



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

July 25, 2013

Ms. Kate Whitney, Administrator  
Utility Division  
Montana Public Service Commission  
1701 Prospect Avenue  
Helena, MT 59620

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

Dear Ms. Whitney:

Enclosed please find Montana-Dakota Utilities Co.'s responses to the Montana Public Service Commission data requests dated July 10, 2013. Responses to the following requests are attached:

PSC-163	PSC-170
PSC-167	PSC-171
PSC-168	PSC-172
PSC-169	

Sincerely,

A handwritten signature in black ink that reads 'Rita A. Mulkern'.

Rita A. Mulkern  
Director of Regulatory Affairs

Attachments  
cc: Service List

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

Ms. Kate Whitney, Administrator  
Utility Division  
Montana Public Service Commission  
1701 Prospect Avenue  
PO Box 202601  
Helena, MT 59620-2601  
kwhitney@mt.gov

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

John Alke  
40 West Lawrence, Suite A  
PO Box 1166  
Helena, MT 59624-1166  
johnalke@hksalaw.com

Albert E. Clark  
2871 S Conway Rd. 127  
Orlando, FL 32812  
aclark154@cfl.rr.com

John W. Wilson  
J W Wilson & Associates  
1601 N Kent Ste. 1104  
Arlington, VA 22209  
john@jwwa.com

George L. Donkin  
J W Wilson & Associates  
1601 N Kent Ste. 1104  
Arlington, VA 22209  
Motu100@aol.com

Jacob Pous  
Diversified Utility Consultants, Inc.  
1912 W Anderson Ln, Suite 202  
Austin, TX 78757  
jpous@ecpi.com

Monica J Tranel, Esq.  
Tranel Law Firm, P.C.  
Great Northern Town Ctr – Empire Block  
30 W 14<sup>th</sup> Street, Suite 204  
Helena, MT 59601  
mtranel@tranelfirm.com

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
PSC DATA REQUEST  
DATED JULY 10, 2013  
DOCKET NO. D2012.9.100**

**PSC-163**

**Regarding: Proxy group & small-size considerations**

**Witness: Gaske**

**For each member of your proxy group, please identify: how many jurisdictions does the proxy company offer service as a regulated local distribution company, how many customers does the proxy company have in each jurisdiction, and to what extent is the local economy in each of those jurisdictions diversified, relative to MDU and the jurisdictions, customer base, and local economy that it serves?**

**Response:**

Please see Schedule 4 of Exhibit No.\_\_\_\_(JSG-2) for the jurisdictions served by each of the proxy group companies and the number of customers served within each jurisdiction. Please note that Atmos Energy Corporation has completed the sale of its operations in Georgia, Illinois, Iowa, and Missouri.

Most companies describe the economic base in their various service territories in their SEC Form 10-K Annual Reports. A selection of these descriptions is shown below.

**AGL Resources Inc.**

Our distribution operations segment is the largest component of our business and includes natural gas local distribution utilities in seven states - Illinois, Georgia, Virginia, New Jersey, Florida, Tennessee and Maryland. These utilities construct, manage, and maintain intrastate natural gas pipelines and distribution facilities. Although the operations of our distribution operations segment are geographically dispersed, the operating subsidiaries within the distribution operations segment are regulated utilities, with rates determined by individual state regulatory commissions. These natural gas distribution utilities have similar economic and risk characteristics.

**Atmos Energy Corp.**

Although our natural gas distribution segment operations are geographically dispersed, they are reported as a single segment as each natural gas distribution division has similar economic characteristics.

Our Mid-Tex Division serves approximately 550 incorporated and unincorporated communities in the north-central, eastern and western parts of Texas, including the Dallas/Fort Worth Metroplex.

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Response No. PSC-163 (cont.)

Our Kentucky/Mid-States Division currently operates in more than 230 communities across Georgia, Kentucky, Tennessee and Virginia. The service areas in these states are primarily rural; however, this division serves Franklin, Tennessee and other suburban areas of Nashville.

