

**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)	CONTRACT WITH
DIVISION OF MDU RESOURCES GROUP, INC.)	DEVIATIONS
FOR APPROVAL OF A CONTRACT WITH)	
DEVIATIONS WITH MERILLAT CORPORATION)	NG98-002

On May 7, 1998, 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 8th Revised Sheet No. 1, Section No. 4, of MDU's State of South Dakota Gas Rate Schedule, covering Contracts with Deviations and the underlying contract with Merillat Corporation (Merillat) of Rapid City, South Dakota. The proposed contract becomes effective on the date of Commission approval through October 31, 2003, and year to year thereafter unless written notice of termination is given sixty (60) days prior to October 31, of any contract year by either party.

The proposed agreement provides for the sale of a maximum daily delivery quantity of 2,800 dk of firm natural gas to Merillat at a charge comprised of the following components:

1. The interstate pipeline charges, based on FERC approved rates on Williston Basin Interstate Pipeline Company's System for service under Firm Transportation Rate, will be assessed on a 100% load factor commodity basis, which is approximately a 20¢ per dk net decrease from the current pipeline charges.
2. A distribution charge of 34.8¢ per dk, which is a decrease of 11¢ per dk from the currently effective distribution charge of 45.8¢ per dk.
3. Upon Commission approval, a reduced gas commodity charge to \$1.83 per dk, plus distribution losses will be retroactively applied to natural gas delivered to Merillat on and after April 1, 1998, and continue through October 31, 1998; subsequent price quotations shall be effective for one (1) year periods thereafter or the gas commodity charge will be the price as reported in the first issue of the month of delivery of Inside FERC's Gas Market Report plus distribution fuel requirements of 1.12%.
4. A monthly base rate of \$150.00 per month, which is identical to the base rate charge applicable under the current contract.

Merillat, which is a large volume, high load factor customer, proposed that this agreement is in the best interest of the other customers for MDU because it satisfies Merillat's request for firm sales gas service at a competitive price and serves to avoid a

bypass of MDU's distribution facilities. The existing firm customers will continue to benefit under this negotiated agreement through Merillat's contribution toward transmission pipeline demand costs and distribution cost recovery, which would not exist if Merillat were to bypass MDU's distribution system. The proposed agreement has been signed by the customer. MDU further requested a waiver of any and all applicable notice requirements.

On July 1, 1998, at an ad hoc meeting, the Commission considered the request for approval of the Contract with Deviations.

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 MDU's request for approval of a Contract with Deviations is just and reasonable and shall be approved. As the Commission's final decision in this matter, it is therefore

ORDERED, that as of July 1, 1998, the request seeking approval of a Contract with Deviations is in the public interest and is hereby granted; 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 is approved and is effective for service rendered on and after July 1, 1998.

Dated at Pierre, South Dakota, this 24th day of July, 1998.

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: <u><i>Aldine Kelso</i></u>	
Date: <u>7/27/98</u>	
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner