

April 22, 2008 – *For Immediate Release*

For more information contact:

Chair Greg Jergeson, 406.444.6166

Public Information Specialist Sarah Carlson, 406.444.6171

Staff Attorney Jim Paine, 406.444.6377

PSC Reduces MDU Rate Increase Request

The Public Service Commission (PSC) approved a settlement agreement today that trimmed a nearly \$8 million Montana-Dakota Utilities (MDU) electricity rate increase request to just over \$4 million and prohibited any further MDU rate increases prior to 2010. The agreement stipulates that the 7.1% increase already experienced by MDU residential electricity customers will become permanent and another 1.4% increase is slated for January 1, 2009. Most of MDU's non-residential customers, such as municipalities and industrial users, are experiencing increases from 11.55% to 16.35%. The action today does not affect MDU gas customers.

"No one likes to see their power bill increase but this is a good compromise," observed PSC Chair Greg Jergeson, "I'm pleased we were able to minimize the impact on consumers while addressing the financial health of a utility requesting its first rate increase in 20 years."

In July 2007, citing costs outpacing revenues in their Montana operations, MDU requested the PSC approve a rate increase that would have generated an additional \$7.8 million in annual revenues for the company and increased residential power rates by 20%. Agreeing that the company was experiencing a revenue deficiency but disagreeing with the magnitude of their request, the Montana Consumer Counsel and others intervened and proposed alternative rate increase structures. The parties—including MDU—negotiated a compromise proposal, known as a "stipulation," which the PSC approved today on a 4-1 vote*.

The agreement also requires that within 1 year MDU provide more detailed information to the PSC about the company's methodology on assumed costs and revenue needs in what is termed a "cost of service and rate design filing." In addition, the plan includes the 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.

Video and audio archives of the PSC's discussion on this decision are at <http://psc.mt.gov/eDocs/#Calendars>. For documents detailing the various increase proposals, click on <http://psc.mt.gov/eDocs/eDocuments/> and enter D2007.7.79, the docket number of MDU's original request.

Made up of 5 elected commissioners, the PSC works to ensure that Montanans receive safe and reliable service from regulated public utilities while paying reasonable rates. Utilities regulated by the PSC generally include private investor-owned natural gas, electric, telephone, water, and sewer companies. In addition, the PSC regulates certain motor carriers, and oversees natural gas pipeline safety and intrastate railroad safety.

* Commissioners voting yes: Jergeson, Mood, Raney, and Toole
Commissioner voting no: Molnar