



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

January 28, 2013

Mr. Robert Nelson
Montana Consumer Counsel
111 North Last Chance Gulch, Suite 1B
PO Box 201703
Helena, MT 59620-1703

Re: General Gas Rate Application
Docket No. D2012.9.100

Dear Mr. Nelson:

Montana-Dakota Utilities Co. electronically submits its responses to the Montana Consumer Counsel's data requests dated January 11, 2013 and January 18, 2013. Responses to the following requests are attached:

MCC-143	MCC-162	MCC-170
MCC-153	MCC-163	MCC-171
MCC-154	MCC-167	MCC-172
MCC-155	MCC-168	
MCC-158	MCC-169	

Sincerely,

Rita A. Mulkern
Director of Regulatory Affairs

Attachments

cc: Service List

Montana-Dakota Utilities Co.
Docket No. D2012.9.100
Service List

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**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 11, 2013
DOCKET NO. D2012.9.100**

**MCC-143 RE: NET SALVAGE
 WITNESS: ROBINSON**

Please provide a detailed narrative explaining specifically how annual inflation built into forecasted net salvage amounts was employed in the development of the final proposed net salvage parameters for accounts 376 and 380.

Response:

The net salvage forecast analysis is an additional tool used to provide information about the level of net salvage anticipated to occur relative to property over its life. The historical component of net salvage is what has transpired for only the smaller portion of the Company's property that has been retired to date. Such retirements have routinely occurred at ages far younger than the average service of the various property groups. Accordingly, the experienced historical net salvage likely significantly understates the overall net salvage that will be experienced as the property groups continue to age.

The net salvage estimate gives consideration to the overall average, recent experience, and forecast analysis. The estimation process is one of gradualism towards more future looking calculations which is more representative of the future net salvage that can be anticipated at end of life of the property group.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 11, 2013
DOCKET NO. D2012.9.100**

**MCC-153 RE: ACCOUNT 376
 WITNESS: ROBINSON**

Please identify all utilities that either the Company or its depreciation consultant are aware of that have life estimates for Account 376 – Distribution Mains greater than 47 years. Further, provide supporting documentation.

Response:

Please see Response No. MCC-152. The Company and/or consultant do not have a comprehensive list of other companies and the basis of their depreciation rates.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 11, 2013
DOCKET NO. D2012.9.100**

**MCC-154 RE: ACCOUNT 380
 WITNESS: ROBINSON**

Please identify all utilities that either the Company or its depreciation consultant are aware of that have life estimates for Account 380 – Distribution Services greater than 40 years. Further, provide supporting documentation.

Response:

Please see Response No. MCC-152. The Company and/or consultant do not have a comprehensive list of other companies and the basis of their depreciation rates.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 11, 2013
DOCKET NO. D2012.9.100**

**MCC-155 RE: ACCOUNT 376
 WITNESS: ROBINSON**

Please segregate the investment in Account 376.2 – Distribution Plastic Mains into early generation versus each later generation of plastic pipe. Further, specifically identify each separate generation of plastic pipe installed along with the corresponding dollar values and when each prior generation of pipe was no longer installed.

Response:

The requested information is not available in Montana-Dakota's fixed assets systems.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 11, 2013
DOCKET NO. D2012.9.100**

**MCC-158 RE: ACCOUNT 380.2
 WITNESS: ROBINSON**

Please segregate the investment in Account 380.2 – Distribution Plastic Services into early generation versus each later generation of plastic pipe. Further, specifically identify each separate generation of plastic pipe installed along with the corresponding dollar values and when each of prior generation of pipe was no longer installed.

Response:

The requested information is not available in Montana-Dakota's fixed assets systems.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 18, 2013
DOCKET NO. D2012.9.100**

**MCC-162 RE: Accumulated DIT Balance
WITNESS: Mulkern**

Provide the accumulated DIT balance on the new Customer Care and Billing system that is included in the pro forma rate base.

Response:

The average balance of accumulated deferred income taxes included in the pro forma Montana gas rate base that is associated with the new customer billing system is \$1,344,365.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 18, 2013
DOCKET NO. D2012.9.100**

**MCC-163 RE: Rate 71
WITNESS: Mulkern**

For Rate 71, what is the difference between the number of bills of 9 and the number of customers on MCC-007, Attachment A of 13 as of December 31, 2011?

Response:

The Rate 71 customers (billing units) used to determine normalized and annualized revenues under Rate 71 should have been set at 15 customers. As shown on the Statement Workpapers, page H-25, the volumes for 15 customers are included in the determination of normalized revenues for Rate 71 (customer 71-13 used volumes in calendar year 2012 but is not expected to do so in the future and should not be included in the customer count and customer 71-15 is expected to use zero volumes but is connected under Rate 71 and paying the Basic Service Charge).

