

**PUBLIC SERVICE COMMISSION
STATE OF MONTANA**

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October 20, 2015

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

RE: Data Request in Docket D2015.6.51

Dear Ms. Aberle,

Enclosed please find data requests of the Montana Public Service Commission, numbered PSC-033 through PSC-058, to Montana-Dakota Utilities Co. in the docket referenced above. If you have any questions, please contact me at (406) 444-6184.

Sincerely,

Dagan Lynch
Rate Analyst
Montana Public Service Commission

Enclosure

cc: Service List

Service Date: October 20, 2015

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

IN THE MATTER OF the Application of the) REGULATORY DIVISION
Application of Montana-Dakota Utilities Co. for)
Authority to Establish Increased Rates for) DOCKET NO. D2015.6.51
Electric Service in the State of Montana)

DATA REQUESTS PSC-033 THROUGH PSC-058 OF THE
MONTANA PUBLIC SERVICE COMMISSION TO
MONTANA-DAKOTA UTILITIES CO.

PSC-033

Regarding: Electric and Common Plant Depreciation
Witness: Robinson

Is the consultant or the Company proposing any phase in period for the new depreciation adjustments to common and electrical plant? If not, please explain your reasoning.

PSC-034

Regarding: Electric Plant Depreciation
Witness: Robinson

- a. Please provide a list of all physical site inspections conducted on the various representative properties.
- b. Please indicate the person responsible for inspecting the sites.
- c. Please provide the inspection reports from all site visits.

PSC-035

Regarding: Electric Plant Depreciation
Witness: Robinson

For the following accounts, 312.0, 315.0, 353.0 and 358.0, please identify other utilities that the Company or the consultant are aware of that have original life estimate margins greater than 15 years from the original to the updated life spans.

PSC-036

Regarding: Electric Plant Depreciation
Witness: Robinson

- a. Of the numerous methods and combinations available to recover property investment, did you conduct any side by side comparison studies using other SPR methods, such as the Equal Life Group with the Average Remaining Life Technique?
- b. If other side by side comparisons were conducted, please provide a summary of those results and any supporting workpapers and excel sheets.

PSC-037

Regarding: Electric Plant Depreciation
Witness: Robinson

Please reconcile the statement on page 1-4 of the Electric Plant study, “[i]n addition, consideration is given to current and anticipated events which are anticipated to impact the Company’s ability to recover its fixed capital costs related to utility plant in service utilized to provide service to the Company’s customers,” with the statement on page 3-1, “[a]ll average service lives set forth in this report are developed based upon plant in service as of December 31, 2014.” These statements could be considered at odds with each other.

PSC-038

Regarding: Electric Plant Depreciation
Witness: Robinson

- a. As the component being scrapped is removed from the overall investment, does the overall investment receive a debit/credit for the negative/positive salvage value?
- b. How is the overall investment’s life adjusted to accommodate the removal and possible updated component?

- c. Are customer rates adjusted or is a true up provided to reconcile the time period an expense is being charged while the overall investment is awaiting the new component?
- d. Please provide a list of all such interim salvage components removed and any workpapers supporting the interim salvage.

PSC-039

Regarding: Common and Electric Depreciation Study

Witness: Robinson

- a. Please confirm that the consultant implemented the Straight Line Method overall and explain any deviation from that method.
- b. Please confirm that the consultant implemented the Broad Group Method Procedure overall and explain any deviation from that method.
- c. Please confirm the consultant implemented the Average Remaining Life Technique overall and explain any deviation from that method.

PSC-040

Regarding: Electric Plant Depreciation

Witness: Robinson

- a. In reference to various accounts, please explain why such large jumps were required between ASL survivor curves. Why was a more intermediate survivor curve not used, or at least provided for comparison? The reference accounts are accounts: 312.0, 314.0, 315.0, 353.0, and 358.0.
- b. If alternate survivor curves were used for the above accounts please provide the output of any alternate ASL curves you may have used in determining Average Remaining Life. The information should be provided in electronic format when possible.

PSC-041

Regarding: Common Plant Depreciation

Witness: Robinson, Common Plant Study, 1-5

Account 392.20 increases an expense of 4.11% to 6.65%, while at the same time increasing the service life of the property from seven to nine years. Please provide the excel spreadsheet that reconciles the increase in depreciation expense while also assuming the extended service life.

