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February 5, 2014

North Dakota Public Service Commission

AARP ND Comments on MDU natural gas rate case (PU-2013-803)

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Chairman Kalk, Commissioner Fedorchak, and Commissioner Christmann, thank you for the opportunity to provide comments concerning the rate design portion of the MDU natural gas rate case (PU-2013-803). For the record, my name is Josh Askvig and I serve as the Associate State Director for Advocacy for AARP North Dakota.

AARP is a nonprofit, nonpartisan membership organization that advocates for people who are 50 years of age and older, seeking to promote their independence, choice and control in ways that are beneficial and affordable to them and to society as a whole. One way that AARP promotes the well-being of older persons is through its advocacy for reasonable utility rates and service. As you may know, older consumers tend to devote a higher percentage of their total spending towards residential energy costs than do other age groups, and they often have special safety concerns with regard to their continued access to utility service. AARP members in North Dakota, many of whom are residential natural gas customers of Montana-Dakota Utilities Company (MDU), rely upon affordable and reliable energy to keep their homes warm. We have two categories of concerns: the customer class shift and the fixed customer charge.

Customer Class Shifts

Under MDU's rate proposal, natural gas rates for residential customers would increase by 5.03% overall, while the largest industrial customers would experience no rate increase. While the utility claims that this differential is cost-based, AARP is skeptical of MDU's claim that residential rates should be raised so much higher than the

rates of larger customer classes. Assuming that MDU's cost study is completely accurate, a more gradual approach to customer class shifts would be helpful to mitigate the impact on household consumers. Rather, we support the PSC staff's more equitable approach, which phases in the class shift to mitigate rate shock.

Fixed Customer Charge

AARP opposes MDU's proposal to dramatically increase the fixed portion of residential utility bills. MDU's proposal would impose a single flat fee, or customer charge for the entire non-fuel portion of the rates charged to its residential customers, while completely removing any usage component from the natural gas distribution portion of rates.¹

Implementing a customer-charge-only rate design would benefit large residential consumers of gas, but it would do so at the expense of the smallest residential users.

It would be accomplished by nearly doubling the minimum part of the bill that ordinary customers must pay each month—all before those customers ever consume any natural gas.² During an average month, MDU customers have been paying a minimum charge of approximately \$9.00 per month, with the rest of the distribution costs paid through a volumetric or usage-based charge. MDU's rate design proposal would charge all residential customers a flat fee of approximately \$18.00 each month before any gas is consumed. This flat fee proposal would result in an increase to certain summer gas bills of 55%.³

Shifting cost recovery for natural gas distribution over to a high customer charge would be an economic burden to low usage customers.⁴ The smaller the gas usage within a household, the greater the negative impact would be from this proposal. A large number of customers use less than the average amount of gas (many of which consist of one-person or two-person senior households), and would face a disproportionately

¹ This method of rate design is sometimes called "Straight Fixed Variable" or SFV.

² The current \$0.03 per day flat fee would increase by \$0.2941 per day (Aberle rate design handout, Jan. 10, 2014).

³ MDU slide show at the informal revenue requirement hearing (December 11, 2013). August bills would increase from an average of \$15.08 to \$23.39 (55.11%).

⁴ AARP is not claiming that there is a precise correlation between usage and age, nor that there is a precise correlation between usage and low-income status. However, large numbers of vulnerable customers in each of these categories have been proven to be among the smallest users of energy.

higher percentage rate increase from MDU's rate design, compared to households which consume more than the average amount of natural gas.

Many older consumers diligently dedicate themselves to conserving their home energy usage, trying to keep their energy bills more affordable. Those consumers should be receiving the full economic benefit of their careful conservation efforts. It is frustrating when they see the rewards of their frugality minimized. Eliminating all energy usage components from distribution rates would also send price signals that erode the incentives for conservation and energy efficiency.

A high fixed residential delivery charge of \$18.00 is sure money for MDU, so it is not surprising that it has been proposed by the utility. Eliminating volumetric rates from distribution rates in this case would significantly reduce the utility's risk, but there has been no corresponding proposal to share with consumers the savings that would result from this lower risk profile.

As part of our efforts on this issue, AARP initiated an online petition for individuals to sign stating their opposition to the proposed fixed residential service delivery fee change. Attached to your testimony you will find the 194 individual petitions from North Dakotans opposed to this rate design change. These responses were collected over only a two-week period with little promotion other than an email informing them of what was happening and asking them to sign the petition stating their opposition. We ask that you enter these petitions into the record of this proceeding and that you carefully consider these constituent concerns as you deliberate on the rate design for this gas company.

AARP is urging the North Dakota PSC to at least significantly mitigate the impact that MDU's rate design proposals would have on low usage customers.



Real Possibilities

Help AARP ND Oppose MDU's Natural Gas Rate Change

The PSC will consider a plan from MDU to change the way it bills consumers for its natural gas service. Under its proposal, MDU customers will see the "residential service delivery charge" raised from approximately \$9 a month to roughly \$18 per month, BEFORE any gas is used. AARP does not think this is right and is urging the PSC to stop MDU from making this drastic change. Sign the Petition below.

As an AARP member in North Dakota, I oppose MDU's plan to significantly increase the fixed or flat fee for natural gas delivery to my home. This is a change that would benefit high-volume residential consumers of gas, at the expense of low-volume residential users. The proposal would remove any usage component from the natural gas distribution portion of rates that are under review in this case. However, this would be accomplished by almost doubling the minimum part of the bill that ordinary customers must pay each month before they ever consume any natural gas. Any rate increase is a struggle; imagine being on a fixed income and having to pay \$18 each month before using *any* gas at all.

Many consumers, like me, diligently dedicate themselves to conserving their home energy usage to keep their energy bills more affordable. I should not be punished for doing so and ask you to oppose MDU's plan to shift entirely to a fixed fee for service. Instead, MDU should keep a strong component of its service delivery charge based on the amount of gas a consumer uses. I encourage you to make this change as you consider the MDU natural gas rate design.

Please sign the petition by providing the following information

DATE: «DATE_SUBMITTED»

NAME: «FIRST_NAME» «LAST_NAME»

ADDRESS: «HOME_STREET1»

CITY/STATE/ZIP: «HOME_CITY», «HOME_STATEPROV» «HOME_ZIP»

EMAIL: «PRIMARY_EMAIL»

