

Montana-Dakota Utilities CO.



Project Feasibility of Natural Gas to Kindred

February 21, 2024

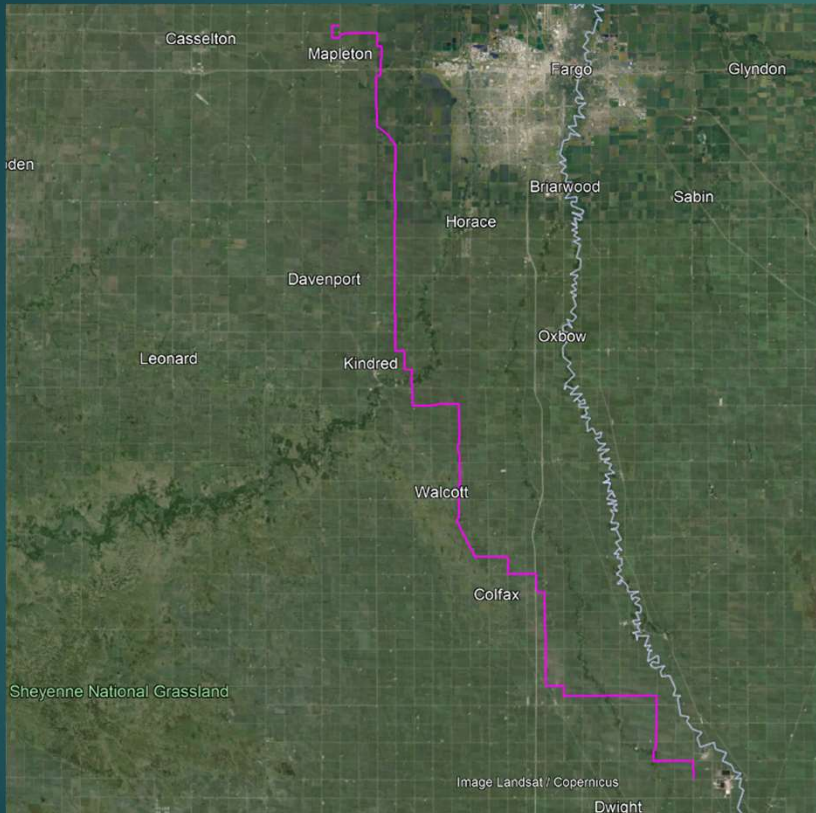


*In the Community
to Serve®*

Benefits of Natural Gas: Clean. Safe. Efficient.

