



Montana Public Service Commission
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February 4, 2008

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**PSC TO HOLD HEARING FEBRUARY 11 IN GLENDIVE
ON MDU'S PROPOSED ELECTRIC RATE INCREASE**

The state Public Service Commission will hold a hearing in Glendive on Monday, February 11, to hear public comments on the pending application of Montana-Dakota Utilities Co. to increase its electric rates in Montana. MDU's last electric rate increase occurred in 1987.

The public hearing will begin at 9 a.m. at Dawson Community College, 300 College Drive – Main Building, Board Room. The hearing will reconvene at 7 p.m. in the same location in order to give more members of the public the opportunity to comment.

In its July 2007 rate case filing, MDU requested PSC approval of an overall increase in electric rates of 22 percent, which would result in an annual increase of about \$7.8 million in electric service revenues in Montana. MDU proposed to increase residential electric rates by 20 percent. According to MDU, increased electric rates are necessary because MDU is experiencing higher costs and expenses and has increased its investment in facilities that serve Montana customers, such as the 19.5-megawatt Diamond Willow wind farm near Baker.

MDU also proposed to implement a monthly electric tracker mechanism to allow the utility to timely reflect its fuel and power purchase costs in rates. In addition, MDU proposed a margin sharing adjustment under which MDU would share the net proceeds from its off-system electricity sales with customers.

The PSC granted MDU a temporary interim increase last December in the amount of \$3.37 million.

MDU has informed the PSC that it has reached a settlement in the case with the other two parties -- the Montana Consumer Counsel, which represents residential and small business customers before the PSC, and Encore Acquisition Company. The parties have not yet filed their proposed settlement agreement at the PSC, but according to MDU, the components of the agreement include the following:

- A total rate increase of \$4.1 million arrived at by making the \$3.37 million interim rate increase permanent and by allowing MDU an additional increase of \$727,739 on January 1, 2009.
- An agreement by MDU not to implement new rates from a subsequent rate case before January 1, 2010; and,
- Implementation of a monthly fuel and purchased power tracker mechanism, along with a margin sharing adjustment under which MDU and customers would share the net proceeds of off-system sales on a 90/10 basis, with customers getting the 90-percent share and MDU getting 10 percent. This mechanism will expire at the end of 2011 unless the PSC approves its continuation.

A second hearing for the purpose of obtaining technical testimony in the case is scheduled to be held in Helena on March 19.

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