

PUBLIC SERVICE COMMISSION STATE OF MONTANA



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MEMORANDUM

January 18, 2013

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

FROM: Dagan Lynch, Rate Analyst, Montana Public Service Commission
Leroy Beeby, Rate Analyst, Montana Public Service Commission

RE: Data Requests in Docket D2012.9.100

Enclosed please find Montana Public Service Commission data requests PSC-066 through PSC-147 to Montana-Dakota Utilities Co. regarding the application and supporting testimonies in the above-referenced docket. If you have any questions, please contact Dagan Lynch at (406) 444-6184, e-mail dlynch@mt.gov; or Leroy Beeby at (406) 444-6188, e-mail lebeeby@mt.gov.

Thank you for your cooperation on this matter.

Enclosure

cc: Service list

Service Date: January 18, 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)

**MONTANA PUBLIC SERVICE COMMISSION DATA REQUESTS
PSC-066 THROUGH PSC-147 TO MONTANA DAKOTA UTILITIES CO.**

PSC-066

Regarding: Transmittal Letter
Witness: Goodin

On page 2 of the transmittal letter, MDU stated that its O & M costs have been reduced from \$170 per customer to \$141 per customer.

- a. Is this over the entire MDU customer base or Montana specific?
- b. Has the reduction been because of reduced maintenance, or more efficient operations?
Please explain.

PSC-067

Regarding: Number of customers
Witness: Skabo

Please provide by each community, the number of customers now, and in the previous rate case.

PSC-068

Regarding: Methane production facility
Witness: Morman

- a. What is the present per dkt cost of the gas from the Billings methane production facility?
- b. Does the above cost include royalty costs to Billings?

- c. What is the royalty cost to Billings?
- d. Please provide a copy of the contract between MDU and Billings for methane production.
- e. What is the estimated life of the methane facility?

PSC-069

Regarding: Retention rates and growth

Witness: Gaske

- a. When you did your forecast for retention rate growth, did you use future projections or historical retention rates for the proxy companies? Please explain.
- b. When you projected dividend growth, did you use future projections based on the 1+.625g or use average historical dividend growth for the companies? Please explain.

PSC-070

Regarding: General modeling

Witness: Gaske

- a. When you did your analysis using the proxy group, did you in addition outside the proxy group, use an analysis of MDU to determine if your proxy group was in fact a reasonably valid proxy group? Please explain.
- b. If the answer to “a.” above is yes, please supply the analysis.
- c. If the answer to “a.” above is no, what assurances can you provide that the proxy group you selected is at all valid? Please explain.
- d. Why did you disregard companies that did not pay dividends in your proxy group? Please explain your rationale.

PSC-071

Regarding: Flotation Costs

Witness: Gaske

- a. If, based on your Schedule 3 of Exhibit No. __ (JSG-2), the representative sample for flotation costs is 3.81 percent, why do you use 4.0 percent for your flotation cost adjustment for MDU?
- b. Are flotation costs included in the price of a stock purchase by an investor?
- c. Are flotation costs relevant to an investor? Please explain.

- d. In your DCF study of natural gas companies, did you reduce the stock price by the flotation costs that were included? Why or why not?
- e. Doesn't the investor required return already include flotation costs? Why or why not?

PSC-072

Regarding: Basic DCF analysis (Page 23)

Witness: Gaske

- a. Please explain why using the median is the statistically more accurate reflection of the cost of capital vs. using the mean. Provide reference to and a copy of the professional article on which this is based.
- b. What was the mean Basic DCF analysis common equity cost of the proxy group?

PSC-073

Regarding: Dividend growth

Witness: Gaske

- a. Is dividend yield a direct function of stock price? In other words, the higher the dividend, the higher the stock price? Please explain.
- b. When you proposed the $1+.625g$ for the quarterly growth rate, did you apply that to the proxy group and its existing dividend growth rate to estimate the accuracy of your model? Why or why not?

PSC-074

Regarding: Retention Growth

Witness: Gaske

- a. Please explain why the 3-5 year retention growth rate is a minimum "cruising speed" that can be maintained indefinitely.
- b. Did you use the past history of the proxy groups in your model to estimate the accuracy of your model? Please explain.
- c. Did you use the past history of MDU in the model and compare it to the proxy group to estimate the accuracy of the model group when compared to MDU? Please explain.