In Louisiana, we serve nearly 300 communities, including the suburban areas of New Orleans, the metropolitan area of Monroe and western Louisiana. Direct sales of natural gas to industrial customers in Louisiana, who use gas for fuel or in manufacturing processes, and sales of natural gas for vehicle fuel are exempt from regulation and are recognized in our nonregulated segment.

Our West Texas Division serves approximately 80 communities in West Texas, including the Amarillo, Lubbock and Midland areas.

In Mississippi, we serve about 110 communities throughout the northern half of the state, including the Jackson metropolitan area.

Our Colorado-Kansas Division serves approximately 170 communities throughout Colorado and Kansas, including the cities of Olathe, Kansas, a suburb of Kansas City and Greeley, Colorado, located near Denver

**Laclede Group, Inc.**

Laclede Gas is a public utility engaged in the retail distribution and sale of natural gas. Laclede Gas serves an area in eastern Missouri, with a population of approximately 2.2 million, including the City of St. Louis and parts of ten counties in eastern Missouri.

**New Jersey Resources Corp.**

NJNG's service territory is in New Jersey's Monmouth and Ocean counties and parts of Burlington, Morris, Middlesex and Sussex counties. It encompasses 1,516 square miles, covering 105 municipalities with an estimated population of 1.4 million people. It is primarily suburban, with a wide range of cultural and recreational activities and highlighted by approximately 100 miles of New Jersey coastline. It is in close proximity to New York City, Philadelphia and the metropolitan areas of northern New Jersey and is accessible through a network of major roadways and mass transportation. NJNG added 6,704 and 6,783 new customers and added natural gas heat and other services to another 539 and 641 existing customers in fiscal 2012 and 2011, respectively. NJNG's new customer annual growth rate of approximately 1.3 percent is expected to continue with projected additions in the range of approximately 12,000 to 14,000 new customers over the next two years.

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Response No. PSC-163 (cont.)

In addition, the extended period of economic weakness in the U.S. has led to increasing unemployment, foreclosures in the housing markets, and the discontinuation of some commercial businesses that fall within NJNG's service territory.

**Northwest Natural Gas Company**

- Page 3:
  - o Our exclusive service area as allocated to us by the OPUC includes a major portion of western Oregon, including the Portland metropolitan area, most of the Willamette Valley, and the coastal area from Astoria to Coos Bay. The Portland metropolitan area is the principal retail and manufacturing center in the Columbia River Basin and is a major port for trade with Asia.
  - o **Industries we serve include:** pulp, paper and other forest products; the manufacture of electronic, electrochemical and electrometallurgical products; the processing of farm and food products; the production of various mineral products; metal fabrication and casting; the production of machine tools, machinery and textiles; the manufacture of asphalt, concrete and rubber; printing and publishing; nurseries; government and educational institutions; and electric generation. No individual customer or industry accounts for a significant portion of our utility revenues.

**Piedmont Natural Gas Company, Inc.**

- Page 1:
  - o In the Carolinas, our service area is comprised of numerous cities, towns and communities. We provide service from resource centers in Anderson, Greenville and Spartanburg in South Carolina and Charlotte, Salisbury, Greensboro, Winston-Salem, High Point, Burlington, Hickory, Indian Trail, Spruce Pine, Reidsville, Fayetteville, New Bern, Wilmington, Tarboro, Elizabeth City, Rockingham and Goldsboro in North Carolina. In North Carolina, we also provide wholesale natural gas service to Greenville, Rocky Mount and Wilson. In Tennessee, our service area is the metropolitan area of Nashville, including wholesale natural gas service to Gallatin and Smyrna.
- Page 54:
  - o Natural gas demand is continuing to grow in our service area, particularly to provide natural gas delivery service to power generation facilities...

