

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF the Application of )	REGULATORY DIVISION
MONTANA-DAKOTA UTILITIES CO., )	
A Division of MDU Resources Group, )	DOCKET NO. D2012.9.100
Inc., for Authority to Establish Increased )	
Rates for Natural Gas Service )	

**MONTANA CONSUMER COUNSEL  
MOTION TO ACCEPT CLARIFICATION OF POSITION**

Montana Consumer Counsel (MCC) moves the Commission to accept this clarification of its settlement position with NWE, correcting information provided to the Commission by Applicant Montana Dakota Utilities (MDU or Company) in its Reply Brief filed on October 28, 2013.

At page 2 of its Reply Brief, MDU states:

*The MCC entered into a settlement agreement with NWE in which it represented to the Commission that the cost of equity capital for NWE's Montana gas operations – the cost of equity capital which would produce just and reasonable rates – was really 9.8%. The Commission found that the settlement, including a cost of equity capital of 9.8%, produced just and reasonable rates.*

*Despite the MCC's representations to the Commission that the correct cost of equity capital for NWE was 9.8% [...]."*

These statements are incorrect. The MCC did not represent to the Commission that the correct cost of equity capital for NWE was 9.8%. To the contrary, at the hearing on the NWE Stipulation, in response to a Commissioner question regarding the reasonableness of a 9.8% rate of return, MCC's witness on ROE Dr. Wilson testified as follows:

Examination by Commissioner Kavulla:

- Q. I mean, I suppose the obvious question at this point is how do you ask the Commission to find a 9.8%. ROE is reasonable? I mean all your models are performing significantly below.
- A. Right. If that were standing out there alone, and that were the only thing that you were looking at was the rate of return in isolation, and you were going to make judgment on that **I would not support a 9.8% rate of return**. The 9.8 percent rate of return is part of a large package that translates into eleven and a half million dollars. And that package inclusive of what we've described as a 9.8 percent rate of return – *you understand that computation would come out at 9.8, it could come out at 10, it could come out 9.6 depending on what the other elements in the equation are?*

It is a decent settlement. It's one that certainly moves the rate of return in the right direction. It doesn't go down to the level of what the cost of capital is today, but its progress.

TR of hearing in D2012.9.94, p. 442 (emphasis added).

The settled revenue amount in the NorthWestern docket was “**derived solely for the purposes of [the Stipulation]** based on an authorized rate of return on equity of

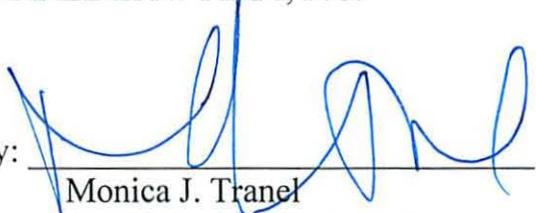
9.8%, and a compromise in aggregate of other cost of service items that are not individually identified.” (Emphasis added.) See ¶ 8(b), p. 2 of Stipulation in D2012.9.94. The Stipulation further explicitly states that approval of the Stipulation by the Commission “**shall not be deemed to work any estoppels upon any party or to otherwise establish or create any limitation on or precedent of the Commission.**” See ¶ 13, p. 3 of Stipulation, *id.*, (emphasis added).

MDU’s continued characterization of both the terms of the NWE settlement and position of the MCC is fundamentally wrong. As stated above, MDU’s statement that “*the MCC’s representations to the Commission that the correct cost of equity capital for NWE was 9.8%*” must not stand without correction.

This Motion to Accept Clarification is submitted to provide the actual factual history, clarifying the issues as set forth herein.

DATED this 12<sup>th</sup> day of November, 2013.

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**CERTIFICATE OF SERVICE**

I certify that on the 12<sup>th</sup> day of November, 2013, a true and accurate copy of the foregoing was electronically filed with the Montana Public Service Commission and duly served upon the parties listed below by depositing the same, postage prepaid, in the United States mail, unless otherwise noted, to:

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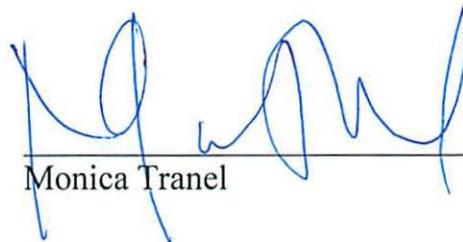
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