PSC-075

Regarding: Retention growth DCF cost of capital
Witness: Gaske

In your analysis you state that the cost of equity of the proxy groups ranges from 7.64 percent to 11.48 percent. You go on to state that the median is 9.16 percent and the third quartile is 11.18 percent.

- a. Why is the median a more accurate estimation than the mean for the cost of capital? Please provide at least two professional publications by someone other than yourself supporting that position.
- b. Please explain why the third quartile is relevant in the estimation of the cost of capital. Please provide at least two professional publications by someone other than yourself supporting that position.
- c. Please explain why the first, second and fourth quartiles would not be equally as valid for the estimation of the cost of capital.

PSC-076

Regarding: Basic DCF
Witness: Gaske

Please answer the questions concerning the retention growth DCF cost of capital for the basic DCF cost of capital.

PSC-077

Regarding: Blended growth rate analysis
Witness: Gaske

Did you compare historical earnings growth rates and retention growth rates in your analysis as a check to determine the validity of your models? Why or why not?

PSC-078

Regarding: Risk Premium Approach
Witness: Gaske

- a. Have you done a risk premium approach isolating returns post Lehman Brothers bankruptcy in 2008? If so, please provide your workpapers. If not, why not?
- b. Did you perform the risk premium approach for the proxy group? If so, please provide your workpaper. If not, why not?
- c. Were the similarly sized companies included in the proxy group? Please explain.

PSC-079

Regarding: Business Risks – Q34

Witness: Gaske

- a. What is the relatively undiversified local economy to which you refer?
- b. Why did you not select a proxy group more in line with the size of MDU's gas operations? Please explain.
- c. Is it common to have a portion of fixed costs recovered in volumetric rates? Please explain.
- d. Does the proxy group you've selected, have portions of its fixed costs recovered in volumetric rates? Please explain.
- e. Would not the phenomenon of under recovery of costs be somewhat mitigated if MDU's Montana gas utility had rate cases more frequently than once every 8 years? Please explain.

PSC-080

Regarding: Decoupling – Q34

Witness: Gaske

Are you saying on lines 12-21 on page 28 of your testimony that MDU would be less risky if it had a decoupling mechanism in place? Please explain.

PSC-081

Regarding: Regulatory Risk

Witness: Gaske

Please quantify in comparison to your proxy group the additional regulatory risk being borne by MDU.

PSC-082

Regarding: Financial Risk

Witness: Gaske

- a. Does MDU, as a division of MDU Resources, as a result of not having its own bonds outstanding, share in the risk of the other non-regulated divisions of MDU Resources? Please explain.
- b. If your answer to "a." above is no, are the assets of MDU as a division of MDU Resources used to secure that debt? Please explain.
- c. If your answer to "a." is yes, does the inherent riskiness of non-regulated business have an effect on the bond ratings of MDU Resources? Please explain.

PSC-083

Regarding: Summary and Conclusions

Witness: Gaske

- a. Which companies in your proxy group were in which quartile of your table 3?
- b. Please explain why you selected the median rather than the mean in your analysis.

PSC-084

Regarding: Risk premium analysis and DCF results

Witness: Gaske

- a. If the median of each of the DCF estimation methods were lower than the 9.8 percent risk premium estimate, why did you recommend an ROE of 10.5 percent, especially given your testimony that the financial risks are less than the proxy group?
- b. Given the Bakken oil boom, is not the customer base of MDU growing rather than shrinking? Please explain.

PSC-085

Regarding: Obsolescence of Study

Witness: Robinson

Your depreciation studies for the gas division and general plant were completed as of December 31, 2008.

- a. Have the studies been updated since then? Why or why not?
- b. Would plant additions and retirements from 2008 through 2012 have any effects on your studies? Please explain.
- c. Did you use the changes between 2008 and 2012 to assess the accuracy of your projections in your 2008 studies? Why or why not?
- d. Would an analysis between 2008 and 2012 be a pertinent assessment of the reliability of your 2008 study?

PSC-086

Regarding: Data

Witness: Robinson

Please provide each table associated with the Company's Depreciation Study in Excel readable format with all formulas intact.

PSC-087

Regarding: Reserve
Witness: Robinson

Please provide the theoretical reserve by account for each account reflected in your tables. The information should be provided in both hard copy and on electronic medium in Excel readable format to the extent available.

