

**PUBLIC SERVICE COMMISSION
STATE OF MONTANA**



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January 17, 2013

Ms. Rita A. Mulkern
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, North Dakota 58501

RE: Data Request in Docket D2012.9.100

Dear Ms. Mulkern,

Enclosed please find data requests of the Montana Public Service Commission to Montana-Dakota Utilities numbered PSC-053 through PSC-065 in the above-referenced docket. If you have any questions, please contact me at (406) 444-6185.

Thank you for your cooperation on this matter.

Sincerely,

Mike Dalton
Rate Analyst
Montana Public Service Commission

Enclosure

cc: Service list

Service Date: January 17, 2013

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

IN THE MATTER OF the Application of) REGULATORY DIVISION
Montana-Dakota Utilities Co. for Authority to)
Establish Increased Rates for Natural Gas) DOCKET NO. D2012.9.100
Service in the State of Montana)

**DATA REQUESTS OF THE MONTANA PUBLIC SERVICE COMMISSION
TO
MONTANA-DAKOTA UTILITIES CO.**

PSC-053

Regarding: Utility integration effort
Witness: Goodin, p. 8, Aberle

You testified that in seeking to control costs through opportunities that create efficiencies, MDU participated in a utility integration effort with other utilities in the MDU Resources Group, Inc.’s Utility Group to pursue best practices and streamline similar processes. Please discuss the extent to which this utility integration effort addressed cost of service and rate design methods, or whether it may address those topics in the future.

PSC-054

Regarding: Cost of service methods
Witness: Aberle

a. Is MDU required to submit marginal cost of service studies with its natural gas rate applications in any of its other regulatory jurisdictions? If so, please identify the jurisdiction and list the cost functions for which MDU is required to estimate marginal costs.

b. To the extent you know, please identify which, if any, of the three other utilities within the MDU Resources Group, Inc.’s Utility Group (see the testimony of D.L. Goodin, p. 8) are required by their regulatory commissions to submit marginal cost of service studies to support rate proposals.

c. Please provide the most recent class cost of service/cost allocation decisions issued by the North Dakota, South Dakota and Wyoming regulatory commissions regarding MDU’s natural gas utility services in those jurisdictions in which findings were made

regarding reasonable methods for classifying and allocating distribution mains-related costs.

PSC-055

Regarding: Marginal cost study

Witness: Aberle, Mormon

- a. Please confirm that in Ms. Aberle's Exhibit_(TAA-3), p. 27 of 28, the five year averages for Customer Accounts Expense, Customer Service & Informational Expense, and Sales Expenses are in 2014 dollars, not 2006 dollars. Otherwise, please explain.
- b. In Order 6580a, Docket D2004.4.50, the Commission directed MDU to more thoroughly evaluate forward-looking gas costs as part of its marginal cost studies, including how Williston Basin Interstate Pipeline-related transportation costs are incurred and how those costs are allocated to rate classes. (Order 6580a, p. 81.) Please explain where MDU has addressed this issue in this case or, alternatively, if it has not been addressed in this case, please explain whether MDU has addressed the issue in a tracker proceeding and, if so, please identify the proceeding.
- c. Mr. Mormon testified that that MDU's studies of the Billings Landfill project indicated that gas could be produced for about \$6.00 per dkt and that production costs would decrease over time as the landfill grows and economies of scale are exploited. (See p. 5 of Mr. Mormon's prefiled testimony.) Please provide MDU's economic analysis of the Billings Landfill project and discuss whether that project's costs approximate the long-run marginal cost of gas supply.

PSC-056

Regarding: New customer bills

Witness: Gardner, Aberle

- a. Please provide copies of the revamped consumer bills discussed by Mr. Gardner on p. 6 of his prefiled testimony for residential and small firm general service customers.
- b. Please provide a copy of the most recent JD Power and Associates survey results for MDU customers.

PSC-057

Regarding: Embedded cost of service study

Witness: Aberle

- a. Please explain what is included in "Rent from Gas Property" on line 117, of the "Embedded CCOS-Details" tab in the Statement L spreadsheet and the rationale for the allocation factor applied to that revenue.

- b. Please explain what is included in “Ad Valorem Taxes – Other” on line 202 of the “Embedded CCOS-Details” tab in the Statement L spreadsheet and the rationale for the allocation factor applied to those taxes.
- c. Please explain what is included in “Other Income Tax Charges” on line 215 of the “Embedded CCOS-Details” tab in the Statement L spreadsheet and the rationale for the allocation factor applied to those charges.
- d. Please clarify whether you consider the term “gas send out” to mean the same thing as “gas throughput.”
- e. Please explain what prevented you from being able to directly assign costs for services, meters, and regulators to customer classes in the embedded cost of service study and whether you envision being able to do that in the future.

PSC-058

Regarding: Embedded cost study

Witness: Aberle

- a. On p. 6 of your prefiled direct testimony you state that distribution plant accounts are allocated based on the cause for the investments and that distribution mains are classified as demand-related and allocated to rate classes based on their share of system peak demand. Does this approach imply that system peak demand is the underlying cause of investment in distribution mains? If not, please explain.
- b. Do your proposed rates recover distribution mains-related costs based on customers’ demands at the time of the system peak or demands in those months in which MDU is statistically most likely to experience peak demand?
- c. To the extent system peak demand is the cause of distribution mains-related investments would it be just and reasonable to recover the associated costs solely from customer demand in those months in which MDU is statistically most likely to experience peak demand? If not, please explain why.
- d. If MDU were to price its distribution service so that the price at the system peak reflected all the mains-related costs, and the price during all other times did not reflect any mains-related costs, would it be reasonable to assume that demand on the defined peak day would decline, other things equal? If not, please explain.

