

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 Company for )  
Authority to Establish Increased Rates for ) DOCKET NO. D2015.6.51  
Electric Service in the State of Montana )

**DATA RESPONSES OF THE MONTANA CONSUMER COUNSEL  
TO THE MONTANA PUBLIC SERVICE COMMISSION**

PSC-084

Regarding: Labor Adjustment  
Witness: Clark

- a. You reference MCC-024 as your basis for adjusting labor costs down, however, that data response does not consider information regarding new responsibilities of employees. Where have you specifically found a justification to lower these salaries?
- b. Please explain what appears to be an arbitrary decrease in salaries by looking only at amounts rather than listing responsibilities.
- c. Please explain your understanding of MDU's overtime or premium policies as it relates to the referenced data response, MCC-024.

**RESPONSE**

- a. The testimony refers to the salaries noted in the response to Data Request No. MCC-024. One also has to refer to the Statement Work Paper G-56, also noted in the testimony. The testimony highlights the financial analyst position whose salary is given at \$45,390 per year but is included in the test year labor cost at \$91,431. The justification for the adjustment is specifically based on the totally unexplained discrepancy between the indicated salaries for the new employees and the amounts included in the test year labor expense.

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PSC-084 continued

- b. The adjustment is not arbitrary. It is based on numbers as are all adjustments. There is nothing in the referenced data response, nor in the Statement Work Papers that indicates in any way that these employees would have any added responsibilities over and above what they are being hired to do that would justify additional labor expense be included in the test year revenue requirement.
- c. There is nothing in the referenced data response that provides any basis for understanding MDU's overtime or premium policies.

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PSC-085

Regarding: Uncollectible Accounts

Witness: Clark

- a. Please explain why you have assumed the Commission's approval of a 32% increase.
- b. Please specify the MDU witnesses you analyzed for the 32% increase suggested in the uncollectible account adjustment.

**RESPONSE**

- a. As noted in the testimony, MDU assumed 100% of the requested increase would be approved by the Commission. The 32% represents the approximate portion of the requested increase that the MCC has proposed in its direct testimony. The same also applies to the adjustment for company use.
- b. All MDU witnesses were analyzed by MCC witnesses.

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PSC-086

Regarding: Decommission Costs  
Witness: Clark

- 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 a customer increase is too large?
- b. Are any of the other plants referenced in your Exhibit No. AEC-2, page 10 of 29, owned by other entities? Are you aware of the decommissioning costs being recovered by those entities?

**RESPONSE**

- a. The answer to the question is no. The justification is that these dollars have been collected from MDU's Montana ratepayers over time and should be returned quickly. As noted in the testimony, a shorter amortization could be considered and adopted by the Commission.
- b. The Coyote and Big Stone plants are partially owned by MDU. Other entities have an interest in these plants. I am not aware of the other entities' collection of decommissioning costs, but it is not relevant in any way to the over-collection done by MDU.

PSC-087

Regarding: Insurance Expense  
Witness: Clark

- a. Using insurance expenses of the years 2010, 2011, 2013, and 2014 to determine the average insurance expense provides an average of the total company expense. Have you verified what portion of the year 2012 expenses is allocated to Montana? If a smaller portion is allocable to Montana, would your adjustment change?
- b. Lawsuits are a risk every company faces. In this case, an outlier might give a good indication of the burden and uncertainty of when a lawsuit may be brought forth. Do you believe that a simple average can measure an expense in a uniform nature?
- c. Is it possible that excluding year 2012 from the average only further skews the actual expenses of operating a company?

## RESPONSE

- a. When one uses an average, as is done by MDU and me, it is the average that is then allocated from total company to the electric utility and then to Montana as shown in Exhibit No. \_\_\_ (AEC-2), page 12 of 29 and Statement Work Paper G-143. There is no allocation performed on an annual basis.
- b. I believe that a proper average can, in some circumstances, be a measure of “normal” as an on-going or forward looking basis for setting a revenue requirement in a rate case. In this case the outlier – i.e. 2012 – unreasonably skews the average.
- c. No.