

Service Date: January 31, 1992

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

IN THE MATTER of the Application ) UTILITY DIVISION  
of MDU RESOURCES GROUP, INC. for ) DOCKET NO. 92.1.1  
Authority to Issue Securities. ) DEFAULT ORDER NO. 5605  
\_\_\_\_\_)

On January 10, 1992, MDU Resources Group, Inc. (Applicant or Company) filed an application for authority to enter into with the Trustees of three separate Pollution Control Revenue Bonds either (a) separate Pledge Agreements pursuant to which the Applicant will issue and deliver to the respective Trustees a series of its First Mortgage Bonds to be issued pursuant to separate Supplemental Indentures under its Indenture of Mortgage, dated as of May 1, 1939, as supplemented and amended, or (b) separate Guaranty Agreements pursuant to which the Applicant will absolutely and unconditionally guaranty its obligations pursuant to such pollution control bonds.

That Petitioner hereby petitions the Public Service Commission for authority to:

- (1) refinance the construction of the Applicant's 25 percent undivided interest in air and water pollution control facilities at Unit No. 1 of the Coyote Station through lease agreements with Mercer County, North Dakota ("Mercer County"), which provide for the issuance of up to \$15,000,000 principal amount of pollution control refunding revenue bonds ("Mercer Refunding Bonds") by Mercer County and payments by the Applicant of amounts sufficient to pay the principal of, and premium, if any, and interest on, the Mercer Refunding Bonds; and
- (2) refinance the construction of air pollution control facilities at the Applicant's R. M. Heskett Station through lease agreements with Morton County, North Dakota ("Morton County"), which provide for the issuance of up to \$2,600,000 principal amount of pollution control refunding revenue bonds ("Morton Refunding Bonds") by Morton County and payments by the Applicant of amounts sufficient to pay the principal of, and premium, if any, and interest on, the Morton

Refunding Bonds; and

- (3) refinance the construction of air pollution control facilities at the Applicant's Lewis and Clark Station through lease agreements with Richland County, Montana ("Richland County"), which provide for the issuance of up to \$3,250,000 principal amount of pollution control refunding revenue bonds ("Richland Refunding Bonds") by Richland County and payments by the Applicant of amounts sufficient to pay the principal of, and premium, if any, and interest on, the Richland Refunding Bonds.

The applicant proposes to refinance the costs of the pollution control projects at the Coyote Station, Heskett Station, and Lewis and Clark Station (hereinafter referred to collectively as "Projects") by causing each County to issue the respective Refunding Bonds and to call for redemption of the following respective outstanding pollution control revenue bonds:

- (1) The Mercer County pollution control revenue bonds, principal amount of \$15,000,000, issued in 1979, of which \$15,000,000 remain outstanding ("Outstanding Mercer Bonds").
- (2) The Morton County pollution control revenue bonds, principal amount of \$4,800,000, issued in 1974, of which \$2,600,000 remain outstanding ("Outstanding Morton Bonds").
- (3) The Richland County pollution control revenue bonds, principal amount of \$4,000,000, issued in 1975, of which \$3,250,000 remain outstanding ("Outstanding Richland Bonds").

The Applicant proposes to enter into, with each County, a Lease Agreement pursuant to which the respective Projects will be leased to the respective Counties and a Sublease Agreement pursuant to which the respective Counties will sublease the respective Projects to the Applicant. Under each Sublease, the Applicant will be obligated to make payments in such amounts and at such times as will be sufficient to pay the principal of and interest on the respective Refunding Bonds when due. Each issue of the Refunding Bonds will be payable solely from and secured by a pledge of such respective payments pursuant to separate Indentures of Trust between the respective Counties and a trustee for the owners of the respective Refunding Bonds. The Refunding Bonds or each issue will not in any respect be general

obligations of the respective Counties nor payable in any manner by taxation.