PSC-088

Regarding: Supporting information
Witness: Robinson

Please provide a copy of all correspondence, notes, memoranda, emails, etc., containing or reflecting information obtained from MDU personnel used in the development of depreciation parameters, methods, technologies, etc., in the depreciation study where such items of information were of a significant or meaningful nature. The information should be provided by account, clearly identifying the source of the information, the impact such information had on any proposed mortality characteristics, and all underlying workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the accuracy of each item of information obtained.

PSC-089

Regarding: Supporting information
Witness: Robinson

- a. Please provide a copy of all correspondence, notes, memos, emails, etc., associated with all communications between your company and MDU personnel regarding information applicable to the development of life or salvage proposals.
- b. Please provide all underlying assumptions, considerations and material reviewed and/or relied upon by the MDU personnel to arrive at each item of information provided to you that impacts the life and/or salvage proposals reflected in the depreciation study. The response should identify the account or accounts to which each item of information applies.

PSC-090

Regarding: Historical analyses of MDU's net salvage
Witness: Robinson

Please provide the input data relied upon to develop historical analyses of the Company's net salvage. The information should be provided on electronic medium in Excel readable format.

PSC-091

Regarding: Like aged investments
Witness: Robinson

- a. Is the type of like aged investments significant in your analysis? In other words, does it matter if two like aged investments were significantly different and used for significantly different purposes, or are the type of investments irrelevant? Please explain.
- b. Does the type of aged investment have a bearing on the salvage value of your grouping? Please explain.

PSC-092

Regarding: Depreciation Reports
Witness: Robinson

- a. For each group in your analysis, please specify what categories are in each group and percentage of that group. For example if Group X has poles and vehicles, please specify the categories "Poles – XX%", "Vehicles – XX percent."
- b. Did you investigate that aspect of the grouping? Not only age but category groupings? Why or why not?

PSC-093

Regarding: Methods used to complete a service life analysis
Witness: Robinson

Are there other methods used in service life analysis? If so, please explain them, why you chose the retirement rate method, and why that method is the superior method of analysis.

PSC-094

Regarding: On site visit
Witness: Robinson

Please provide a copy of all site visit notes, pictures, etc., associated with any site visits performed by you, specifically identifying the dates and times associated with the visual inspection of each specific type of property.

PSC-095

Regarding: Time synchronization of salvage
Witness: Mulkern

Please state if retirements, gross salvage, and cost of removal are time-synchronized on MDU's books and records. If not, what are the average, shortest, and longest delays?

PSC-096

Regarding: Reuse of material
Witness: Mulkern

- a. Please provide the Company's accounting treatment for reuse material.
- b. Please provide all underlying support and justification for the process employed.
- c. Please provide the level of plant by account retired during the past 10 years and reused along with the corresponding accounting values by year.

PSC-097

Regarding: Abnormal, atypical and/or unusual historical plant activity
Witness: Mulkern

Please identify all abnormal, atypical, and/or unusual historical plant activity of the Company's investment that occurred and was:

- a. removed from the historical analysis of MDU's Investment for depreciation purposes; or
- b. retained in MDU's analysis of historical investment for depreciation purposes.

PSC-098

Regarding: Terminal net salvage value
Witness: Robinson

- a. Please provide all studies related to the establishment of terminal net salvage for distribution, transportation and production facilities.
- b. Please provide all corresponding workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the results from each terminal net salvage study.

PSC-099

Regarding: Net Salvage
Witness: Robinson

Please provide the following as it relates to the reliance on judgment and experience in determining the final selection of net salvage:

- a. A detailed narrative that identifies the specific role that judgment and experience played in the development of net salvage for each account where judgment and experience were the main or significant reasons for the selected values. The narrative should contain sufficient detail to clearly identify the role played by judgment and experience in the establishment of the final value for each account.

- b. A detailed narrative that identifies the specific role that judgment and experience played in the development of net salvage for all other accounts in sufficient detail to clearly identify the role played by judgment and experience in the establishment of the final value for each account.
- c. All underlying support and documentation that verifies the reasonableness of the claimed role of judgment and experience as it influenced the final selection of net salvage for each account.

