

# PUBLIC SERVICE COMMISSION STATE OF MONTANA

Brad Johnson, Chairman  
Travis Kavulla, Vice Chairman  
Kirk Bushman, Commissioner  
Roger Koopman, Commissioner  
Bob Lake, Commissioner



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August 26, 2015

Tamie Aberle  
Director Regulatory Affairs  
Montana-Dakota Utilities Co  
400 North Fourth Street  
Bismarck, North Dakota 58501

RE: Montana Public Service Commission (Commission) Upcoming Audit

Dear Ms. Aberle,

This letter is to confirm an on-site investigation of Montana-Dakota Utilities Co. (MDU) to be conducted by Scott Fabel and Dagan Lynch of the Commission staff and Montana Consumer Counsel staff and consultants. The tentative dates of the audit are September 29 through October 2, 2015. During our audit, we would like to have a primary contact person from the Company to assist us in answering questions and providing materials as requested.

This investigation will include a review of all items which are relevant to Docket No. D2015.5.61 as well as a general review of the overall operations of MDU. In order to help you prepare materials for our review, we have enclosed the following items we would like to examine first. Please make sure these items are available upon our arrival on the morning of September 29, 2015.

For our convenience in tracking requests, please note that the following items are audit request numbers one (1) through eighteen (18).

1. Board of Directors' minutes for MDU and all subsidiaries for 2013, 2014, and year-to-date 2015. Minutes from all Board of Directors' committee meetings for 2013, 2014, and year-to-date 2015.
2. Internal audit reports 2013, 2014, and year-to-date 2015 for MDU and subsidiaries.
3. External audit reports from 2013, 2014, and year-to-date 2015 for MDU and subsidiaries.
4. Special project reports prepared in house for the 2013, 2014, and year-to-date 2015.
5. Outside consultant reports for the years 2013, 2014, and year-to-date 2015.
6. Business plans for the years 2013, 2014, and 2015.
7. Please provide copies of 2013 and 2014 Montana Corporate License Tax returns for MDU.
8. Please provide copies of 2013 and 2014 Federal Income Tax returns for MDU.
9. Please provide copies of all rate decisions for all regulated divisions and subsidiaries of MDU issued from January 1, 2010 to January 1, 2015.
10. Please provide a list of all clubs and organizations for which dues or memberships were paid by MDU, and the amount included for recovery in the rate case.
11. For the years 2013 and 2014 please provide copies of MDU's year-end departmental summary expense statements and balance sheets.
12. Please provide a listing of all outside firms or individuals retained by MDU during 2013, 2014, and year-to-date 2015, that have provided services and had expenses allocated to the various operating divisions.
  - a) For each of the outside services above that was paid in excess of \$75,000 provide a description of the service provided and an explanation of how the service benefited the operating divisions.
  - b) List the amount paid each outside service provider for the years 2013, 2014, and year-to-date 2015.
13. Using full-time employee equivalents please provide, for MDU, year-end employee counts, by department, for the years 2013 and 2014. Also provide the current employee count.
  - a) For those years that reflect increased staffing levels, please provide a narrative detailing the circumstances that warranted the hiring of the additional personnel.

- b) Provide any analysis performed, at the division or corporate level, to determine necessary staffing levels.
  - c) For all new positions filled at the corporate or division level please provide a copy of the job descriptions.
  - d) If the current staffing level is lower than year-end 2009 please explain if wages/salaries included in the cost-of-service have been adjusted to reflect the lower staffing. If not, please explain.
14. Please provide a narrative detailing any and all efforts undertaken by MDU and its operating divisions to contain the costs of company provided medical insurance.
15. Please provide a copy of the testimony filed by MDU on rate of return, cost of capital and capital structure, in its two most recent rate applications to the North Dakota and South Dakota and any other Public Utilities Commission.
16. Please provide a copy of the general ledgers for the corporate office and the Montana division for 2013 and 2014.
17. Please provide and have available work papers, memos and other supporting documentation *as to the funding status of the pension plan*.
18. Please have a detailed description of the company's efforts to take advantage of the currently historically low interest *rates to refinance existing debt issue*.

Should you have any questions regarding this letter please call me at (406) 444- 6193. I thank you in advance for your attention to this matter.

Sincerely,



Scott Fabel  
Rate Analyst

cc: Commissioners  
Scott Fabel  
Eric Eck  
MCC