

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

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

**MONTANA LARGE CUSTOMER GROUP'S RESPONSES
TO MONTANA-DAKOTA UTILITIES CO.'S
DATA REQUESTS MDU-012 THRU MDU-021**

Montana Large Customer Group ("LCG") provides the attached response to Montana-Dakota Utilities Co.'s Data Requests MDU-012 thru MDU-021.

Respectfully submitted this 29th day of January, 2016.

MONTANA LARGE CUSTOMER GROUP

s/ Nikolas S. Stoffel
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DATA REQUESTS

MDU-012: RE: Cross-Intervenor Response Testimony of Kevin C. Higgins
Witness: Higgins

Please provide electronic files in Excel format, with formulas intact for all Exhibits and Schedules that provide the analytical support for the conclusions reached by Mr. Higgins.

Response to MDU-012:

Not applicable. There were no Exhibits or Schedules included with Mr. Higgins' Cross-Intervenor Response Testimony.

MDU-013: RE: Cross-Intervenor Response Testimony of Kevin C. Higgins
Witness: Higgins

Please provide complete copies of each document, article, text report or treatise cited by Mr. Higgins in his Testimony, Appendices and Exhibits in this case.

Response to MDU-013:

Not applicable. There were no documents, articles, text reports, or treatises cited by Mr. Higgins in his Cross-Intervenor Response Testimony that are not already in MDU's possession.

MDU-014: RE: Cross-Intervenor Response Testimony of Kevin C. Higgins
Witness: Higgins

Please provide electronic files in Excel format, with formulas intact for all Exhibits and Schedules that provide the analytical support for Table KCH-1CR.

Response to MDU-014:

Please see Attachment MDU-014.

MDU-015: RE: Cross-Intervenor Response Testimony of Kevin C. Higgins
Witness: Higgins

Please explain why each of the "MCC incremental Adjustments" do not appear in the adjustments to the revenue requirement Mr. Higgins originally proposed.

Response to MDU-015:

LCG has not taken a formal position regarding MCC's adjustments. However, because some of MCC's and LCG's adjustments overlap, LCG believes it was useful to present the revenue requirement that obtains from a combination of the cases.

MDU-016: RE: Cross-Intervenor Response Testimony of Kevin C. Higgins
Witness: Higgins

On page 3, lines 21-22 of the Cross-Intervenor Response Testimony, Mr. Higgins states "the revenue impact of each individual adjustment [of Table KCH-1 CR] may be different if presented in a different sequence." Please explain how the sequence was selected and how a change of sequence will impact revenue.

Response to MDU-016:

LCG began with its own adjustments and then added the incremental MCC adjustments to those. The general sequence of the LCG adjustments is: test period structure / expenses / cost of capital. The general sequence of the incremental MCC adjustments is: revenues / expenses / rate base / cost of capital.

The major implication of sequence is that the cost of capital adjustments viewed in isolation (for both LCG and incremental MCC) are lower when applied to the LCG-adjusted rate base than they would be if applied first to the MCC-adjusted rate base, because the former is smaller than the latter.

MDU-017: RE: Cross-Intervenor Response Testimony of Kevin C. Higgins
Witness: Higgins

Please provide any testimony Mr. Higgins has provided previously regarding end-of-period vs. average-of-period rate base on plant additions including but not limited to the average of days method.

Response to MDU-017:

Please see the Attachments to MDU-017 (a-f) for Mr. Higgins' previous testimony regarding end-of-period vs. average-of-period rate base.

In this case, Mr. Higgins calculated average rate base for the four major plant additions using a 13-month average rate base for the year based on the projected in-service date for each plant, as identified in discovery responses provided by MDU. The 13-month average rate base is the standard measurement of rate base used in most jurisdictions that use an average-of-period measurement.

In calculating the 13-month average rate base in this case, Mr. Higgins also took account of those instances in which major new additions were projected to come on line at the end of a month by pro-rating the average rate base for the portion of the initial month that the plant is anticipated to be in service. In previous cases, Mr. Higgins has not had reason to perform this proration.

MDU-018: RE: Cross-Intervenor Response Testimony of Kevin C. Higgins
Witness: Higgins

Please provide any Montana Public Service Commission decisions supporting Mr. Higgins position that the Commission should "reject[] the end-of-period rate base treatment ... in favor of an average-of-period rate base," as stated on page 6, lines 18-20 of the Cross-Intervenor Response Testimony of Mr. Higgins.

Response to MDU-018:

Please see LCG's Response to MDU-019.

MDU-019: RE: Cross-Intervenor Response Testimony of Kevin C. Higgins
Witness: Higgins

Please explain how Mr. Higgins's Cross-Intervenor Response Testimony regarding post-test year plant additions, including his criticisms of Albert E. Clark's direct testimony, is consistent with ARM 38.5.106 and Commission precedent.

