

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Montana-Dakota Utilities Co.
Natural Gas Rate Increase
Application**

Case No. PU-04-97

ORDER
April 27, 2004

On March 3, 2004, Montana Dakota Utilities Co. (MDU) filed an application to increase its natural gas rates. The application included a request for interim rate increase. On April 26, 2004, MDU filed an amendment to its request for interim rate increase including revised interim rate increase tariffs.

Under N.D.C.C. section 49-05-06(2) the Commission must order an interim rate increase, but the rate increase must meet certain specified criteria. The criteria include that the calculation of additional revenue requirement include: the same rate of return on common equity authorized by the commission in the public utility's most recent rate proceeding; rate base and expense items the same in nature and kind allowed by a currently effective commission order in the public utility's most recent rate proceeding and; no change in existing rate design.

MDU's interim rate request amendment revised the original interim request to include short-term debt as part of the company's cost of capital and to allocate the proposed interim rate increase equally to all customer classes with no change to existing rate design.

MDU's interim rate increase request is based on a projected 2004 test year and seeks an increase in annual revenue collections of \$1.714 million, or an overall increase in revenues of 1.43%. MDU proposes that an Interim Rate Adjustment, applied to each dekatherm of gas use, be included as a separate line item on the customer bill.

MDU automatically passes through its cost of gas to consumers, which accounts for about 82% of its operating expenses. Therefore, if the cost of gas is excluded, the interim rate increase represents an increase of approximately 8% for revenues unrelated to natural gas supplies.

In the event a final order in this proceeding approves a rate increase of an amount less than an interim rate increase authorized in this Order, MDU is required to refund any interim rate increase amounts collected in excess of the amounts authorized by the Commission's final order, plus interest.

Order

The Commission orders:

1. MDU's request for an interim rate increase, as amended April 26, 2004, is GRANTED effective for service rendered on or after May 3, 2004.

PUBLIC SERVICE COMMISSION

**Susan E. Wefald
Commissioner**

**Tony Clark
President**

**Kevin Cramer
Commissioner**