 E. Capitol
Pierre, SD 57501

Re: NG01-005

Dear Ms. Elofson:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits the Contract with Deviations tariff approved in Docket No. NG01-005. The attached tariff effective for service rendered on and after May 25, 2001, reflects an expiration date of November 16, 2011, for the Morris Agreement pursuant to the Commission's Order dated May 30, 2001. Also enclosed is a copy of the executed service agreement with Morris, Inc. revised to reflect an expiration date no later than November 16, 2011.

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.

Sincerely,



Donald R. Ball
Director of Regulatory Affairs

Attachments
cc D. Schulz

RECEIVED

JUN 27 2001

SOUTH DAKOTA PUBLIC
UTILITY COMMISSION



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58501

**STATE OF SOUTH DAKOTA
GAS RATE SCHEDULE**

SD P.U.C.

Section No. 4

9th Revised

Sheet No. 1

Cancelling

8th Revised

Sheet No. 1

LIST OF GAS CONTRACTS WITH DEVIATIONS

<u>Name and Location Of Customer</u>	<u>Type or Class of Service</u>	<u>Execution And Expiration Dates</u>	<u>Most Comparable Regular Tariff</u>	
			<u>Schedule No.</u>	<u>Contract Differences</u>
Morris, Inc.	Firm Commercial	05-10-01 To 11-16-11	Rate 66	Rate
Ipswich Public School	Firm Commercial	07-15-96 To 07-14-01	Rate 66	Rate/ Minimum Bill
Merillat Corporation	Firm Commercial	05-01-98 To 10-31-03	Rate 70	Rate

Date Filed: June 28, 2001

Effective Date: Service rendered on and after
May 25, 2001

Issued By: C. Wayne Fox, President

Docket No.: NG01-005

ATTACHMENT
AMENDMENT NO. 3
LETTER AGREEMENT

THIS AMENDMENT to LETTER AGREEMENT, made in duplicate this 10 day of May, 2001, by and between Morris Inc., Fort Pierre, SD, hereinafter referred to as "Morris", and MONTANA-DAKOTA UTILITIES CO., a division of MDU Resources Group, Inc., 400 North Fourth Street, Bismarck, North Dakota, hereinafter referred to as "Montana-Dakota",

WITNESSETH:

WHEREAS, as of April 19, 1996 Morris and Montana-Dakota entered into a Letter Agreement whereby Montana-Dakota undertook the construction of natural gas facilities to provide natural gas to Morris' facility located on East Highway 34 in Pierre, SD and,

WHEREAS, said Letter Agreement was to remain in effect for a period of four (4) years from the date natural gas service was available to the Morris facilities and,

WHEREAS, Morris and Montana-Dakota now mutually desire to modify said Letter Agreement and its Attachment Amendments No.1 and No. 2.

NOW THEREFORE, in consideration of the mutual covenants contained in said Agreement and herein, the parties agree as follows:

1. To delete paragraph 2, of Letter Agreement in its entirety and insert in lieu thereof a new paragraph 2 to read as follows:

"Montana-Dakota agrees to provide full requirements natural gas service to Morris' facilities based upon Rate 66 plus the total cost of gas delivered to the town border station stated at a 100% load factor basis and subject to the Purchased Gas Cost Adjustment Rate 89."

2. To delete paragraph 3, of Letter Agreement in its entirety.

3. To delete paragraph 5, of Letter Agreement in its entirety and insert in lieu thereof a new paragraph 5 to read as follows:

"Both parties agree the term of this Agreement shall be for a period commencing when natural gas is available to the Morris facilities and terminate November 16, 2001 or at such time as the minimum purchase amount of 40,000 dk is reached. This Letter Agreement shall continue, thereafter, for one-year increments until either party furnishes the other party 30 days written notice of termination but in no event shall Agreement continue beyond November 15, 2011."

4. To delete the second WHEREAS clause of the Attachment Amendment No. 1 in its entirety.

5. To replace Amendment No. 2, in its entirety, with this Amendment No. 3.

6. This Amendment is subject to approval and acceptance of the South Dakota Public Utilities Commission.

7. All remaining terms and conditions of Letter Agreement and Attachment Amendments No. 1, except as specifically amended herein, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

MORRIS INC.

By

William J. Huether

Title:

Pres

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

By:

William J. Huether

WILLIAM J. HUETHER
Director of Marketing &
Customer Services

WJH



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58101

(701) 222-7900

July 3, 2001

Ms. Debra Elofson
South Dakota Public Utilities Commission
State Capitol Building
500 E. Capitol
Pierre, SD 57501

Re: NG01-005

Dear Ms. Elofson:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits the East River Natural Gas System Purchased Gas Cost Adjustment tariff (3rd Revised Sheet No. 30.1) approved in Docket No. NG01-005 with effective date of May 25, 2001, pursuant to the Commission's Order dated May 30, 2001.

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.

Sincerely,

Donald R. Ball
Director of Regulatory Affairs

Attachment
cc D. Schulz

RECEIVED

JUL 05 2001

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

(Continued)

Page 2 of 5

EAST RIVER NATURAL GAS SYSTEM
PURCHASED GAS COST ADJUSTMENT Rate 89

3. PURCHASED GAS COST ADJUSTMENT: (Cont.)
- (b) (2) Commodity costs shall include all annual gathering, transportation and storage charges at current rates.
 - (3) The gas commodity cost shall reflect all commodity related gas costs estimated to be in effect for the month the PGA will be in effect and annual dk requirements.
 - (4) The return on prepaid demand and commodity balances and storage balances, if applicable, shall be computed on an annual basis at the overall rate of return on rate base.

The cost per dk for the month is the sum of the above divided by annual, weather normalized dk deliveries for the most recent twelve month period adjusted to reflect losses.

- (c) Monthly gas costs shall be calculated as follows:
 - (1) Demand costs if applicable, shall be apportioned to all state jurisdictions served by Montana-Dakota on the basis of the overall ration of each state's Maximum Daily Delivery Quantity (MDDQ).
 - (2) Demand costs for interruptible and specified contract service customers shall be stated on a 100% load factor basis.
 - (3) All commodity costs and other costs associated with the acquisition of gas for the East River System Supply.
 - (4) The return requirement related to prepaid demand and commodity charges and gas storage balances, if applicable, shall be included on a per dk basis. The prepaid demand and storage balances shall be apportioned to all states on the basis of each state's MDDQ. The prepaid commodity charges shall be apportioned to all states on the basis of annual dk's sold in each states. The unit cost shall be calculated using a thirteen month average balance and the currently authorized return on rate base.
 - (5) All costs related to specific end-use transactions shall not be included in the cost of gas supply determination but shall be directly billed to the customer(s) contracting for such service.

Date Filed: May 11, 2001 Effective Date: Service rendered on and after May 25, 2001

Issued By: C. Wayne Fox, President

Docket No.: NG01-005