

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

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

Case No. PU-04-97

STAFF RESPONSE TO COMPLIANCE FILING

September 23, 2004

Staff believes that MDU's compliance filing satisfies the Commission's Order.

THE ADOPTED SETTLEMENT AGREEMENT

On September 22, 2004, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., (MDU) filed tariff changes to comply with the Order of the Commission dated September 22, 2004. The Commission's Order adopted a Settlement Agreement by which MDU is to implement a rate change sufficient to provide a total annual revenue increase of \$2,500,000 effective for service rendered on or after October 1, 2004. The Order stated that MDU shall file revised tariff sheets to yield additional annual revenues of approximately \$786,000 resulting in a total increase of not more than \$2,500,000 including the already-effective interim increase of approximately \$1,714,000.

Under the adopted Settlement Agreement, rate changes will include an increase in residential and general service Basic Service Charges as proposed by MDU. The rate changes will also include an increase in residential and general service retail Distribution Delivery Charges, which, when combined with the revenue yielded from the Basic Service Charge changes, result in an overall increase of total residential test year revenues of approximately 2.5 percent and general service revenues of approximately 1.9 percent. There is to be no increase in the rates for service to interruptible customers or to the Minot Air Force Base.

The adopted Settlement Agreement also included MDU's proposed Distribution Delivery Stabilization Mechanism Rate 87.

THE COMPLIANCE TARIFFS

MDU's compliance tariffs provide a total annual revenue increase of \$2,499,033. The rate increase is split between the Residential and Firm General Service classes with 66.7% of the increase allocated to Residential customers.

This results in a 2.5% increase to Residential customers and 1.89% increase to Firm General customers.

The Residential Basic Service Charge changed from \$.29 to \$.30 per day. The Residential Distribution Delivery Charge changed from \$.641 to \$.812 per dekatherm. The Firm General Basic Service Charge for customers with gas meters under 500 cubic feet changed from \$.50 to \$.52 per day and changed from \$1.70 to \$1.75 for Firm General customers with gas meters over 500 cubic feet. The Firm General Distribution Delivery Charge changed from \$.473 to \$.597 per dekatherm

The Distribution Delivery Stabilization Mechanism will apply to Residential Gas Service, Residential Propane Service, Firm General Gas Service, and Firm General Propane Service.

Also, the Gas Cost Adjustment is restated to reflect the authorized rate of return from this proceeding that is applicable to prepaid demand, commodity and cycle storage balances. The Gas Cost Adjustment for October will be restated from \$6.499 to \$6.492 per dekatherm.

William W. Binek
Chief Counsel