PSC-059

Regarding: MDU responses to data requests MCC-098 and MCC-105

Witness: Aberle

- a. Data request MCC-098 asked MDU to provide the dates and hours during which small and large interruptible customers have been interrupted in the past three years.

With regard to Attachment A of MDU's response, please explain the reasons for the interruptions that occurred in April and May 2009.

- b. Please explain the method MDU uses to calculate the Dk curtailed.
- c. Please explain the method MDU uses to determine which customer or customers to curtail.
- d. According to MDU's response to data request MCC-105, MDU's peak days were December 14 and January 31 in 2009 and 2011, respectively. However, Attachment A to data request MCC-098 shows that customers were curtailed on December 11, 2009, and February 24, 2011, but not on the peak days in these years. Please explain why MDU did not need to curtail customers on the peak days in these years but curtailed customers on other days in relative close proximity to the peak day.
- e. Please provide heating degree data for the curtailments shown in Attachment A to MDU's response to data request MCC-098 and for the peak days shown in response to MCC-105. In addition, please provide the Dk consumption of each of the customers identified in Attachment A to data request MCC-098 on the day they were curtailed and their consumption on the peak day listed in MDU's response to MCC-105.

PSC-060

Regarding: MDU's response to data request MCC-113

Witness: Aberle

- a. Attachment A to MDU's response to data request MCC-113 shows several projects where 6 in main was installed as part of a plan to loop the west end of Billings to address pressure issues. Please provide information detailing the pressure issues in the west end of Billings and any economic analyses of alternative ways of addressing the issues, including why looping is the best option.
- b. It appears there is a considerable amount of variation in the cost per additional Mcfd of capacity when comparing the average cost of the nine distribution plant additions provided by MDU. For example, as restated in 1/1/14 dollars, the cost for project #4 is approximately \$73.54 per additional Mcfd of capacity while project #8 is approximately \$16.58 per additional Mcfd of capacity. Please discuss why this type of variation is present in these projects, including what the main drivers of cost are in expanding MDU's distribution system to provide additional capacity.
- c. Was any portion of the costs of these projects not directly related to an expansion of capacity on MDU's distribution system, such as maintenance/repair to existing lines that did not necessarily increase capacity on the system?

PSC-061

Regarding: Interruptible rates 71, 80, 81, 82, and 85
Witness: Aberle

- a. Please explain the method used to derive the minimum and maximum distribution delivery charge contained in MDU's proposed interruptible rates.
- b. Please explain how the actual distribution delivery charge that is paid by the MDU customer is determined. If the rate is determined through contract negotiation, please explain what factors are considered when determining the actual distribution delivery charge for these customers.

PSC-062

Regarding: Customer attributes
Witness: Aberle

- a. Please provide a description of the type of customer that typically takes service under each of MDU's rate options. For example, under which rate would a hospital, oil refinery, or large retail store most likely take natural gas service?
- b. Over the last 10 years, when a new customer came on to MDU's distribution system, what percentage of those customers required the installation of a new service line, meter, or regulator in order to begin receiving service? Please provide the information per rate class and broken down by service lines, meters or regulators.
- c. Please provide, year-by-year and by each rate schedule, the total number of customers that took natural gas service under each of MDU's rate schedules for the last 10 years.

PSC-063

Regarding: Embedded cost of service study
Witness: Aberle

- a. Please explain the reasoning for allocating the cost of service lines using an allocation factor that is in part based on the average cost of a meter (allocation factor 10).
- b. Has MDU provided adequate information in its embedded cost of service study that would allow a third party to calculate an allocation of costs based on both the average and excess demand method, as well as the peak and average demand method? If not, please provide the information that would allow a third party to make those calculations.
- c. Please discuss why it is or why it is not appropriate to allocate the costs of mains to customers using either the average and excess demand method or the peak and average demand method.

PSC-064

Regarding: Marginal cost of service study
Witness: Aberle

- a. Ms. Aberle stated she used the pro forma cost of gas level for calendar year 2011 in her marginal cost of service study, and testified that “use of this cost of gas amount is representative of the long-run marginal cost of gas....” Please explain why the pro forma cost of gas for calendar year 2011 is considered to be representative of the long-run marginal cost of gas.
- b. In MDU’s last natural gas rate case (Docket No. D2004.4.50), MDU proposed a marginal distribution capacity cost of \$10.65/mcfd. In this docket, MDU is proposing a marginal distribution capacity cost of \$209.06/dk. Please explain why there is such a large difference in these two cost estimates. If there has been a change in MDU’s methodology to estimate the marginal cost of distribution capacity, please describe how and why it has changed.

PSC-065

Regarding: Service lines
Witness: Aberle/Skabo

- a. What are the primary drivers of the cost of installing a new service line?
- b. Of the 1,040 miles of service lines that MDU operates, how many of those miles are dedicated to residential customers? Please break down the 1,040 miles of service line usage by each of MDU’s rate classes.
- c. What is the average length of service line that is used to serve each of MDU’s rate classes?
- d. For each rate class on your system, please provide the length of the longest service line installed to serve a customer.
- e. Please confirm that, by definition, a service line serves only one customer, and a line that serves more than one customer is considered a main line. If this is not true, please clarify. If there are additional factors that define a service line or main line, such as diameter, please explain.