



NEWS RELEASE
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Public Service Commission Approves Natural Gas Rate Increase for MDU

BISMARCK, ND – The North Dakota Public Service Commission (PSC) today approved an approximately \$2.6 million (1.96%) annual revenue increase for Montana Dakota Utilities Co. (MDU). MDU requested the increase to recover the cost of increased investments in natural gas facilities.

“North Dakota has experienced an unprecedented amount of growth in our energy infrastructure,” said Commissioner Brian Kalk, who holds the gas and electric distribution portfolio. “Today’s decision allows MDU to recover appropriate costs while ensuring system reliability to their customers.”

The company had originally asked for an increase of \$4.3 million (3.4%), which was approved as an interim rate in March 2015. Because the agreement approved today includes a smaller increase than the interim rate, an average MDU natural gas customer will receive a refund of approximately \$7, but this amount will vary according to the actual amount of gas the customer used during the period the interim rate was in effect. The refunds will be issued in the form of a credit on February 2016 bills.

“MDU is investing significantly into their natural gas distribution system including \$212 million this year alone,” Commission Chairman Julie Fedorchak said. “Most of these investments are also being paid for by customer growth. With this less than 2 percent revenue increase, existing customers will also be contributing to these system improvements to assure that it is safe and reliable.”

As part of the agreement, an average natural gas customer using 94 dekatherms a year will see an increase on their bill of about \$2.03 per month. The Basic Service Charge (fixed monthly charge) customers see on their bill will increase from \$15 to approximately \$19.60 per month, but the Distribution Delivery Charge (based on volumetric use) will be eliminated resulting in the net increase of \$2.03 per month for an average customer. The Distribution Delivery Stabilization Mechanism, which adjusts rates for weather normalization, will also be eliminated.

“Elimination of these extra charges will make for a simpler, more transparent billing statement which the consumers deserve,” said Commissioner Randy Christmann.

The Commission’s decision to remove the Distribution Delivery Charge and increase the fixed monthly charge (Basic Service Charge) was based on the following benefits:

- Utility benefits are separated from sales volumes, eliminating any disincentive for the utility to promote conservation among residential customers.
- Residential billing is simplified by the removal of both the distribution delivery volumetric charge and the Distribution Delivery Stabilization Mechanism. Monthly utility charges are more transparent and less confusing.
- Seasonal differences in utility revenues and customer bills are stabilized as winter gas bills are lessened and summer bills are increased.
- The impact of significantly colder than normal weather on customer bills is lessened.
- Inequities between high usage and low usage customers are reduced, particularly with customers using natural gas as a backup energy source during peak periods.

For an average customer, the Basic Service Charge makes up about 29 percent of an annual bill. The remaining 71 percent reflects the actual cost of the gas a customer uses and was not affected by this rate case. This portion of the bill will vary dependent on weather, individual usage and the market price of gas. The market price of gas is passed on to the customer dollar for dollar so that the company does not earn a return on the gas cost portion of the bill.

The North Dakota Public Service Commission is a constitutionally created state agency with authority to permit, site and regulate business activities in the state including electric and gas utilities, telecommunications companies, power plants, electric transmission lines, pipelines, railroads, grain elevators, auctioneers, commercial weighing devices, pipeline safety and coal mine reclamation. For more information, contact the Public Service Commission at (701) 328-2400 or www.psc.nd.gov.

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