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Montana Public Service Commission

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MDU to Pass Through Taxes onto Consumers; Calls for Legislative Action

HELENA, Mont. – Natural gas and electric customers in eastern Montana who receive service from Montana Dakota Utilities will see rates increase this month to account for increases in the utility’s property taxes.

“It deeply troubles me to see these taxes passed automatically onto rate payers in my district,” said Commissioner Tony O’Donnell, R-Billings. “It is highly irregular for a utility to be able to raise rates without the opportunity for the Commission to complete a full review.”

Montana law allows public utilities to pass through a portion of their property taxes onto customers with virtually no input from the PSC. The increases go into effect automatically on Jan. 1, and unless the commission can identify errors in the utilities application within 45 days, the rate increases cannot be reversed.

During the proceeding, the commission lambasted the law and stressed the need for legislative action to fix the problem.

“This proceeding was a model of confusion because of an incredibly short deadline imposed by a law that simply doesn’t work. The legislature should act now to avoid further

automatic rate increases for property taxes from being passed onto consumers,” said Travis Kavulla, R., Great Falls, the PSC’s vice chairman.

Though NorthWestern has passed through property tax increases onto consumers using the automatic-increase provision of state law for over a decade, this is the first time that MDU sought similar increases. MDU projects to collect an additional \$725,000 and rates will increase by an estimated 2.26 percent and .7 percent for gas and electric services, respectively. Rate increases already went into effect for gas customers, however rates won’t increase for electric customers until May 15, due to a stipulation the last electric rate case that prevents the firm from raising rates before April 1 of this year.

The Commission did vote to exclude taxes from assets which the company has yet to prove provide a direct benefit to customers. \$144,844 in taxes associated with both environmental upgrades to the Lewis and Clark generation station in Sidney, as well as reciprocating internal combustion engines located on the site, will not be eligible to be passed through to consumers.

To view the full docket, visit: <http://bit.ly/2hOMkYM>.

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Made up of five 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.