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MONTANA PUBLIC SERVICE COMMISSION

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## **Montana Public Service Commission approves settlement between Montana-Dakota Utilities, consumer advocates**

### ***Commission clarifies position on what is included in rates, states an acceptable range for MDU's allowed return***

**HELENA, Mont. – March 25, 2016** – The Montana Public Service Commission issued an order Friday approving an electricity rate settlement between Montana-Dakota Utilities, the Montana Consumer Counsel and the Large Customer Group.

The original application, filed by MDU with the Commission last June, proposed a 21.1% electricity rate increase. One day prior to a hearing in Glendive in February, MDU and the consumer advocates reached a settlement, reducing the rate increase to 13.3% to be phased in over two years. The total rate increase for MDU's roughly 26,000 customers in eastern Montana equals approximately \$7.4 million.

In approving the stipulation, the Commission expressed skepticism of the utility's proposal to include two combustion engines installed in Sidney, Mont., into customer rates, leaving the decision to include the units in rates for a future rate proceeding. The Commission noted that the plant was not providing economic energy supply for customers at this time, and had not been certified as a capacity resource at the time of the hearing.

Additionally, the Commission clarified its position on environmental upgrades, noting that utilities should not charge customers for pollution control technologies until emissions standards are actually in effect and enforceable. The company has paid for upgrades to the Lewis & Clark Station in Sidney, Mont., and the Big Stone Plant in South Dakota.

"Customers should pay only for power plants that are actually used and useful in providing utility service. If a plant isn't providing value to customers, then customers should not be paying for it," said Travis Kavulla, R-Great Falls.

Although the settlement presented by MDU and the consumer advocates did not state an established return on equity (ROE), the Commission found a range of 9.0-9.5% to be an acceptable return on the equity investment by MDU's shareholders, down from the last-approved ROE of 10.25%.

"It's always positive when the parties can come together in a constructive manner and craft a solution to a complex proceeding such as this," said PSC Chairman Brad Johnson, R-East Helena. "Although a settlement was reached, that does not relieve the Commission of our responsibility to ensure transparency of the process, and that's why we required clarification of this agreement before signing off on it."

The Commission's clarification of the settlement does not change the rate increase, but it still must be agreed upon by the various parties before it is finalized.

The first phase of the rate adjustment is a \$3 million increase, which goes into effect April 1, 2016. The second phase of the rate adjustment is a \$4.4 million increase that goes into effect April 1, 2017.

The Commission approved the order including conditions on a 4-1 vote, with Commissioners Johnson, Kavulla, Lake and Koopman voting in favor, with Commissioner Kirk Bushman, R-Billings, opposed.

"I commend the parties for their efforts regarding the stipulation reached in this docket," Commissioner Bushman said. "The MDU rate application gives a preview of the challenges that Montana utility companies face, as it demonstrates the difficulty and exposes the flaws associated with trying to predict the energy future. I am very concerned about the impacts of overreaching federal regulations that will dramatically increase the cost of utilities' services in Montana."

To view the full rate case docket, including the final order, visit: <http://1.usa.gov/1QmJxDH>

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