PSC-100

Regarding: Gross Salvage

Witness: Mulkern

If dollars associated with the reuse or reimbursement (i.e., all amounts received from an outside party when plant is damaged or relocated, whether replaced or not) are not 100% credited or assigned to gross salvage, then specifically state which portions of the Uniform System of Accounts are specifically relied upon. Provide a copy of each specific definition, instruction, etc., that forms the basis of MDU's opinion.

PSC-101

Regarding: Retired Plant

Witness: Mulkern

- a. Please state by account by year what percentage of MDU's plant is retired, both on a dollar and a quantity basis, without a replacement in the same location since 2000.
- b. Please provide the corresponding dollar level of cost of removal for each annual level of retirement.

PSC-102

Regarding: New replacement investment

Witness: Mulkern

- a. Please provide a detailed narrative setting forth which costs are attributable to the new replacement investment and which costs are associated with the retirement of the existing investment when the Company retires a plant and replaces the plant at the same location.
- b. Please provide the underlying basis and all workpapers associated with any related analyses.

PSC-103

Regarding: Cost of removal by account by year
Witness: Mulkern

Please state the dollar level of cost of removal by account by year since 2000 that was incurred in association with plant abandoned in place.

PSC-104

Regarding: Salvage
Witness: Mulkern

- a. For any sale of utility property since the Company's last litigated rate case, please state whether the gain or loss associated with such sale is contained in the accumulated provision for depreciation.
- b. If not, identify the amount by year and by plant account associated with the plant retired and the account in which the gain or loss was booked.
- c. Please state if and how the amount was or is to be passed on to customers.
- d. Please provide all support and justification for such actions.

PSC-105

Regarding: Plant Retirements
Witness:

- a. Please provide the categorization of retirements for the past 10 years for each account by major category of investment retired within each account.
- b. Further, categorize the corresponding cost of removal and gross salvage with each type of investment retired by year.

PSC-106

Regarding: Emergency Retirements
Witness: Mulkern

Please identify the dollars of cost of removal by account by year for the past 10 years associated with retirements that occurred under emergency situations.

PSC-107

RE: Rate case expense
Witness: Unknown

- a. Are the costs of pursuing this rate case recovered as a known or measurable adjustment to MDU's test-year expenses?

- b. If so, please provide the amount of that adjustment and where it can be found in statement form.

PSC-108

RE: Rate case expense

Witness: Unknown

- a. To the extent to which employees of MDU are employed in pursuing this rate case, please identify those employees and quantify the number of hours in 2012 that each of those employees will have spent relative to the matter in D2012.9.100. Absent an exact figure, an estimate may be reasonable.
- b. Please provide the amount of compensation, including benefits, paid to each of those employees in 2012.

PSC-109

RE: Rate case expense

Witness: Unknown

- a. Please identify the amounts paid to third parties hired to give testimony or analysis to MDU in connection with the matter in D2012.9.100.
- b. Are these costs proposed to be recovered in this or any other docket?

PSC-110

RE: Rate case expense

Witness: Unknown

Does MDU agree with the proposition that a rate case is simultaneously an act undertaken as an ordinary and necessary measure of doing the business of a regulated utility, and also an act of advocacy beneficial to the regulated utility's owners? Please explain your view.

PSC-111

RE: Board compensation

Witness: Anne Jones

- a. Has MDU used proxy companies to establish its board compensation?
- b. Is so, please identify them and the compensation they pay board members.

PSC-112

RE: Board compensation

Witness: Anne Jones

Do you agree that the Board simultaneously does work necessary to provide safe, reliable, and economic service to customers, even while it performs tasks that are undertaken for the benefit of MDU's bondholders and stockholders?

PSC-113

RE: FTE Employees

Witness: Unknown

For the test year and the preceding three calendar years, please provide (on a total company basis), a summary table (using the categories and format shown below) that includes the number of FTE (exclude FTE created by overtime hours) and the actual paid cash compensation broken down between base wages or salaries, overtime, and incentives or bonuses. For any calendar year included in this request for which actual data is not available for the entire calendar year, please create a calendar year using the available actual data combined with the forecast applicable to the rest of the year. Please note which months and figures are associated with both the actual and forecast data.

