PUBLIC SERVICE COMMISSION
STATE OF MONTANA

1701 Prospect Avenue
PO Box 202601
Helena, MT 59620-2601
Voice: 406.444.6199
Fax #: 406.444.7618
http://psc.mt.gov
E-Mail: psc_webmaster@mt.gov

MEMORANDUM

December 10, 2013

TO: Mr. Robert Nelson
Montana Consumer Counsel
111 N. Last Chance Gulch Suite 1B
P.O. Box 201703
Helena, MT 59620-1703

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

Neil Templeton, Rate Analyst, Montana Public Service Commission

RE: Data requests in Docket D2013.5.34

Enclosed please find data requests of the Montana Public Service Commission to the Montana Consumer Counsel numbered PSC-020 through PSC-035 in the above-referenced docket. When responding, please begin each new-numbered response on a separate page and identify the responding witness. In the event of questions, please contact Leroy Beeby at (406) 444-6188, e-mail lebeeby@mt.gov, or Neil Templeton at (406) 444-6191, e-mail ntempleton@mt.gov.

Enclosure

cc: service list

Service Date: December 10, 2013

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

In the Matter of NORTHWESTERN ENERGY, Application for Approval of Unreflected Gas Cost Account Balance, Projected Gas Cost and Gas Transportation Adjustment	)))))	REGULATORY DIVISION DOCKET NO. D2013.5.34

MONTANA PUBLIC SERVICE COMMISSION DATA REQUESTS
PSC-020 THROUGH PSC-035
TO THE MONTANA CONSUMER COUNSEL

PSC-020
Regarding: Testimony pg 7, ln 7-11
Witness: Donkin

Please explain the relationship between USB programs and the increase in customers.

PSC-021
Regarding: Testimony pg 7, ln 16-18
Witness: Donkin

a. Please cite examples where non-gas cost tracker recovery has produced an actual rate of return exceeding a gas utility's cost of capital.

b. If NWE was granted full recovery of its non-gas costs in its USB programs, would that recovery produce an actual rate of return exceeding NWE's cost of capital? Why or why not?

PSC-022
Regarding: Testimony pg 8, ln 1-2
Witness: Donkin

a. Please explain that if a company has no control over gas costs, how that reduces management incentives to control costs.

b. Are you saying that if a company is allowed 100% recovery of automatic tracker adjustments, management has no incentive to control costs? Please explain.

PSC-023

Regarding: Testimony pg 8, ln16-18
Witness: Donkin

a. What do you believe caused the increase in USB expenses from $19.63 to $60.34?

b. As houses, etc., become more and more energy efficient, would it make sense that the cost per Dkt would increase as the "low-hanging fruit" disappears? Please explain.

c. If the answer to (b) is yes, what proportionate amount of the increase in USB expenses is a result of that phenomenon?

d. If the answer to (b) is no, please explain why it has no effect on the increase in USB expenses.

PSC-024

Regarding: Testimony pg 11, ln 1-6
Witness: Donkin

a. What was the basis for your reasoning in choosing the discount rates you chose?

b. Would other discount rates be equally applicable? For example, if the savings are expected for 20 years, why not use a 20-year T-bill rate or the CPI average annual change? Please explain.

c. Isn't the gas cost saving inversely predicated on what discount rate is selected, i.e., the higher the discount rate, the less gas cost savings? Please explain.

d. What is the "break-even" discount rate? In other words, what discount rate would be used for gas cost savings so that the savings equaled the out-of-pocket costs?

e. Please provide cites in other USB cases supporting your selection of discount rates.

PSC-025

Regarding: Testimony pg 12, ln 12-17
Witness: Donkin

a. What is the present new car loan rate? Two examples are fine. Assume a credit rating of 700+ and a 5-year loan life.

b. Please explain why it is reasonable to consider either of the two discount rates you chose in estimating the NPV of future gas cost savings using the examples of credit card debt costs and car loan debt costs.

c. Please cite any cases where those debt costs were used for estimating the NPV of future gas cost savings.