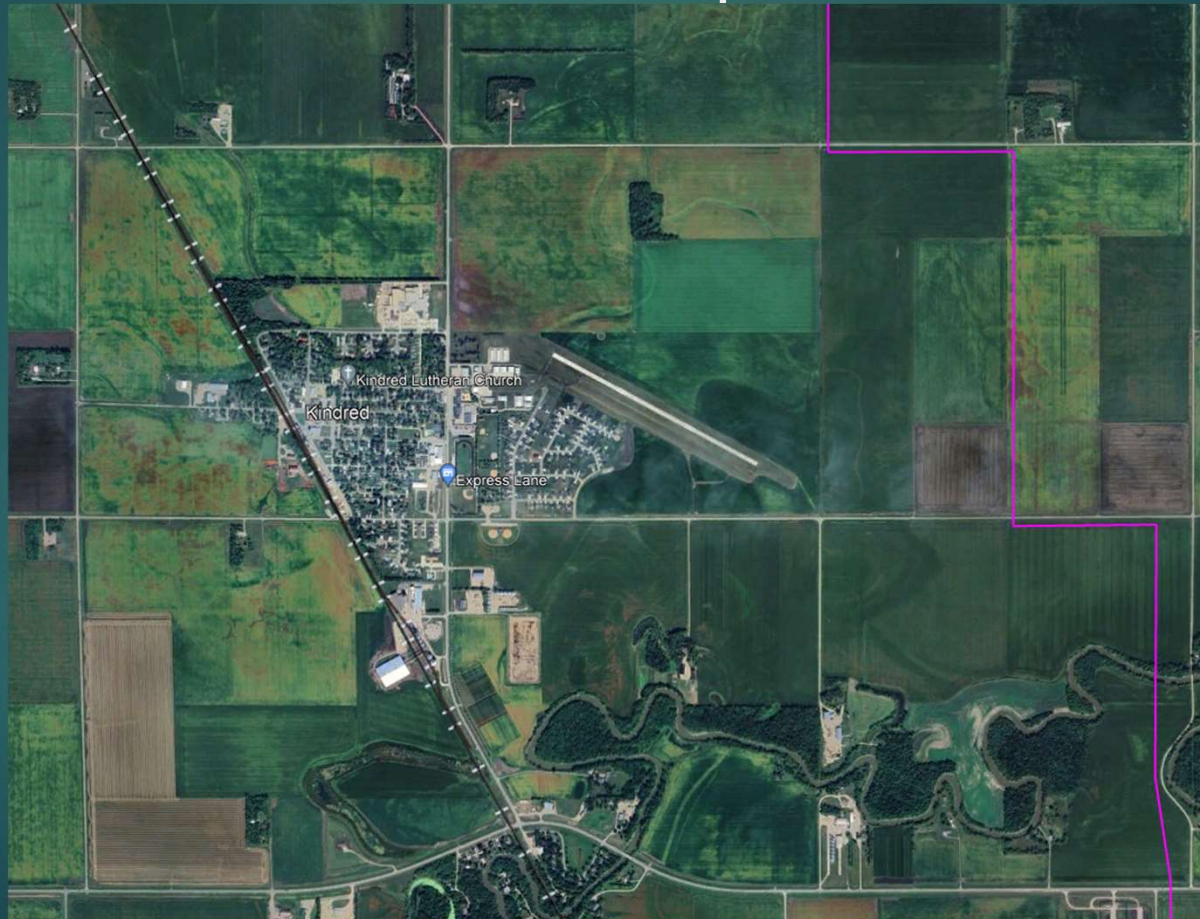
- ▶ Lower Energy Costs: Natural Gas is one of the best values in today's energy market
- ▶ Comfort: Natural gas furnaces deliver warmer air and heat your home quickly.
- ▶ Safe: Used by millions of American to safely heat their homes and businesses.
- ▶ Abundant: Natural gas is found in abundance throughout North America.
- ▶ Environmentally Friendly: Compared to other fossil fuels, natural gas is the cleanest, producing fewer harmful emissions.

Mapleton-Wahpeton Line Construction Update



- ▶ Construction taking place Summer of 2024
- ▶ Full in-service date of line by November 2024
- ▶ Natural Gas available to Kindred November 2024

Mapleton-Wahpeton Line Construction Update



Montana-Dakota's Natural Gas Extension process

- ▶ The cost to extend gas mains and services to the City of Kindred and all other customers would follow Montana-Dakota's natural gas extension tariff (ND Rate 120)
- ▶ As provided in the extension Tariffs the cost beyond Montana-Dakota's maximum allowable investment would be the responsibility of the customer(s) connecting to natural gas.

Kindred Expansion Surcharge Rate

- ▶ Montana-Dakota filed and received approval for a new rate tariff (Rate 76) with the ND PSC for expanding natural gas service within the city limits of Kindred.
- ▶ The rate provides for a cost share of the main and service lines to serve the City of Kindred through a surcharge rate for an estimated 5 years.
- ▶ The cost of delivered natural gas to the residences and businesses in Kindred will be based on Montana-Dakota's standard customer class rates for North Dakota, plus the expansion surcharge rate under Rate 76, and the monthly cost of gas.

