

## Kroshus, Brian

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**From:** Senger, Garret <garret.senger@mdu.com>  
**Sent:** Thursday, July 20, 2017 5:30 PM  
**To:** Fedorchak, Julie L.; Christmann, Randel D.; Kroshus, Brian  
**Cc:** Kivisto, Nicole; Aberle, Tamie  
**Subject:** MDU Gas Rate Case Filing  
**Attachments:** MDU ND gas rate increase request July 2017 Overview (004).pdf

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Good evening Commissioners, I am sending this email to provide you advance notice that Montana-Dakota Utilities Co. plans to file tomorrow afternoon a request for a natural gas rate increase. The request is for \$5.9 million or a 5.4% overall increase. For an average residential customer, the increase is about \$2.98 per month or \$35.78 annually. Capital investment in pipeline replacement projects enhancing the safety and integrity of the natural gas system, as well as increased cost to operate and maintain that system, are the main drivers for the increase request.

The company has implemented a proactive pipeline replacement plan to enhance system safety and reliability. Investments made since the last price increase in 2015, as well as projected investments through 2018, are 18 percent higher than total investments through 2015. To fund this replacement plan going forward, 2019 and beyond, the company in this filing is also requesting the implementation of a cost recovery mechanism for the pipeline replacement plan, which allows the company to address aging infrastructure while potentially avoiding costly rate cases and providing customers with more gradual rate increases over time.

Attached are the key highlights/overview of the filing. We also plan to issue a news release once it is filed.

Respectfully,

### Garret Senger

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**42** **PU-17-295** Filed: 7/20/2017 Pages: 3  
**Ex parte communication from Garret Senger**

### **Overview of proposed North Dakota natural gas rate increase request**

- Montana-Dakota Utilities is requesting an increase in its North Dakota natural gas service prices. Capital investment in pipeline replacement projects enhancing the safety and integrity of the natural gas system, as well as increased cost to operate and maintain that system, are the main drivers for the increase request.
- The company is requesting a rate increase of approximately \$5.9 million over current annual revenues, or a 5.4 percent overall increase.
- For an average residential customer, the increase is about \$2.98 per month -- \$35.78 annually.
- Montana-Dakota is proposing to collect the price increase through the monthly basic service charge for residential customers, rather than through the amount of natural gas used. The request would increase the monthly charge from \$19.60 to \$22.58 per month for residential customers.
- The proposed increase for each customer group, taking into consideration studies to determine the full cost to serve each customer group, is:
  - Residential 5.9 percent
  - Firm general 5.5 percent
- Increases are not proposed for the other customer groups because they are adequately covering the cost to provide service under current prices.
- Residential and firm general customers currently pay less than the cost to provide them service, which is why they will be impacted by the price increase. The other customer groups currently pay more than the cost to provide them service.
- The company has implemented a proactive pipeline replacement plan to enhance system safety and reliability. Investments made since the last price increase in 2015, as well as projected investments through 2018, are 18 percent higher than total investments through 2015.
- The company also is requesting the implementation of a cost recovery mechanism for the pipeline replacement plan, which allows the company to address aging infrastructure while minimizing the frequency of formal rate cases before the PSC.
- The cost recovery mechanism would be reviewed annually by the PSC to ensure costs are prudent. According to the American Gas Association, 36 states have similar cost recovery tools in place, as of the end of 2016.
- Montana-Dakota serves approximately 109,000 natural gas customers in 74 North Dakota communities.

- Montana-Dakota has worked, and continues to work hard on managing its costs while gaining efficiencies whenever possible.
- Montana-Dakota's last natural gas rate increase of 2 percent was approved in 2015. It was an increase of \$2 a month for the average residential customer.
- The North Dakota PSC has up to seven months to issue a decision on this request, which was filed with the commission on July 21, 2017.
- Montana-Dakota also filed a request with the PSC for an interim rate increase of 4.2 percent, or \$4.6 million over current revenues, which, if approved, would be implemented while the PSC reviews the overall request. On average, a residential customer would pay \$2.44 more per month.
- Montana-Dakota encourages customers to use energy wisely. Conservation tips, information on energy assistance and information on the company's balanced billing program can be found on Montana-Dakota's website: [www.montana-dakota.com](http://www.montana-dakota.com).