Year: 2XXX		Actual (Unadjusted) Paid Cash Compensation			
Category	Total Company ● FTE	Base Wages or Salaries	Overtime	Incentive or Bonus	Total
Officers					
Exempt					
Nonexempt					
Union					
Total					

● Please Exclude Full-Time Equivalent (FTE) Created by Overtime

PSC-114

RE: Union Salary Information

Witness: Unknown

For the test year and preceding three calendar years, please provide a summary table that includes:

- a. The union name;
- b. All positions represented by a particular union;
- c. The number of FTE for each position (excluding FTE created by overtime hours.);
- d. The contracted hourly wage or salary for each position as of December 31 of each year; and
- e. The percent change from the previous year's hourly wage or salary.

PSC-115

RE: Union Salary Information

Witness: Unknown

- a. For each calendar year included above, please provide a copy of the portion of each union's contract that specifies the hourly wages and the percent increase the wages or salaries represent for each job classification. Please label and organize the copies to mirror the order of the job classifications as shown in the summary table.
- b. If any union contract is currently being negotiated, please specify the year(s) in question, the name of the union, and whether the negotiations are related to all, or a subset, of the job classifications represented by the union. If a subset, please identify the affected classification(s).

PSC-116

RE: Employee Compensation

Witness: Unknown

- a. Please provide any salary studies performed by MDU that pertain to the test period or any of the three preceding years.
- b. Please show the results of the salary study and narrative explanations for how MDU uses the salary study information.
- c. Please provide MDU policy information for how the salary studies have been applied in past years and how they have impacted the Company's decision to increase or decrease wages or incentives as a result of the study.

PSC-117

RE: Employee Compensation

Witness: Unknown

- a. Please demonstrate whether the wages and salaries in the test period or the preceding calendar years are above or below market compensation.
- b. Please provide the information relied upon to demonstrate the Company's assertion of whether wages and salaries are above or below market levels.

PSC-118

RE: Employee mobilization

Witness: Unknown

The Commission periodically receives complaints from consumers who witness what they feel is an over-commitment of resources to particular utility projects (i.e., a three- or four-man crew which the complainants believe to be excessive).

- a. Is the size of a crew for a typical gas line extension job dictated by Company policy and/or union requirements?
- b. Please explain how the utility decides the size of the crew to send to a job. If there is a written Company policy, federal worker safety regulations, and/or union requirement, please provide it.

PSC-119

RE: Credit ratings

Witness: Applicable Witness

Please provide any written assessment supporting rating agencies' ratings of MDU issued in the last three years.

PSC-120

RE: Discount rate calculation for cap-ex

Witness: Applicable Witness

The Commission is interested in learning more about how MDU makes capital-expenditure decisions.

- a. Please describe how the Company establishes a discount rate or rates for analyzing new investments in (a) transmission, (b) storage, (c) distribution, (d) producing gas reserves, and (e) other investments.
- b. Please explain any methodological differences in determining the discount rate(s) between these investment categories.
- c. For each discount rate used since January 1 of the third year preceding the test year and calculated using factors also used by MDU or its consultants in calculating MDU's cost of capital, please provide the value of each factor used and the source from or method by which it was obtained.

PSC-121

RE: Landlord Agreement

Witness: Unknown

- a. Does MDU have an agreement in place allowing landlords to assume payment of a bill on behalf of a non-paying tenant?
- b. If so, please provide that agreement.
- c. Would MDU be opposed to creating a tariff governing this agreement?

PSC-122

RE: Establishment of pay stations and associated savings

Witness: Jay Skabo

What is the amount of savings associated with the changes described on p. 6, lines 20-23 of your testimony?

PSC-123

RE: Customer growth

Witness: Jay Skabo

Has the Company attempted to isolate load growth attributable to the growth in oil production occurring in that part of its service territory located near the Bakken field?

PSC-124

RE: Incentive Pay

Witness: Anne Jones

The above-referenced rule is submitted for approval as a tariff as part of this natural-gas rate proceeding.

- a. How much, as a percentage of total compensation, of an employee's total pay is "at risk" per the testimony on p. 4, lines 8-11. Would the applicant support adding a provision to this rule requiring the utility to allow a customer who wishes to have a line extension performed to contract with a qualified contractor to conduct work related to the extension? Why or why not?
- b. How many employees, in absolute numbers and as a percentage of the Company's total workforce, receive incentive pay?
- c. For each class of employee offered incentive pay, identify the "established business threshold" (p. 4, line 10) they are expected to meet before being awarded incentive pay.
- d. Of all employees eligible, how many employees, as a percent of the total and a percent of each class of employee, achieved incentive compensation, by meeting their established business threshold?