Project Assumptions for Kindred

- ▶ Potential Customers
 - ▶ 342 Residential household
 - ▶ 73 Commercial businesses
 - ▶ 2 Large Volume customers
- ▶ Conversion Saturation
 - ▶ 40% of Residential Customers
 - ▶ 40% of Commercial Customers
 - ▶ 15% additional in year 3

Project Economics

- ▶ Total estimated cost for mains and services ~ \$2,057,098
- ▶ Montana-Dakota's investment (MAI) ~ \$1,108,881
- ▶ Funding gap ~ \$948,217
- ▶ Customer upfront connection costs
 - ▶ Residential - \$250
 - ▶ Small Commercial - \$500
 - ▶ Large Commercial - \$1,000
 - ▶ Large Volume – \$1,500

Preliminary Map of The Project

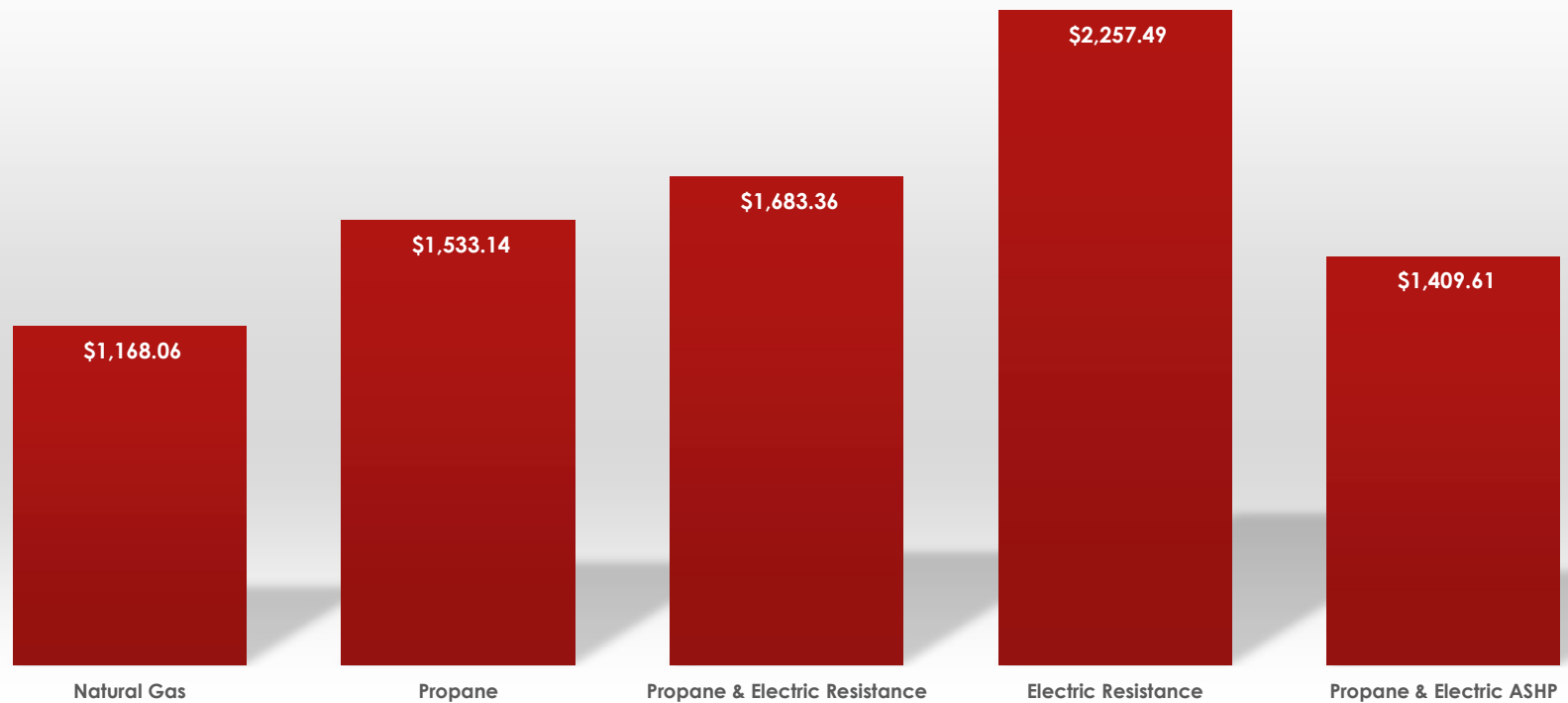
Customer Preliminary Economics

- ▶ Residential
 - ▶ \$365 annual savings versus propane
 - ▶ Annual savings increases to \$725 after expansion surcharge expires
 - ▶ 4.25 year payback (includes connection & estimated conversion cost)
- ▶ Commercial
 - ▶ \$1,608 average annual savings (3,300 gal propane)
 - ▶ Annual savings increases to \$2,733 after expansion surcharge expires
 - ▶ 1.31 year payback (includes connection & estimated conversion cost)
- ▶ Large Volume
 - ▶ Annual savings varies by usage
 - ▶ 1-4 year payback

***Payback analysis includes connection & average conversion cost*

Residential Cost Comparison

Annual Costs: Residential Heating and Water Heating



**Includes Kindred Expansion Surcharge Rate 76 costs

Small Commercial Cost Comparison

Annual Costs: Commercial Heating and Water Heating



**Includes Kindred Expansion Surcharge Rate 76 costs

Residential Expansion Surcharge

- ▶ Residential Downpayment: \$250
 - ▶ \$250 refundable downpayment (if the project is determined to not be feasible)
 - ▶ Additional monthly Expansion Customer Charge of \$30.00 for a period of five years

Small Commercial Expansion Surcharge

- ▶ Small Commercial Downpayment: \$500
 - ▶ \$500 refundable downpayment (if the project is determined to not be feasible)
 - ▶ Additional monthly Expansion Customer Charge of \$12.00 for a period of five years
 - ▶ Additional Expansion Distribution Charge of \$3.25 per Dekatherm for a period of five years