**South Jersey Industries, Inc.**

- Page 19:
  - o Energy Project Development - Marina Energy, LLC, SJI's energy project development business, focuses on designing, building, owning and/or operating energy production facilities on, or adjacent to, customer sites... Further, our largest project opportunities to date have been and are expected to continue to be in the

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Response No. PSC-163 (cont.)

casino gaming industry. Consequently, the economic condition of that industry is important to the near term prospects for obtaining additional projects.

**Southwest Gas Corp.**

- Page 1:
- o Southwest is engaged in the business of purchasing, distributing, and transporting natural gas for customers in portions of Arizona, Nevada, and California. Southwest is the largest distributor of natural gas in Arizona, selling and transporting natural gas in most of central and southern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor of natural gas in Nevada, serving the Las Vegas metropolitan area and northern Nevada. In addition, Southwest distributes and transports natural gas for customers in portions of California, including the Lake Tahoe area and the high desert and mountain areas in San Bernardino County.
- o As of December 31, 2012, Southwest purchased and distributed or transported natural gas to 1,876,000 residential, commercial, and industrial customers in geographically diverse portions of Arizona, Nevada, and California.

In addition, to their much larger size and geographic diversity, each of these utilities serves at least one major city or its suburbs. Most of these major cities tend to have broadly diversified local economies that are less susceptible to downturns in one or two industries. Examples of these major cities include:

<b>Proxy Group Company</b>	<b>Utility</b>	<b>Major Cities Served</b>	<b>Economic Base of Major Cities</b>
GAS	Atlanta Gas Light Company	Atlanta, Georgia	Highly diversified
GAS	Northern Illinois Gas Company	Aurora, Illinois	Manufacturing, gaming, tourism
GAS	Elizabethtown Gas	Suburbs of New York City, New York; Elizabeth, New Jersey	Highly diversified Port and rail center
GAS	Florida City Gas	Miami, Florida	Highly diversified
GAS	Elkton Gas	Elkton, Maryland	<i>Unknown (pop. 15,000)</i>
GAS	Chattanooga Gas Company	Chattanooga, Tennessee	Manufacturing

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<b>Proxy Group Company</b>	<b>Utility</b>	<b>Major Cities Served</b>	<b>Economic Base of Major Cities</b>
GAS	Virginia Natural Gas, Inc.	Norfolk, Virginia	Military, port and rail center, tourism
ATO	Atmos Energy Corp.	Greeley, Colorado	Food processing, federal government, insurance, construction, outsourcing
ATO	Atmos Energy Corp.	Olathe, Kansas; Overland Park, Kansas	Highly diversified
ATO	Atmos Energy Corp.	Owensboro, Kentucky	Financial services, food processing, consumer goods, state government
ATO	Atmos Energy Corp.	Monroe, Louisiana; Suburbs of New Orleans, Louisiana	Diversified
ATO	Atmos Energy Corp.	Jackson, Mississippi	Manufacturing, food processing, agriculture, financial services
ATO	Atmos Energy Corp.	Franklin, Tennessee	Healthcare, corporate headquarters (auto company, pet food processing), telecommunications
ATO	Atmos Energy Corp.	Dallas/Fort Worth, Texas; Amarillo, Texas	Diversified Meat packing, petroleum extraction
ATO	Atmos Energy Corp.	Blacksburg, Virginia	Manufacturing, high-technology, defense, healthcare
LG	Laclede Gas Company	St. Louis, Missouri	Biotechnology, information technology, manufacturing
NJR	New Jersey Natural Gas Company	Lakewood Township, New Jersey	Diversified, suburb of New York
NWN	Northwest Natural Gas Company	Portland, Oregon	Highly diversified

