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 MONTANA-DAKOTA UTILITIES CO., a Division of MDU Resources Group, Inc., for Authority to Establish Increased Rates for Electric Service in the State of Montana	)))))	REGULATORY DIVISION DOCKET NO. D2015.6.51

MONTANA LARGE CUSTOMER GROUP'S RESPONSES TO THE MONTANA PUBLIC SERVICE COMMISSION'S DATA REQUESTS PSC-088 THRU PSC-093

Montana Large Customer Group ("LCG") provides the attached response to the Montana Public Service Commission's Data Requests PSC-088 thru PSC-093.

Respectfully submitted this 21st day of December, 2015.

MONTANA LARGE CUSTOMER GROUP

s/ Nikolas S. Stoffel
Thorvald Nelson, # 8666
Nikolas Stoffel, #13485
Holland & Hart LLP
6380 South Fiddlers Green Circle, Suite 500
Greenwood Village, Colorado 80111
Telephone: (303) 290-1600
Facsimile: (303) 290-1606
Email: tnelson@hollandhart.com
nsstoffel@hollandhart.com

DATA REQUESTS

PSC-088: RE: Test Year
Witness: Higgins

a. Have you included any pro forma adjustments based on projected 2016 expenses? If so, please list those adjustments.

b. If the answer to the above question is yes, please justify your reasoning for including the 2016 expenses.

c. If the answer to section a. of the data request is yes, please provide an updated revenue requirement calculation using your changes for only the 2015 expenses you have accepted.

Response to PSC-088:

a. No.

b. NA.

c. NA.

PSC-089: RE: Decommission Costs
Witness: Higgins

a. Please provide further justification for reducing the amortization period from ten years to five years. Is it your position that expenses should simply be reduced because you feel in general the customer increase is too large?

Response to PSC-089:

a. It is <u>not</u> Mr. Higgins' position that expenses should be reduced simply because the customer increase is too large. Rather, as Mr. Higgins explains on pages 27-28 of his direct testimony, the amortization period in this circumstance should take into consideration the fact that existing and historical MDU customers have overpaid for the decommissioning costs by $6.7 million and deserve to have this overpayment credited back to them in a timely manner. In Mr. Higgins' opinion, ten years does not constitute a timely crediting of this overpayment.

This situation is exacerbated by the fact that MDU is also proposing to increase annual depreciation expense and is proposing a very large overall rate increase. Reducing the amortization period to five years helps to mitigate the negative impact on current customers of these Company proposals. In fact, it completely offsets the increase in net depreciation expense proposed by MDU for its existing plant.

In Mr. Higgins' opinion, a five-year amortization period best balances the public interest by crediting current customers for their past overpayment in a timely manner while maintaining long-term rate stability.

PSC-090: RE: Plant Additions
Witness: Higgins

a. Please explain how you have deduced MDU is overstating its actual investment in plant and service. Please provide your quantitative workpapers. Workpapers should be in electronic format.

Response to PSC-090:

a. Mr. Higgins explains his reasoning in his direct testimony starting on page 13, line 17, continuing through page 16, line 9.

As shown in Figure KCH-1 on page 15 of Mr. Higgins' direct testimony, MDU is adding $99.1 million in four major new plant additions in 2015 – with more than 60% of this investment coming into service on the last day of the year (December 31, 2015). Mr. Higgins is not challenging the total amount of this $99.1 million. Rather, Mr. Higgins is challenging MDU's proposal to earn a rate of return on this investment as if this full amount had been in service for the entirety of 2015.

A return on any investment is paid as a function of the amount of time the invested capital has been deployed. The average amount of MDU's plant-in-service for these four major capital additions during 2015 is only $3.19 million, not $99.1 million. (See Figure KCH-1.) In seeking to earn a return on the last-day value of $99.1 million as if this amount of investment had been in service for the entirety of 2015, MDU is overstating its actual investment in plant in service *during the 2015 post-test-year period* – which is properly measured over a full 12 months, not just on the last day of the year.

For workpapers, please see LCG's Response to PSC-074.

Specifically, for the Big Stone AQCS Project, please refer to Exhibit KCH-2, p. 2 (Lns. 2 &3) and p. 3 (Lns. 1-15).

Specifically, for the Lewis & Clark MATS Project, please refer to Exhibit KCH-3, p. 2 (Lns. 2 &3) and p. 3 (Lns. 1-15).

Specifically, for the Lewis & Clark - RICE Units Project, please refer to Exhibit KCH-4, p. 2 (Lns. 2 &3) and p. 3 (Lns. 1-15).

Specifically, for the Thunder Spirit Wind Farm, please refer to Exhibit KCH-5, p. 2 (Lns. 2 &3) and p. 3 (Lns. 1-15).

In addition, the workpaper deriving the net plant in service amounts are provided in the Attachment PSC-090.