Large Commercial Expansion Surcharge

- ▶ Large Commercial Downpayment: \$1,000
 - ▶ \$1,000 refundable downpayment (if the project is determined to not be feasible)
 - ▶ Additional monthly Expansion Customer Charge of \$85.00 for a period of five years
 - ▶ Additional Expansion Distribution Charge of \$3.25 per Dekatherm for a period of five years

Customer Conversion Costs

- ▶ Customers connecting to natural gas would need to convert or replace existing equipment to use natural gas.
- ▶ Most propane furnaces, boilers, fire places, and garage heaters can be converted, however all water heaters must be replaced.
- ▶ Average residential cost of conversion from propane is \$1,200 - \$1,800.
- ▶ Homes and business will also need to ensure their gas piping is the proper size and material for natural gas.
 - ▶ Standard Delivery Pressure is 5 oz. for residential and small commercial customers.

Next steps

- ▶ Secure large volume customers – Underway
- ▶ Public Meetings – February 21st
- ▶ Office Hours, 2-4 PM and 6-8 PM:
 - ▶ Tomorrow, February 22nd
 - ▶ Tuesday, February 27th
 - ▶ Thursday, February 29th
 - ▶ Tuesday, March 5th
 - ▶ May add more Office Hour Dates as needed
- ▶ Sign-up period for Residential and Small Commercial Customers:
 - ▶ Deadline of March 31, 2024 for commitments
 - ▶ At least 40% of homes and business needed
- ▶ Determine go or no go by mid-April 2024

How Do I Sign Up?

- ▶ Several options to complete an application:
 - ▶ Complete or pick up an application tonight
 - ▶ Return with check for downpayment in the provided prepaid envelope
 - ▶ At Office Hours with Montana-Dakota representative
 - ▶ Bring propane and/or usage history (ideally 2-3 years) and appliance info
 - ▶ Download Application from Montana-Dakota Website:
 - ▶ www.montana-dakota.com -> What's New tab -> Special Projects -> Kindred
 - ▶ Pick up application and postage paid envelopes from City Hall

Estimated timeline

- ▶ Determine go or no go by Mid-April 2024
- ▶ Construction Summer/Fall 2024
- ▶ Customer conversion starting November 2024



Questions