In addition, the customers used in the determination of the normalized and annualized revenues under Small Interruptible Transportation Service Rate 81 should have been set at 30 customers as shown on Statement Workpapers, page H-26. The difference of five customers stems from the Company's oversight in adjusting customer numbers to reflect the movement of five customers from Small Interruptible Transportation Service Rate 81 to Small Interruptible Sales Service Rate 71 in December 2011. The volumes associated with the change in service for the five customers were reflected correctly but the customer numbers were not correctly adjusted.

The difference in revenues associated with the two corrections noted above equates to an understatement of Rate 71 revenues of \$9,000 and an overstatement of Rate 81 revenues of \$10,500 resulting in a net overstatement of revenues in the amount of \$1,500 on a normalized and annualized basis in the rate case. Please see Attachment A for the corrected revenue calculations.

MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - MONTANA
SUMMARY OF REVENUES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011

Rate Reporting Class	Billing Units	Per Books		Per Books @ Current Rates 1/		Normalized		Annualized	
		Dk	Revenue	Dk	Revenue	Dk	Revenues	Dk	Revenues
Sales									
Residential									
Residential	70,015	6,268,127	\$45,522,909	6,268,127	\$36,569,220	6,082,510	\$35,644,290	6,097,461	\$35,729,916
Total Residential	<u>70,015</u>	<u>6,268,127</u>	<u>45,522,909</u>	<u>6,268,127</u>	<u>36,569,220</u>	<u>6,082,510</u>	<u>35,644,290</u>	<u>6,097,461</u>	<u>35,729,916</u>
Firm General									
Firm General	8,676	3,811,119	26,693,280	3,811,119	21,236,049	3,778,114	21,064,093	3,809,981	21,235,693
Optional Seasonal	4	3,845	24,667	3,845	21,090	3,845	21,090	3,845	21,090
Total Firm General	<u>8,680</u>	<u>3,814,964</u>	<u>26,717,947</u>	<u>3,814,964</u>	<u>21,257,139</u>	<u>3,781,959</u>	<u>21,085,183</u>	<u>3,813,826</u>	<u>21,256,783</u>
Interruptible									
Small Interruptible	9	278,445	1,382,090	278,445	1,027,471	218,586	813,782	218,586	813,782
Large Interruptible	2	23,609	107,192	23,609	80,712	0	0	0	0
Total Interruptible	<u>11</u>	<u>302,054</u>	<u>1,489,282</u>	<u>302,054</u>	<u>1,108,183</u>	<u>218,586</u>	<u>813,782</u>	<u>218,586</u>	<u>813,782</u>
Total Sales	<u>78,706</u>	<u>10,385,145</u>	<u>\$73,730,138</u>	<u>10,385,145</u>	<u>\$58,934,542</u>	<u>10,083,055</u>	<u>\$57,543,255</u>	<u>10,129,873</u>	<u>\$57,800,481</u>
Transportation									
Small Interruptible	35	728,209	619,197	728,209	613,831	686,293	572,229	686,293	572,229
Large Interruptible	5	4,614,240	647,477	4,614,240	590,446	4,197,933	548,804	4,197,933	548,804
Total Transportation	<u>40</u>	<u>5,342,449</u>	<u>\$1,266,674</u>	<u>5,342,449</u>	<u>\$1,204,277</u>	<u>4,884,226</u>	<u>\$1,121,033</u>	<u>4,884,226</u>	<u>\$1,121,033</u>
Total Sales & Transportation	<u>78,746</u>	<u>15,727,594</u>	<u>\$74,996,812</u>	<u>15,727,594</u>	<u>\$60,138,819</u>	<u>14,967,281</u>	<u>\$58,664,288</u>	<u>15,014,099</u>	<u>\$58,921,514</u>

1/ Rates effective with service rendered on and after 11/1/09, Docket Nos. D2009.9.123 and D2009.9.124, for firm customers and 4/13/03, Docket No. D2002.5.59, for IT and Transportation customers. Weighted cost of gas for 2012.

**MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY - MONTANA
CALCULATION OF REVENUES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

Small Interruptible - Rate 71	Per Books at Current Rates 1/ 2/			Normalized		
	Billing Units	Rate	Revenue	Billing Units	Rate	Revenue
Bills	13	\$125.00 per month	\$19,500	15	\$125.00 per month	\$22,500
Distribution Delivery Charge	278,445	0.742 per dk	206,606	218,586	0.742 per dk	162,191
Cost of Gas	278,445	2.878 per dk	<u>801,365</u>	218,586	2.878 per dk	<u>629,091</u>
Total Revenue			<u>\$1,027,471</u>			<u>\$813,782</u>

Small Interruptible - Rate 71	Annualized		
	Billing Units	Rate	Revenue
Bills	15	\$125.00 per month	\$22,500
Distribution Delivery Charge	218,586	0.742 per dk	162,191
Cost of Gas	218,586	2.878 per dk	<u>629,091</u>
Total Revenue			<u>\$813,782</u>

1/ Rates effective with service rendered on and after 4/13/03, Docket No. D2002.5.59. Weighted cost of gas for 2012.