Response to MDU-019:

The approach taken by Mr. Higgins is completely consistent with Administrative Rule of Montana 38.5.106. This Rule allows for known and measurable changes to be entertained if they become effective within 12 months of the last month of the test period, but does not specify that such known and measurable changes should be measured on an end-of-period basis. Consistent with what is permitted under Rule 38.5.106, Mr. Higgins does not propose to disallow the post-test-period plant or expenses, but rather proposes to measure them on an average-of-period basis. Mr. Higgins' application of this principle is consistent with Administrative Rule of Montana 38.5.125, which states that "Working papers shall show plant balances on a beginning and end of period basis averaged for the test period representing functional classifications and total plant. The effect of proposed adjustments, if any, on the average plant balances, shall also be shown." [Emphasis added.]

Mr. Higgins' approach is also completely consistent with the Commission's precedent in Order No. 5856b issued in Docket No. D95.7.90. In that case, MCC had challenged the inclusion in rate base of certain post-test-year plant proposed by MDU for its gas utility. As described by the Commission in Paragraph 38 of that Order:

"MDU's proposed rate base of \$19,955,349 for its Montana gas operations is an *average of its December 31, 1994, and December 31, 1995, balances*. The 1995 rate base balances are pro forma balances constructed from company budget information. MDU asserts that the proposed 1995 post-test-year rate base adjustments are known with certainty and measurable with reasonable accuracy and, therefore, acceptable. MDU further asserts that the proposed rates will not become effective until April, 1996, and therefore, to provide a better match between cost levels being experienced during the rate effective period, the post-test-year adjustments should be accepted by the Commission." [Emphasis added.]

In that case, the *average* rate base proposed by MDU (inclusive of post-test-period plant) for Calendar Year 1995 for rates effective April 1996 is the functional equivalent of the average rate base proposed by Mr. Higgins (inclusive of post-test-period plant) for Calendar Year 2015 for rates effective in April 2016.

Moreover, Mr. Higgins' recommendation to deny end-of-period rate base in favor of average-of-period rate base is consistent with Rule 38.5.606, which provides an *optional* filing procedure that includes an end-of-period rate base provision. The optional filing standard contains certain requirements that are completely absent from MDU's filing, such as updating test year revenues to reflect end-of-period customer counts and annualization of known changes in revenues occurring during the test year. Moreover, MDU has not filed its case pursuant to this optional filing standard, citing instead to Rule 38.5.101, et seq. [MDU Application at 1.] Given that

MDU makes no attempt to comply with the requirements of Rule 38.5.606, it is appropriate that the provision in that Rule that permits consideration of end-of-period rate base should not apply.

Moreover, Ms. Higgins' recommendation is aligned with the Commission's emphasis on the importance of proper matching between revenue and expense for post-test-period adjustments articulated in Order 5856b. In Paragraph 46, the Commission stated:

“The Commission includes in “measurable” the aspect of *matching*. For post-test-year adjustments *appropriate matching adjustments to revenue and expense* must be included. To support its proposal to include post-test-year plant additions in the rate base calculation MDU has made adjustments to *revenue* and expense associated with the additions. Matching is a point where MDU's proposal differs from previous post-test-year adjustment presentations where companies have requested the inclusion of “ongoing” capital maintenance in rate base. The Commission's previous denials regarding post-test-year plant additions generally centered around the failure of the utility to make clearly appropriate adjustments to its revenues and expenses associated with the post-test-year additions. In this docket MDU has made matching adjustments to revenues and expenses for the post-test-year additions by adjusting such items as *operating revenues for customer growth*, salary and wage expense, depreciation expense, and cost of gas.” [Emphasis added.]

Thus, there is a consistent emphasis on the matching principle in both Rule 38.5.606 and the Commission's Order 5856b: inclusion of post-test year plant (whether at end-of-period or average-of-period) must be accompanied by recognition of revenues from load growth, something that is completely lacking in MDU's Application in this case. In such a circumstance, it is inappropriate to allow post-test-period plant additions to be measured on an end-of-period basis.

MDU-020: RE: Cross-Intervenor Response Testimony of Stephen J. Baron
Witness: Baron

Please provide electronic files in Excel format, with formulas intact for all Exhibits and Schedules that provide the analytical support for the conclusions reached by Mr. Baron.

Response to MDU-020:

See response to MCC-265, 266, and 267

MDU-021: RE: Cross-Intervenor Response Testimony of Stephen J. Baron
Witness: Baron

Please provide complete copies of each document, article, text report or treatise cited by Mr. Baron in his Testimony, Appendices and Exhibits in this case.

Response to MDU-021:

Please see “Attachment to LCG Response to MDU-021” provided with this response.

CERTIFICATE OF SERVICE

I hereby certify that on this, the 29th day of January, 2016, the **MONTANA LARGE CUSTOMER GROUP'S RESPONSES TO MONTANA-DAKOTA UTILITIES CO.'S DATA REQUESTS MDU-012 THRU MDU-021** was e-filed with the Commission and served via U.S. mail and e-mail, unless otherwise noted, to the following:

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s/ Adele C. Lee _____