



Kristie Fiegen, Chairperson
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South Dakota

PUBLIC UTILITIES COMMISSION

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October 26, 2023

Barbara Rohde

[REDACTED]
Rapid City SD 57702-7302

Ms. Rohde,

This is in response to your letter to the South Dakota Public Utilities Commission regarding the MDU natural gas rate increase request.

MDU's letter regarding its proposed rate increase was filed with the commission on Aug. 15, 2023, and is posted in the docket, *NG23-014*. You highlighted this in MDU's bill enclosure: *If approved, the request represents an overall increase of \$7.4 million or 11.2 percent*. This represents the total overall increase in revenue MDU requests to recover from all South Dakota customer classes.

The total proposed bill increase MDU requested for residential customers is 15.9 percent as the bill enclosure states, and it is important to understand that this represents the total bill impact, including the purchased gas costs, shown as *Cost of Gas* on your bill. Purchased gas costs make up about two-thirds of your bill and are not part of the proposed rate increase request. Although purchased gas costs are reviewed for prudence and accuracy, they are not regulated by the PUC since the market cost of gas is beyond the commission's legal jurisdiction. Since this cost is market-driven, purchased gas costs may change monthly on your bill. The proposed increase for base rates, shown as *Basic Service Charge* and *Distribution Delivery* on your bill, is what is being examined for this proposed rate increase. MDU's proposed increase for that portion of the bill is 45.1 percent for residential customers.

A team of PUC staff analysts and an attorney are working on this docket along with their expert witnesses. This team has and will continue to request more data from MDU while dissecting the company's initial application in order to determine staff's position on numerous details in this docket.

Meanwhile, my fellow commissioners and I are also reviewing this docket. We will receive staff's findings and recommendations, and we will ultimately vote to determine what, if any, increase is justified during a public meeting within one year of the increase request filing date, as required by law.

I encourage you to read about this rate request via documents posted in the online docket: Go to PUC.sd.gov and click on *Commission Actions*, *Commission Dockets*, *Natural Gas Dockets*, *2023 Natural Gas Dockets*, and scroll to NG23-014.

You will learn more about the commission's processing of this docket by reading the enclosed *Guide to Natural Gas Rate Increase Requests*, also posted on the commission website home page. See key excerpts below.

Natural Gas Utilities in South Dakota *There are three investor-owned utility companies that provide natural gas service to specific geographic areas in South Dakota. These companies are owned by investors and are managed as private enterprises. The PUC has regulatory authority, including ratemaking authority, over these investor-owned natural gas utilities: MidAmerican Energy Co., Montana-Dakota Utilities Co. and NorthWestern Energy.*

Rate Case Process *When an investor-owned natural gas utility wishes to modify its rates, it must seek permission from the PUC to do so. The company begins the process by filing an application with the PUC that states the proposed rate of increase for each of its customer classes – residential, commercial and industrial, for example – and the rationale for the requested increase. The PUC has six months to investigate and make a decision about a rate request before the utility may put interim rates into effect, subject to refund depending on the PUC's decision.*

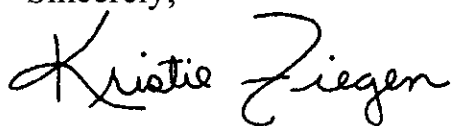
PUC Authority *The South Dakota Legislature gave the PUC authority to ensure utility companies in South Dakota provide safe and reliable service at fair and reasonable rates. In considering a rate case, the commission weighs the public's need for adequate, efficient and reasonable service and the need for the utility to collect revenues to enable it to meet its total current cost of furnishing such service and the opportunity to earn a fair and reasonable return. The commission determines these factors based on definitions, standards and references specified in South Dakota Codified Law. In rendering its decision, the commission may approve, deny or approve with modifications the proposed rate increase as the commission finds appropriate and legally within its jurisdiction. The decision of the commission can be appealed to the circuit court and, ultimately, to the South Dakota Supreme Court.*

The commission cannot refuse to consider a rate increase request filed by an investor-owned utility without fully processing such a docket. The company's previous rate case was filed on June 30, 2015, and the commission issued its decision regarding the rate request the following June, effective July 1, 2016.

Your letter and this response will be posted under Comments and Responses in the online docket since commissioners have decision-making authority regarding the docket. As such, any communication with us about the requested rate increase must be made available to the public.

Thank you for writing to relay your concerns about this proposed increased cost and allowing me to explain the commission's handling of MDU's rate case increase request.

Sincerely,

A handwritten signature in cursive script that reads "Kristie Fiegen". The signature is written in black ink and is positioned below the word "Sincerely,".

Kristie Fiegen