PSC-125

RE: Employee compensation

Witness: Anne Jones

Your testimony describes the Company's Total Rewards Philosophy and details the market research in which you and others engaged to arrive at that compensation program.

- a. Is the Total Rewards Philosophy a formal Company policy that exists in written form? Please provide it, if so.
- b. Provide the 2010 Watson Wyatt Survey Series described on p. 2, lines 15-19.
- c. Provide the industry surveys mentioned on p. 3, lines 4-7.

PSC-126

RE: Health and welfare plans

Witness: Anne Jones

- a. What is the employee share of healthcare premium costs referred to on p. 5, line 7?
- b. Please provide the total medical insurance expense incurred by the Company in the test year and for the previous three calendar years.

PSC-127

RE: Billings Landfill

Witness: Robert Morman

- a. Is the Billings landfill at some point in the future expected to meet the EPA threshold requiring it to capture its methane?
- b. What was the City of Billings' contribution to this project, other than in making its landfill available for development?
- c. Provide the long term agreement with the City of Billings referred to on p. 5, line 14.
- d. Montana-Dakota has invested \$11 million in the facility to date, you testify on p. 6, lines 15-16. How much incremental investment will be needed in the plant in the future?

PSC-128

RE: Billings Landfill

Witness: Robert Morman

The direct testimony of Robert Morman filed with MDU's initial application states on page 2 that MDU was approached by Wenck Engineering (Wenck) to determine interest in partnering with the engineering firm to develop a project for capturing methane gas from the Billings landfill.

- a. Both in the prefiled testimony and in Mr. Morman's answers asked during an onsite audit, Mr. Morman indicated that MDU was approached by Wenck. Feasibility studies from 2007 and 2009 reviewed during the onsite audit indicate MDU approached Wenck about the project. Please explain the contradiction in answers.

- b. Please indicate if there is a similar contradiction for MDU approaching the city of Billings. Indicate specifically if MDU approached the city first.

PSC-129

RE: Billings Landfill

Witness: Robert Morman

Provide documentation as to the experience mentioned on page 3 of Mr. Morman's testimony to attest to the fact Wenck had experience in development of methane gas. Indicate specific projects past and current.

PSC-130

RE: Billings Landfill

Witness: Robert Morman

- a. Is there any affiliation between Wenck and MDU Resource Group outside of the Billings Landfill?
- b. Are any of the Wenck principals or company officers related to MDU Resource Group employees?

PSC-131

RE: Billings Landfill

Witness: Robert Morman

- a. When was the evaluation of the economics of the landfill gas project in Billings conducted?
- b. Provide any Net Present Value calculation conducted by the Company before it determined to proceed with the Billings Landfill project.
- c. Provide the natural gas forecast relied upon to determine that the long-term cost of production from the Billings Landfill would be less than the long-term market price of gas.

PSC-132

RE: Consolidated Company

Witness: J. Stephen Gaske

- a. Why is it reasonable for the proxy group you select to exclude gas local distribution companies that, like MDU, are embedded within a highly diversified parent corporation?
- b. You state on p. 16, lines 20-21, that "the market-based DCF analysis of Montana-Dakota's natural gas distribution operations as a stand-alone company is not possible." Isn't it possible to make an educated guess by pro-rating the share of

MDU's natural gas utility operations from its consolidated parent's operations and so impute a dividend or other value on which a DCF analysis relies?

PSC-133

RE: Proxy Group

Witness: J. Stephen Gaske

- a. Identify the companies you eliminated from the proxy group because they did not have investment-grade bond ratings, p. 17, lines 8-10.
- b. Identify the companies you eliminated because they did not pay dividends or have future growth estimates, p. 17, lines 12-13.

PSC-134

RE: Risk profile

Witness: J. Stephen Gaske

You indicate that "Montana-Dakota's Montana gas distribution operations face some particular risks that distinguish the Company from the proxy group of distribution companies," p. 27, lines 7-9.