In addition to the Subleases, the Applicant proposes to enter into with the respective Trustees of the Refunding Bonds either (a) separate Guaranty Agreements pursuant to which the Applicant will absolutely and unconditionally guaranty its obligations under the respective Subleases or (b) separate Pledge Agreements pursuant to which the Applicant will issue and deliver to the respective Trustees of the Refunding Bonds a series of its First Mortgage Bonds to be issued pursuant to separate Supplemental Indentures under its Indenture of Mortgage, dated as of May 1, 1939, as supplemented and amended. In addition, the Applicant may obtain an insurance policy with respect to one or more issues of the Refunding Bonds from a municipal bond insurance company to insure the payment of the principal of and interest on the respective Refunding Bonds.

The Company requests an exemption from competitive bidding requirements so that the Refunding Bonds may be sold by the respective Counties either to an underwriter or underwriters or directly to purchasers, obtained by a placement agent or agents.

The application is filed pursuant to Title 69, Chapter 3, Part 5, MCA. The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of issuance of securities by electric and gas utility companies operating within Montana. For detailed information with respect to the general character of Applicant's business and the territory served by it, reference is made to its annual report which is on file with the Commission.

At a regular open session of the Montana Public Service Commission, held at its offices on January 27, 1992, there came before the Commission for final action the matters in this Docket, and the Commission, having fully considered the application and data records pertaining thereto on file with the Commission and being fully advised in the premises, makes the

following:

#### FINDINGS OF FACT

1. Applicant is a corporation organized and existing under and by virtue of the laws of the State of Delaware and is qualified to transact business in the State of Montana.

2. Applicant is operating as a public utility as defined in 69-3-101 and 69-3-102, MCA, and as such is engaged in furnishing electric and gas service in Montana.

3. The Commission has jurisdiction over the subject matter of said application under Title 69, Chapter 3, Part 5, MCA.

4. The respective Counties will cause the net proceeds of the issuance and sale of the respective Refunding Bonds to be applied to the redemption of the respective Outstanding Bonds and to the payment of costs incurred in connection with the sale thereof.

5. The transactions proposed by Applicant (1) are consistent with the public interest; (2) are for a purpose or purposes permitted under the laws of the State of Montana; (3) are necessary or appropriate for and consistent with the proper performance by the Applicant of service as a public utility; and (4) will not result in a situation in which the aggregate amount of the securities outstanding and proposed herein to be outstanding will exceed the fair value of the properties and business of the Applicant.

#### CONCLUSION OF LAW

1. The securities transactions proposed by Applicant, as herein authorized, will be for a lawful purpose and are consistent with the public interest; the same are necessary, appropriate and consistent with the necessary performance of Applicant of service as a public utility; the aggregate amount of

securities outstanding and proposed to be outstanding will not exceed the fair value of the properties and business of the Applicant.

ORDER

IT IS HEREBY ORDERED by the Commission:

1. The application of MDU Resources Group, Inc. for authority to enter into with the respective Trustees of the three Refunding Bonds either (a) separate Pledge Agreements pursuant to which the Applicant will issue and deliver to the respective Trustees a series of its First Mortgage Bonds or (b) separate Guaranty Agreements pursuant to which the Applicant will absolutely and unconditionally guaranty its obligations under the Refunding Bonds, said First Mortgage Bond issues or guaranties not to exceed \$20,850,000 in principal amount, is hereby approved and authority is granted.

2. Neither the issuance of securities by Applicant pursuant to the provisions of this order nor any other act or deed done or performed in connection therewith, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any securities authorized, issued, assumed or guaranteed hereunder.

3. The approval of this application shall not be construed as precedent to prejudice any future action of this Commission with regard to any security issue.

4. Issuance of the order does not constitute acceptance of the Applicant's exhibits or other material accompanying the application for any purpose other than the issuance of this order.

DONE IN OPEN SESSION at Helena, Montana this 27th day of January, 1992, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

---

HOWARD L. ELLIS, Chairman

---

DANNY OBERG, Vice Chairman

---

BOB ANDERSON, Commissioner

---

JOHN B. DRISCOLL, Commissioner

---

WALLACE W. "WALLY" MERCER, Commissioner

ATTEST:

Ann Peck  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.