2/ Reflects Maximum Rate per dk.

MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - MONTANA
 CALCULATION OF REVENUES
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011

Small Interruptible Transportation Rate 81	Per Books at Current Rates 1/			Normalized		
	Billing Units	Rate	Revenue	Billing Units	Rate	Revenue
Bills	35	\$175.00 per month	\$73,500	30	\$175.00 per month	\$63,000
Distribution Delivery Charge	728,209	0.742 per dk	540,331	686,293	0.742 per dk	509,229
Total Revenue			<u>\$613,831</u>			<u>\$572,229</u>

Small Interruptible Transportation Rate 81	Annualized		
	Billing Units	Rate	Revenue
Bills	30	\$175.00 per month	\$63,000
Distribution Delivery Charge	686,293	0.742 per dk	509,229
Total Revenue			<u>\$572,229</u>

1/ Rates effective with service rendered on and after 4/13/03, Docket No. D2002.5.59. Weighted cost of gas for 2012.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 18, 2013
DOCKET NO. D2012.9.100**

**MCC-167 RE: Quarterly Fees
WITNESS: Mulkern**

Regarding Statement Workpapers, Statement E, page E-4, what makes up the quarterly fees?

Response:

The Marsh Quarterly Fee are fees charged by Marsh USA, a broker whose services MDU Resources utilizes to provide assistance with the corporate insurance risk management program. The broker provides services such as marketing the various coverages for the companies, loss control services, contract/project review, etc. Their services cross various insurance lines such as property, casualty and management risk.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 18, 2013
DOCKET NO. D2012.9.100**

**MCC-168 RE: All Risk Premium
WITNESS: Mulkern**

Regarding Statement Workpapers, Statement E, pages E-8 and E- 12, what caused the increase in the All Risk premium from 2011 to 2012?

Response:

All risk insurance is based upon insurable property values and the values increased from 2011 to 2012. In addition, in 2011 MDU Resources received a membership credit from FM Global, a member owned insurance company. The membership credit was the result of no unexpected losses in 2010. In 2012, there were no membership credits due to several unexpected losses in 2011 and 2012 related to natural disasters.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 18, 2013
DOCKET NO. D2012.9.100**

**MCC-169 RE: Statement J, Page 8
WITNESS: Mulkern**

Provide the detail of CWIP not in service for Montana gas.

Response:

There was \$338,469 of CWIP not in service at December 31, 2011.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 18, 2013
DOCKET NO. D2012.9.100**

**MCC-170 RE: Materials and Supplies
WITNESS: Mulkern**

Regarding Statement E, page 1 and MCC-058, why have materials and supplies increased?

Response:

The increase in materials and supplies is due to increased construction activity in all areas and is primarily associated with the oil activity in the Bakken region in western North Dakota and eastern Montana.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 18, 2013
DOCKET NO. D2012.9.100**

**MCC-171 RE: Pension and Benefit Balances
WITNESS: Mulkern**

What caused the sustained increase in pension and benefit balances in March 2012?

Response:

The increase to pension and benefit balance in March 2012 was due to a required contribution to the pension trust. The actuary determines the contribution to the pension trust account based on a variety of factors and provides a payment schedule.

**MONTANA-DAKOTA UTILITIES CO.
MONTANA CONSUMER COUNSEL
DATA REQUEST
DATED JANUARY 18, 2013
DOCKET NO. D2012.9.100**

**MCC-172 RE: Response to MCC-064, Attachment A
WITNESS: Mulkern**

Reconcile Attachment A to Statement E, page 6.

Response:

Please see Attachment A.

**MONTANA-DAKOTA UTILITIES CO.
PROVISION FOR PENSION AND BENEFITS
GAS UTILITY - MONTANA**

	Provision for Pension and Benefits			DIT Pension and Benefits				
	Company	Gas Utility 1/	Montana /2	DIT- Common		FDTA & SDTA	Net	Montana /2
				Company	Gas Utility 1/	Gas Utility	Gas Utility	
December 2010	\$1,594,562	\$945,575		(\$24,166,218)	(\$14,330,567)	\$12,745,563	(\$1,585,004)	
December 2011	14,596,722	8,655,856		(35,333,518)	(20,952,776)	16,134,645	(4,818,131)	
Average Balance	\$8,095,642	\$4,800,716	\$1,268,837	(\$29,749,868)	(\$17,641,672)	\$14,440,104	(\$3,201,568)	(\$846,179)

1/ Payroll Expense - Gas 59.3%
 2/ MT Net Plant in Service 2012
26.430153%