



# MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

July 25, 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 July 12, 2013. Responses to the following requests are attached.

MCC-213	MCC-218
MCC-214	MCC-219
MCC-215	MCC-221
MCC-216	MCC-222
MCC-217	

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 Public Service Commission  
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**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
MCC DATA REQUEST  
DATED JULY 12, 2013  
DOCKET NO. D2012.9.100**

**MCC-213    Regarding: Exhibit No.\_\_(TAA-7)  
                  Witness:    Tamie A. Aberle**

**Please provide an electronic copy of Exhibit No.\_\_(TAA-7) Embedded Class Cost of Service Study with all data, formulas and supporting worksheets intact.**

**Response:**

Please see the enclosed CD for the filed named MCC-213 – Revised Statement L.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
MCC DATA REQUEST  
DATED JULY 12, 2013  
DOCKET NO. D2012.9.100**

**MCC-214** Regarding: FERC's SFV Methodology  
Witness: Tamie A. Aberle

In reference to your testimony at page 4, lines 7-14, you discuss the Straight Fixed-Variable (SFV) methodology of cost classification, cost allocation, and rate design implemented by the FERC for interstate gas pipelines.

- a. Have you read FERC Order No. 636 Final Rule, issued April 8, 1992? If so, please state when you did so.
- b. Have you read FERC Order No. 636-A Order Denying Re-Hearing In Part, Granting Re-Hearing In Part, And Clarifying Order No. 636, issued August 3, 1992? If so, please state when you did so.
- c. Have you read FERC Order No. 636-B, Order Denying Re-Hearing And Clarifying Order Nos. 636 And 636-A, issued November 27, 1992?

**Response:**

- a.-c. Ms. Aberle read the referenced Orders sometime after each of the Orders were issued. An exact date is not known.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
MCC DATA REQUEST  
DATED JULY 12, 2013  
DOCKET NO. D2012.9.100**

**MCC-215    Regarding: FERC's SFV Method  
                  Witness:    Tamie A. Aberle**

**You state at page 4, lines 12-14 of your testimony "The SFV method does not support Mr. Donkin's proposal to allocate fixed capacity costs on a demand/energy allocator." Do you agree that in Order Nos. 636, 636-A, and 636-B, the FERC did not require interstate pipelines to use peak day demand quantities as the only allocation factor to be used in distributing a pipeline's fixed transmission and storage costs to its customers? If you do not so agree, please reconcile that opinion with the following:**

**"However, the Commission clarifies that it will require the parties to use different ratemaking techniques in connection with the distribution of revenue responsibility among customers to avoid significant cost shifting that may result from the elimination of the two-part demand charge or the allocation of costs based on peak day demand. The pipeline would first use SFV to classify (i.e., assign) all of its fixed transmission and appropriate storage costs to a one-part reservation charge for both allocation and billing purposes. If that classification causes significant cost shifts, the pipeline is required to use some measure, such as seasonal contract quantities (i.e., seasonal entitlements or CDs) as a means to counteract those shifts. (Order No. 636-A, at page 213)**

**Response:**

The witness agrees that the FERC recognized the need to temper the effects of a SFV cost allocation in certain circumstances in the rate design process. Montana-Dakota has recognized this in the distribution rates proposed in this docket.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
MCC DATA REQUEST  
DATED JULY 12, 2013  
DOCKET NO. D2012.9.100**

**MCC-216** Regarding: FERC's SFV Method  
Witness: Tamie A. Aberle

You state at page 4, lines 12-14 of your testimony "The SFV method does not support Mr. Donkin's proposal to allocate fixed capacity costs on a demand/energy allocator." Do you agree that the FERC's SFV method specifically provides for the use of other allocation factors, including seasonal demands and imputed load factors for low load factor customers? If you do not so agree, please reconcile that opinion with the following statements in FERC Order No. 636-A, issued August 3, 1992:

- a. "The Commission directs the parties in the individual proceedings to develop methods for allocating costs among services and distributing revenue responsibility among customers that will minimize significant cost shifting. The Commission strongly encourages the use of seasonal contract quantities to replicate, in part, the allocation of costs based on peak and annual considerations." (FERC Order No. 636-A, at page 214).
- b. "Order No. 636 stated that the small customers can continue to receive firm transportation under a one-part volumetric rate computed at an imputed load factor similar to the manner in which their current sales rates are determined." (FERC Order No. 636-A, at page 215).
- c. "The Commission directs the parties in the individual proceedings to develop methods for allocating costs among services and distributing revenue responsibility among customers that will minimize significant cost shifting. The Commission strongly encourages the use of seasonal contract quantities to replicate, in part, the allocation of costs based on peak and annual considerations." (FERC Order No. 636-A, at page 214).
- d. "Order No. 636 stated that the small customers can continue to receive firm transportation under a one-part volumetric rate computed at an imputed load factor similar to the manner in which their current sales rates are determined." (FERC Order No. 636-A, at page 215).