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<b>Proxy Group Company</b>	<b>Utility</b>	<b>Major Cities Served</b>	<b>Economic Base of Major Cities</b>
NWN	Northwest Natural Gas Company	Vancouver, Washington	Port and rail center, Manufacturing, wholesale and retail trade
PNY	Piedmont Natural Gas Company, Inc.	Charlotte, North Carolina	Diversified
PNY	Piedmont Natural Gas Company, Inc.	Greenville, South Carolina	Diversified
PNY	Piedmont Natural Gas Company, Inc.	Nashville, Tennessee	Highly diversified
SJI	South Jersey Gas Company	City of Vineland, New Jersey	Food processing, glass companies, trucking and produce
SWX	Southwest Gas Corp.	Phoenix and Tucson, Arizona	Manufacturing, tourism, high-technology, international trade
SWX	Southwest Gas Corp.	Lake Tahoe, California	Tourism, construction, professional, scientific, and technical Services
SWX	Southwest Gas Corp.	Las Vegas, Nevada	Tourism, gaming

Several of these proxy companies have multiple natural gas distribution subsidiaries or jurisdictions that serve a wide variety of regions. For example, AGL Resources (GAS), Atmos, NW Natural, Piedmont, and Southwest Gas all serve multiple large cities with a wide variety of different industries. Laclede serves St. Louis and eastern Missouri, with a wide variety of different industries. The only proxy companies that do not directly serve major cities with widely diverse economies are New Jersey Resources and South Jersey Industries. However, both of these companies serve suburbs of major cities. Much of the New Jersey Resources customer base is in the suburbs of New York City and within the New York City Metropolitan Statistical Area. Similarly, much of the South Jersey Industries customer base is located in the suburbs of Philadelphia and within the Philadelphia Metropolitan Statistical Area. In comparison, the Montana natural gas distribution service territory has a far less diversified economy than any of these proxy companies.

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**PSC-167**

**Regarding: Billings Landfill Project**

**Witness: Morman**

**For each phase in the Billings Landfill Project, please provide the expected level of production over the upcoming 15 year period.**

**Response:**

Please see Response No. PSC-003, Attachment A.

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**PSC-168**

**Regarding: Exhibit No. \_\_ (TAA-7)**

**Witness: Aberle**

- a. **Does Exhibit No. \_\_ (TAA-7) differ in any way from the Statement L that was provided in response to data request PSC-006(a) on January 14, 2013? If so, please provide Exhibit No. \_\_ (TAA-7) in working electronic MS Excel format, with all links and formulas intact.**
- b. **Do the corrections to allocation factor No. 2 and allocation factor No. 5 change nay of MDU's recommendations for rate design or revenue requirement by customer class in this docket.**

**Response:**

- a. **Exhibit No. \_\_ (TAA-7) does not differ from Statement L provided in Response No. PSC-6.**
- b. **No.**

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**PSC-169**

**Regarding: Distribution Mains**

**Witness: Aberle**

**Does MDU believe it would be appropriate to collect the costs of mains during only the time of peak day demand or during only MDU's peak heating season?**

**Response:**

No. Montana-Dakota believes it remains appropriate to collect the cost of mains throughout the year.

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**PSC-170**

**Regarding: Allocation factor 45 and 46  
Witness: Aberle**

- a. Please explain which customers are being referenced in the statement “including volumes being delivered to transmission level customer (in all rate classes) that are not utilizing distribution mains” on pages 5 and 6 of Ms. Aberle’s rebuttal testimony.**
- b. Please explain where the customers discussed in part (a) of this question receive service on MDU’s distribution system?**
- c. How many customers from each rate class are considered “transmission level customers” as referenced in part (a) to this question?**
- d. Please explain why MDU believes the customers referenced in part (a) do not utilize MDU's distribution mains.**
- e. Please provide worksheets which support MDU's calculation of allocation factor 45 as referenced in the table on Page 6 of Ms. Aberle's rebuttal testimony.**

**Response:**

- a. The customers denoted as transmission level customers are also referred to as farm tap customers as the customers are served off of the interstate pipeline with a service line and regulator.
- b. Please see Response No. PSC-170 a.
- c. Please see Statement Workpapers Statement L, Page L-26.
- d. Please see Response No. PSC-170 a.
- e. Please see Response No. PSC-170 Attachment A. The energy portion of Factor 45 shown on Page 6 of Ms. Aberle’s rebuttal testimony at lines 10 through 12 should have been stated as shown on Response No. PSC-170 Attachment A. The amounts represented as the energy portion of Mr. Donkin’s Allocation Factor 45 was also misstated on Page 6 of Ms. Aberle’s rebuttal testimony. The table at lines 10 through 12 should read as follows:

<b>Factor 45 (Energy)</b>	<b>Donkin</b>	<b>Corrected</b>
Residential Service	40.61157	49.00247
Small Firm General Service	7.45435	8.94138
Large Firm General Service	17.94728	21.46615
Small Interruptible Sales & Transportation	6.02686	5.97069
Large Interruptible Sales & Transportation	27.95994	14.61931

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 GAS UTILITY - MONTANA  
 CLASS COST OF SERVICE STUDY  
 12 MONTHS ENDING DECEMBER 31, 2011  
 MCC'S Allocation Factor 45 Adjusted to Reflect Distribution Deliveries

Factor 45

<u>Rate</u>	<u>Customer Class</u>	<u>DK Throughput @ Distribution</u>	<u>Energy Factor</u>	<u>Energy Factor @ 50%</u>	<u>Factor 5 Demand @ Distribution</u>	<u>Demand Factor</u>	<u>Factor 5 @ 50%</u>	<u>Factor 45</u>
60	Residential Gas Service	6,012,077	0.49002468	0.24501234	48,225	0.56400870	0.28200435	0.52701669
	<u>Firm General Service</u>							
70	Firm General-Small	1,097,011	0.08941377	0.04470689	10,068	0.11774888	0.05887444	0.10358133
	Firm General-Large	2,633,666	0.21466148	0.10733074	20,290	0.23729884	0.11864942	0.22598016
	Subtotal Firm	3,730,677	0.30407525	0.15203763	30,358	0.35504772	0.17752386	0.32956149
71	Small Interruptible	88,533	0.00721604	0.00360802	243	0.00284197	0.00142099	0.00502901
81	Small Interruptible Transport	644,007	0.05249088	0.02624544	1,764	0.02063061	0.01031530	0.03656074
	Subtotal Small IT	732,540	0.05970692	0.02985346	2,007	0.02347258	0.01173629	0.04158975
85	Large Interruptible	0	0.00000000	0.00000000	0	0.00000000	0.00000000	0.00000000
82	Large Interruptible Transport	1,793,633	0.14619314	0.07309657	4,914	0.05747100	0.02873550	0.10183207
	Subtotal Large IT	1,793,633	0.14619314	0.07309657	4,914	0.05747100	0.02873550	0.10183207
	TOTAL MONTANA GAS	12,268,927	0.99999999	0.50000000	85,504	1.00000000	0.50000000	1.00000000

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**PSC-171**

**Regarding: Customer class revenue requirement**

**Witness: Aberle**

- a. Would MDU benefit if the Commission were to accept MDU's proposed distribution of revenue requirement among customer classes compared to the revenue requirement distribution among customer classes proposed in Mr. Donkin's testimony? If so, what are the benefits to MDU?**
  
- b. If more of MDU's revenue requirement is shifted to the large customer groups, would MDU's revenue stream become less stable, more stable, or remains the same?**

**Response:**

- a. No.**
- b. Too many variables come into play to predict the stability of revenues based on changes in the allocation of the revenue requirement.**

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**PSC-172**

**Regarding: Distribution delivery stabilization mechanism (DDSM)  
Witness: Aberle**

- a. If the Commission were to accept MDU's proposed DDSM, would MDU's revenue stream become more stable, less stable, or remain the same?**
- b. Do you believe the Commission should consider stability of revenues when determining MDU's return on equity?**

**Response:**

- a. Montana-Dakota's revenue stream would become more stable with the DDSM mechanism in place to the extent weather deviated from the normal weather underlying the pro forma volumes used to determine unit rates in this docket.
- b. The effects of a weather normalization mechanism would have a negligible effect on the determination of Montana-Dakota's return on equity. This response [to PSC-172 (b)] is being provided by Dr. Gaske.