- a. Have you studied whether the local economies where members of the proxy group do business are more or less diversified than MDU's?
- b. Have you studied the unemployment rate or economic growth rates of the local economies where members of the proxy group do business in comparison to that of MDU's local service territory in Montana?
- c. Are you aware of any modifications to MDU's energy efficiency and conservation efforts recently that would heighten or reduce the risk to MDU of relying on volumetric rates because energy efficiency programming has either increased or declined, respectively?
- d. Have you identified whether other members of the proxy group have weather normalization provisions in their tariffs?
- e. Have you studied the likelihood of a risk that a major business would experience a downturn, which you state on page 28, lines 4-8, will actually come to pass?

PSC-135

RE: Regulatory Research Associates paper

Witness: J. Stephen Gaske

Provide the document referred to in footnote 15, p. 31.

PSC-136

RE: CAPM

Witness: J. Stephen Gaske

Confirm that you did not engage in CAPM analysis and, if you did not, explain why.

PSC-137

RE: Vehicle acquisition and use policy

Witness: Unknown

The Commission receives complaints from consumers who believe MDU's vehicle fleet is not well-matched for the jobs it must perform. In particular, these complaints often refer to the fact that large trucks are used to accomplish meter-reading tasks that could be accomplished by smaller vehicles.

- a. Please respond to this criticism.
- b. Please explain MDU's policy for the acquisition and use of vehicles.

PSC-138

RE: Capital Structure

Witness: Morman

Please explain MDU's logic for including short term debt in the Company's capital structure.

- a. Please provide all orders MDU has received allowing the inclusion of short debt within the Company's capital structure.

PSC-139

RE: Billings Landfill Project

Witness: Morman

Provide any and all reports and/or investigations both internal and external that MDU has received regarding the Billings Landfill project.

- a. Please provide a detailed list of similar projects that Wenck engineering was involved in from 2005-2010 and the depth of involvement of Wenck.
- b. Please provide a detailed and if applicable updated adjustments of the remaining phases of the project, including but not limited to number of wells left to drill, orientation of the pipe, vertical or horizontal, expected annual gas recovery amount from the landfill, timeframe of the remaining phases and all cost changes.
- c. Please explain why the Company has moved from drilling vertical wells to horizontal wells.

PSC-140

RE: Asset Write Down

Witness: Applicable

Does MDU have any anticipated gas related write downs that are anticipated but not included in the filing of the general rate as of today's date?

PSC-141

RE: Consolidated Company

Witness: J. Stephen Gaske

- a. Has or is MDU being investigated for compliance with unclaimed property?
- b. What effect would these investigations have up MT gas customers?
- c. Have any costs for the investigations been included in the recently filed gas rate case?

PSC-142

RE: Board Meeting Expenses

Witness: Unknown

- a. What is the allocation to MT gas rate customers for the board meeting held at the Smoke Tree Ranch?
- b. Do MDU customers pay for the full expense of this board meeting?
- c. Please explain the logic behind including the expense rate payers pay for the board to hold its meeting at this location.

PSC-143

RE: Pension costs

Witness: Applicable

- a. Explain any and all causes of the unfunded liability.
- b. Distinguish those factors over which MDU has influence and those outside MDU's influence.
- c. Explain how the Company has managed those factors over which it had influence.
- d. Explain how the Company anticipated those factors not under its influence, and what actions the Company took.
- e. Explain to the Commission its understanding of best practices in managing pension costs.

PSC-144

RE: Customer deposits

Witness: Applicable

Please provide the jurisdictional amount of customer deposits.

- a. Does MDU earn interest on customer deposits? If so explain how this amount is credited to rate payers.

PSC-145

RE: Accounting System

Witness: Applicable

Please provide the Commission an update of the jurisdictional allocation accounting review mentioned in the settlement agreement regarding Case No. PU-10-124.

- a. If this review has not been started, please provide the estimated start and completion dates.

PSC-146

RE: Departmental Expenses

Witness: Applicable

Please provide the jurisdictional breakdown of the departmental expense summaries and the allocation to MT gas rate payers.

- a. Please define "premium time."

PSC-147

RE: Outside Firm Expenses

Witness: Unknown

Please provide the source documents for payments of services to those recipients whose nature of service was related to the Billings Landfill. Schedule 12, response to onsite audit request 12.

- a. Are all the expenses listed in Schedule 12 relating to the Billings Landfill included in the revenue recovery amount?