**Response:**

- a.-d. Ms. Aberle acknowledges that one can deviate from the SFV methodology for sound reasons. Her point is that the SFV methodology does not contemplate the kind of commodity allocation proposed by Mr. Donkin.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
MCC DATA REQUEST  
DATED JULY 12, 2013  
DOCKET NO. D2012.9.100**

**MCC-217 Regarding: FERC's SFV Method  
Witness: Tamie A. Aberle**

**You state at page 4, lines 12-14 of your testimony "The SFV method does not support Mr. Donkin's proposal to allocate fixed capacity costs on a demand/energy allocator."**

- a. Do you agree that in implementing the Order No. 636 requirements, some interstate pipelines developed methods for allocating costs among services and distributing revenue responsibility among customers that were intended to minimize significant cost shifting, due to the SFV method?**
- b. Do you agree that in implementing the Order No. 636 requirements, small customers served by interstate pipelines have continued to receive firm transportation under one-part volumetric rates that have been computed at an imputed load factor, similar to the manner in which their previous sales rates had been determined?**

**Response:**

- a.-b. Please see Response No. MCC-216**

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
MCC DATA REQUEST  
DATED JULY 12, 2013  
DOCKET NO. D2012.9.100**

**MCC-218    Regarding:    Correction to labor expense adjustment  
                  Witness:    Mulkern**

**At Rebuttal Testimony, page 2, lines 19-22, you indicate a correction to the labor expense adjustment from \$18,149 to \$28,149 for production related labor expense – a difference of \$10,000. Then you state the resulting change is \$10,369 PLUS the effects on workers compensation and payroll taxes. Should the impact be \$10,369 INCLUDING the effects on workers compensation and payroll taxes? If not, explain why not. If not, what is the impact including the effects on workers compensation and payroll taxes? Provide all work papers that support the calculation.**

**Response:**

The rebuttal testimony is correct as stated. The difference of \$10,000 is in the per books amount. The \$10,369 is the difference in pro forma labor. Please see Attachment A for the schedule showing the calculation of the difference based on Mr. Clark's calculation and the associated effects on workers compensation and payroll taxes.

MONTANA-DAKOTA UTILITIES, CO.  
Gas Utility - Montana  
Twelve Months Ended December 31, 2011  
Adjustment to Wage and Salary Expense

	Per Books Montana	Pro Forma Montana 1/	MDU Pro Forma Montana	Proposed MCC Adjustment
<b><u>MCC</u></b>				
Production	<b>\$18,149</b>	\$18,819	\$29,483	(\$10,664)
<b><u>Corrected</u></b>				
Production	<b>28,149</b>	29,189	29,483	(294)
Difference				\$10,369
Workers Compensation			0.8789%	\$91
Payroll tax rate			7.53%	781
				<u>\$11,241</u>

1/ Reflects MCC's proposed increase of 3.693 percent.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
MCC DATA REQUEST  
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**MCC-219    Regarding: Correction to Billings landfill ADIT  
                  Witness:     Mulkern**

**At Rebuttal Testimony, page 6, lines 6-14, you speak of an error in the allocation of the ADIT to Montana. The original allocation resulted in an average Montana balance of \$254,928. The rebuttal indicates you allocated the ADIT twice to Montana and thus understated the ADIT and understated rate base.**

- a.     How do you understate the Montana ADIT balance if you allocated it twice to Montana?**
- b.     If you understate the ADIT balance, how do you also understate the rate base?**

**Response:**

- a. The allocation of ADITs twice to Montana (total x Montana % x Montana %) resulted in too few ADITs to Montana. Please see Attachment A for an illustration of the original and rebuttal allocated ADITs.
- b. ADITs are a rate base deduction, so by understating ADITs, the deduction is understated and rate base is overstated.

**MONTANA-DAKOTA UTILITIES CO.  
BILLINGS LANDFILL - CORRECTION OF ADITS  
GAS UTILITY - MONTANA  
TWELVE MONTHS ENDING DECEMBER 31, 2011  
PRO FORMA**

	Balance @ 12/31/10	Balance @ 12/31/11	Average Balance @ 12/31/11	Plant Additions	Balance @ 12/31/12	Average Balance @ 12/31/12
Total Company	2,661,431	3,055,135	2,858,283			
<u>Correct Allocation</u>						
Allocate to Montana 1/ 2/	769,616	877,794	823,705	5,443	883,237	880,516
<u>Data Request MCC-133</u>						
Allocate to Montana 1/ 3/	222,553	252,206	237,380	5,443	257,649	254,928
Understatement of ADITs	<u>\$547,063</u>	<u>\$625,588</u>	<u>\$586,325</u>	<u>\$0</u>	<u>\$625,588</u>	<u>\$625,588</u>

1/ Factor No. 124, Normalized sales volumes

2010 28.917375%

2011 28.731745%

2/ Amount that reflects proper allocation to Montana.

3/ Reflects double allocation to Montana.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
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**MCC-221** Regarding: Update of Post-test Year plant  
Witness: Mulkern

**Is it correct that the update to the post-test year plant resulted in increased plant in service (as compared to Mr. Clark's exhibit) of \$428,659, excluding the customer billing system? If not, please explain the impact of your update.**

**Response:**

Yes, it does.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA CONSUMER COUNSEL  
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**MCC-222** Regarding: Overall revenue increase  
Witness: Mulkern

**In the original application the requested revenue increase was \$3,455,478 (see Exhibit No. \_\_ (RAM-1). As a result of intervenor testimony and the Company's Rebuttal Testimony, has that requested revenue increase changed? If so, what is the revised requested revenue increase? Provide a schedule that shows each change from the original request to the revised request (if any) and all work papers that support each such change.**

**Response:**

No, the Company has not requested a change in its requested revenue increase.