PSC-026
Regarding: Testimony pg 13, ln 5-9
Witness: Donkin

a. Isn't the comparison of NWE's program period out-of-pocket USB expenses to the NPV of the savings purely a result of the discount factors that were selected by you? Please explain.

b. Explain what you mean by "significantly greater" in line 6.

c. Is this amount a yearly expense or the expense over the lifetime of the USB savings? Please explain.

d. If the expense is over the lifetime what is the annual expense?

PSC-027
Regarding: Testimony pg 14, ln 2-7
Witness: Donkin

a. Is this total additional costs, or per year additional costs? Please explain.

b. What is the percentage of gas revenues of this additional cost?

c. If this is total additional costs over the lifetime of the investment, why was it not discounted to a NPV? Please explain.

PSC-028
Regarding: Testimony pg 15, ln 10 through pg 16, ln 14
Witness: Donkin

a. If the Commission accepts your recommendation to deny NWE's request for USB recovery in gas trackers, where do you suggest NWE seek recovery of those costs?

b. If your response is that it should be in the context of a general rate case, are you proposing an accounting order to accumulate the costs to recover? Why or why not?

c. Is it your position and contention that costs mandated by legislature should not be allowed to be recovered in rates? Please explain in the context of confiscatory rate making.

PSC-029

Regarding: Attachment A
Witness: Donkin

a. Please list in which cases you directly testify on tracker recovery of lost revenues resulting from USB energy efficiency programs.

b. Please list all cases you directly testified on tracker recovery of lost revenues.

PSC-030

Regarding: Exhibit No. ___(GLD-1)
Witness: Donkin

a. Do the USB savings only last one year? As an example in the 2006-2007 program period, column (1) indicates annual USB savings in Dkt. Does this mean there is zero savings in year 2? Please explain

b. Are the USB expenses associated with one specific year a one year only expense, or do the expenses continue every year? Please explain.

c. Would not you take the expected total Dkt savings and divide by total USB expenses to obtain those saving to determine the actual USB expense per Dkt saved? In other words, based on your testimony that USB investments have about a 20-year life, why wouldn't you take, as an example the 2006-2007 program period Dkt savings of 42,393, multiply by 20 years (the expected USB investment life), and divide that into the total USB Gas Tracker expenses? (42,393*20 = 847,860, 832,009/847,860 = $0.98 USB expense per Dkt saved) Please explain.

d. Is the Dkt savings a lost opportunity cost (revenue earned from shipping the gas) for the life expectancy of the savings? Please explain.

PSC-031

Regarding: Exhibit No. ___(GLD-2)
Witness: Donkin

a. Based on the table you present, if the next row (2013-2014), there was zero investment in USB, and as a result zero additional USB savings in Dkt), would there be zero estimated total gas savings? Please explain.

b. Is it your position that USB savings are predicated on the cost of gas? Please explain.

c. If the answer to (b) is yes, what is your rational for not using the projected gas cost increase of 4% per year as the discount rate?

PSC-032

Regarding: Exhibit ___(GLD-3)
Witness: Donkin

a. Did you do the same analysis for each of the periods prior to the 2012-2013 year? Why or why not?

b. Did you do a net present value analysis using the total Dkt savings discounted back (400,351 Dkt)? Why or why not?

c. Would the analysis in (b) above be a more accurate indicator of future USB gas cost savings? Why or why not?

PSC-033

Regarding: Lost Revenues from Natural Gas DSM Programs
Witness: Donkin

May the Commission infer that MCC is contesting only the lost revenues associated with NWE's natural gas utility USB programs, and is not contesting lost revenues from NWE's natural gas utility DSM programs? If not, please explain.

PSC-034

Regarding: Termination of natural gas conservation programs
Witness: Donkin

Please describe in detail the circumstances in which MCC would recommend that NWE terminate a non-cost effective natural gas conservation program. How might one measure the usefulness of a program apart from the standard cost metrics?

PSC-035

Regarding: LRAM Incentives
Witness: Donkin

Is there risk that in the absence of lost revenue recovery, NWE might substitute expenditures in USB programs that may be considered throughput neutral, such as bill assistance, for expenditure in programs that produce conservation savings such as weatherization programs? Please discuss whether the Commission should be concerned with such an outcome.