PSC-091: RE: Plant Additions
Witness: Higgins

a. Regarding your addition of fuel and purchase power, please explain your assumptions for the amount you used to add back into the expense. Explain such things as PPA lengths of time, transmission costs, etc…

Response to PSC-091:

a. The fuel and purchased power expense that Mr. Higgins added back into test period expense was based on a "Plexos for Power Systems" (Plexos) run performed by MDU in its Response to LCG-025. The basic premise of the LCG-025 Plexos run is that all assumptions are the same as used by MDU in determining the Company's proposed test period fuel and purchased power expense EXCEPT the four 2015 major plant additions (Big Stone – AQCS Project; Lewis & Clark MATS Project; Lewis & Clark RICE Units Project; and Thunder Spirit Wind Farm Project) are <u>not</u> considered to be available to provide power until their actual/projected in-service dates. This major assumption differs from the assumption that MDU used, which was that the four 2015 major plant additions would be available to provide power for the entirety of 2015 (even though none of the projects was expected to be in service before November 30, 2015).

The LCG-025 Plexos run reflects the net increase in fuel and purchased power expense required to replace the Lewis & Clark RICE Units and the Thunder Spirit Wind Farm after reversing the MDU assumption that these units would be available for the entirety of 2015. (Note: The output of the Big Stone – ACQS and Lewis & Clark MATS project were not affected by the change in assumption.) The LCG-25 Plexos analysis produced a new total company average fuel and purchased power expense. The difference in average fuel and purchased power expense between MDU's initial filing and the LCG-025 Plexos run represents the net increase in fuel and purchased power expense on a total company basis if one assumes that the four 2015 major plant additions are not available for the entirety of 2015, but rather only after their in-service dates. This increased expense is $12,810,147. Mr. Higgins jurisdictionalized this increase to Montana using Allocation Factor 16 (consistent with MDU's allocation of these costs), resulting in a net increase in Montana fuel and purchased power costs of $3,399,645.

Because Mr. Higgins calculated discrete adjustments for each of the four 2015 major plant additions, he assigned a portion of the net increase in Montana fuel and purchased power costs to both the Lewis & Clark RICE adjustment and Thunder Spirit Wind Farm adjustment.

PSC-092: RE: Environmental Cost Recovery Rider
Witness: Higgins

a. Please explain and describe the appropriate place to address the environmental cost recovery rider.

Response to PSC-092:

a. The type of cost that MDU is proposing to recover in the environmental cost recovery rider is most appropriately recovered as part of a general rate case proceeding, not in a single-issue rider. Specifically, a general rate case filing should include environmental-related test period expense and rate base, adjusted for known and measurable changes as allowed by rule and/or statute. To the extent these test period expenses and investments are prudent, the expenses and return on rate base should be included in the revenue requirement used in setting rates in the general rate case.

PSC-093: RE: Transmission Cost Recovery Rider
Witness: Higgins

a. Please explain and describe the appropriate place to address the transmission cost recovery rider

Response to PSC-093:

a. The type of cost that MDU is proposing to recover in the transmission cost recovery rider is most appropriately recovered as part of a general rate case proceeding, not in a single-issue rider. Specifically, a general rate case filing should identify transmission-related test period expense and rate base, adjusted for known and measurable changes as allowed by rule and/or statute. To the extent these test period transmission-related expenses and investments are prudent, the expenses and return on rate base should be included in the revenue requirement used in setting rates in the general rate case.

CERTIFICATE OF SERVICE

I hereby certify that on this, the 21st day of December, 2015, the **MONTANA LARGE CUSTOMER GROUP'S RESPONSE TO THE MONTANA PUBLIC SERVICE COMMISSION'S DATA REQUESTS PSC-088 THRU PSC-093** was e-filed with the Commission and served via U.S. mail and e-mail, unless otherwise noted, to the following:

Will Rosquist Sandy Scherer Montana PSC 1701 Prospect Avenue PO Box 202601 Helena, MT 59620-2601 sscherer@mt.gov **via UPS on 12/22/2015**	Robert Nelson Monica Tranel Montana Consumer Counsel 111 N. Last Chance Gulch P.O. Box 201703 Helena, MT 59620 robnelson@mt.gov mtranel@mt.gov
Tamie A. Aberle Director of Regulatory Affairs Montana-Dakota Utilities Co. 400 North Fourth Street Bismarck, ND 58501 tamie.aberle@mdu.com	Michael Green Crowley Fleck PLLP 900 N. Last Chance Gulch, Suite 200 Helena, MT 59601 mgreen@crowleyfleck.com
Thorvald A. Nelson Holland & Hart, LLP 6380 South Fiddler's Green Circle Suite 500 Greenwood Village, CO 80111 tnelson@hollandhart.com	Nikolas S. Stoffel Holland & Hart, LLP 6380 South Fiddler's Green Circle Suite 500 Greenwood Village, CO 80111 nsstoffel@hollandhart.com
Charles Magraw 501 8th Ave Helena, MT 59601 c.magraw@bresnan.net	
	For electronic service only: dwooley@kfwlaw.com john@jwwa.com aclark154@yahoo.com jpous@ducinc.net ppenn@hollandhart.com aclee@hollandhart.com ssnow@mt.gov cgomez@crowleyfleck.com

s/ Adele C. Lee

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