



*A Subsidiary of MDU Resources Group, Inc.*

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June 28, 2024

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol  
Pierre, SD 57501

**RE: Authority to Discontinue North Deadwood Expansion Area Surcharge Rate 75  
Docket No. NG24-\_\_\_**

Dear Ms. Van Gerpen:

Montana-Dakota Utilities Co. (Montana-Dakota or Company) herewith electronically submits for South Dakota Public Utilities Commission (Commission) approval the Company's request to discontinue North Deadwood Expansion Area Surcharge (Rate 75) for reasons explained further herein. Montana-Dakota respectfully requests approval of the following tariff sheets, included herein as Attachment A, to effectuate the discontinuation of Rate 75:

- Table of Contents 10<sup>th</sup> Revised Sheet No. 1 and
- Reserved for Future Use 1<sup>st</sup> Revised Sheet Nos. 16 through 16.1.

### **Background**

On November 18, 2022, in Docket No. NG22-011, Montana-Dakota requested Commission approval to establish a new rate schedule, Rate 75, for the recovery of costs associated with the construction of a new town border station (TBS) near Deadwood, South Dakota. Absent the new TBS, Montana-Dakota would have been unable to provide natural gas service to the later phases of a multi-phase development project in the area due to daily load limitations imposed by the pipeline company on the current infrastructure in the area. The Company recognized the sizeable cost responsibility on customers locating in this area who would be served off the new TBS and therefore requested Commission approval to establish Rate 75. Under the new rate, an initial up-front payment would be required at the time an application requesting the installation of a service line is signed and, once in service, the customer billed a monthly customer charge and volumetric commodity charge on any gas used until such time as the cost of the new TBS is fully recovered. These charges would be in addition to the rates charged customers under the customer's otherwise applicable South Dakota gas rate schedule. On March 1, 2023, the Commission authorized the establishment of Rate 75.

### **Rate 75 Update and Request to Discontinue**

In November 2023, the Company commenced gas service within the Rate 75 surcharge area with the construction of a new apartment building. Since then, 65

services have been initiated with the Company collecting \$13,388.19 in surcharge revenue through May 31, 2024. Service in this initial phase of the project is being met through existing facilities in the area as discussed in the Company's November 18, 2022 filing.

Since approval of Rate 75 and the commencement of gas service in Phase I of the project, the Company has learned the development, where Rate 75 is applicable to, has encountered issues hindering the ability to move forward. The issues are not related to any infrastructure installed by the Company but rather other infrastructure necessary for development in the community. With no resolution of the issues anticipated for the foreseeable future, Montana-Dakota determined the following plan to be its best course of action at this time. Each is further discussed following the plan.

- Abandon the Company's plan to construct the TBS north of Deadwood to serve the new area.
- Continue to serve the apartment building nearing completion using the existing facilities that are used to serve customers in Deadwood today. Additionally, Montana-Dakota is able to provide service up to 120 new residential customers in the area using those same facilities.
- Terminate any extension agreements entered into that are relate to the extension of service within the surcharge rate area.
- Discontinue Rate 75 and refund any money collected under the rate.

#### Abandon Construction of TBS

As actual construction of the TBS had not yet commenced when the Company first became aware of issues regarding the development, a temporary pause was placed on the Company's project in order to evaluate how best to move forward. With no resolution of the issues anticipated for the foreseeable future, Montana-Dakota determined that any prolonged delay had the potential to cause cost increases to the TBS beyond those in which the Rate 75 charges had been designed to recover, potentially causing the charges to increase and/or extend the recovery period beyond the anticipated ten years.

Furthermore, any cost recovery beyond customers currently in service in the surcharge rate area would be stalled at that level as no further development could occur until such issues have been resolved. Montana-Dakota therefore opted to abandon its plan to construct a new TBS to serve the area and rely on existing facilities to serve current customers in and around the area.

#### Service to Customers

The Company will continue to provide gas service to the multi-unit apartment building receiving gas service today. Additionally, the Company will be able to provide gas service to another anticipated multi-unit apartment building, clubhouse, and 26 residential homes for a total of 120 residential customers from existing facilities in the area before any upgrades would be required.

### Terminate Extension Agreements

Any extension agreements entered into for the extension of service within the surcharge rate area have been terminated and any unused monies refunded. The amount refunded is equal to the original contribution paid less any actual construction costs for mains already installed.

If gas service is requested at a future date in the affected area, the extension and any cost responsibility will be handled in accordance with the Company's current extension policies, Interruptible Gas Service Extension Policy Rate 119 or Firm Gas Service Extension Policy Rate 120.

### Discontinue Rate 75 and Refund

Under Rate 75, customers are billed an Expansion Customer Charge of \$5.00 per month and an Expansion Commodity Charge of \$4.00 per dk until such time as the TBS is paid in full, which was anticipated to be ten years from the in-service date of the TBS.

As the Company is now proposing to abandon the plan to construct a new TBS to serve the area, the rate mechanism approved for the recovery of the TBS costs should also cease and any costs collected under the rate mechanism returned to customers. Montana-Dakota herewith proposes that, upon Commission approval of the Company's request, Rate 75 be discontinued. Montana-Dakota will then refund to customers any dollars collected within 90 days of the Commission's Order discontinuing Rate 75. Upon completion of the refund, Montana-Dakota will submit a compliance filing summarizing the breakdown of the refund including the total amount refunded and the number of customers refunded.

Included as Attachment B is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Attachment C in a conspicuous place in each business office in its affected electric service territory in South Dakota.

Please refer all inquiries regarding this filing to:

Mr. Travis R. Jacobson  
Director of Regulatory Affairs  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501  
[Travis.jacobson@mdu.com](mailto:Travis.jacobson@mdu.com)

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

Mr. Brett Koenecke  
May, Adam, Gerdes & Thompson  
503 South Pierre Street  
P.O. Box 160  
Pierre, South Dakota 57501-0160

This filing has been electronically submitted to the Commission in accordance with ARSD 20:10:01:02:05. Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Sincerely,

*/s/ Travis R. Jacobson*

Travis R. Jacobson  
Director of Regulatory Affairs

Attachments

cc: B. Koenecke