PSC-042

Regarding: Common Plant Depreciation
Witness: Robinson Pre-Filed Testimony, p. 5

- a. Please provide a list of all physical site inspections conducted on the various representative properties.
- b. Please indicate the person responsible for inspecting the sites.
- c. Please provide the inspection report for each site investigated.

PSC-043

Regarding: Common Plant Depreciation
Witness: Robinson Account 390

- a. Please provide a detailed description (e.g., physical location, type of construction, square footage, when built, etc.) for each of the 8 largest investments into Account 390 – General Structures Common Plant.
- b. Indicate if the eight largest investments were leased or owned.

PSC-044

Regarding: Common Plant Depreciation
Witness: Robinson Account 390

- a. Please identify each time in the last 20 years that the company retired one of its general office structures in Account 390 Common Plant, or terminated a lease and moved to a new location.
- b. For each instance identified above, identify the dollar level of retirements, a description of what was retired, along with corresponding cost of removal and net salvage.

PSC-045

Regarding: Common Plant Depreciation
Witness: Robinson

Please provide a detailed list of the investments classified in the Miscellaneous Equipment Account 398.

PSC-046

Regarding: Common Plant Depreciation
Witness: Robinson 3-13

Please provide a more detailed narrative explaining how annual inflation is built into the forecasted net salvage amount as employed in the development of net salvage parameters. Was future inflation discounted back to the net present value so that current customers would not be paying current rates at future inflated costs?

PSC-047

Regarding: Pre-Filed Testimony
Witness: Robinson p. 7

In reference to Mr. Robinson's pre-filed testimony on page 7, lines 10-11, please define specifically how long "a period of years" is.

PSC-048

Regarding: Pre-Filed Testimony
Witness: Robinson p. 20

- a. In reference to Mr. Robinson's pre-filed testimony page 20, please describe and provide all contingent casualties the Company has experienced in the last 10 years.
- b. Please provide all workpapers and excel sheets detailing the inclusion of these events into the depreciation study.

PSC-049

Regarding: Inter-company agreements
Witness: Appropriate

Please provide a narrative description of Montana-Dakota Utilities and MDU Resources' short term debt financing agreements, as well as inter-company borrowing agreements between Montana-Dakota Utilities and MDU Resource Group.

PSC-050

Regarding: Customers
Witness: Gaske

- a. Please describe Montana-Dakota Utilities ten largest customers, the percent of power flowing through to these customers, and the customer's ability to bypass the MDU system.

- b. Of the chosen proxy companies, do any of the companies share the same characteristics as Montana-Dakota Utilities regarding customer mix and ability to bypass the utilities system?

PSC-051

Regarding: Pre-Filed Direct Testimony p. 30

Witness: Gaske

- a. You state on page 30, lines 8-13, that Montana-Dakota Utilities must compete within the MDU organization for equity capital and therefore should be evaluated as a stand-alone entity. That being said, is it appropriate to use the internal rates of return to evaluate the levels of appropriate risk and return required by the MDU organization?
- b. Can you provide an example of an inter-company agreement to support the return on equity you are recommending in this proceeding?

PSC-052

Regarding: Proxy Group

Witness: Gaske

- a. Please provide the names of all proxy companies originally included in your list of 46. Please provide the companies in electronic format in a schedule such as Schedule 4, on page 5 of your pre-filed direct testimony.
- b. Of the proxy companies selected how many of the companies reach Montana-Dakota's mark of 92 percent generation from coal-fired power plants?

PSC-053

Regarding: Bond Rating

Witness: Gaske

Does the Company expect that decreasing the common equity ratio from 51.77% to 49.52% will lower the Company's bond rating?

PSC-054

Regarding: Pre-Filed Testimony

Witness: Gaske

- a. Throughout your testimony you allude to the idea that Montana-Dakota Utilities faces significant risk because of the system's reliance on coal generation. Please explain how this was taken into account in your DCF analysis.

- b. If the Company faces such great risk from coal generation, why would you assume a sustainable indefinite growth rate?

PSC-055

Regarding: Flotation Costs

Witness: Gaske

- a. What have been the flotation costs of MDU Resource Group over the last five years for issuing new common equity capital?
- b. If the flotation costs of MDU Resource Group are used as the flotation cost adjustment in the Montana-Dakota Utility calculation, what is the new common equity cost of capital?

PSC-056

Regarding: De-Commissioning Costs

Witness: Appropriate

- a. Please provide any study completed by MDU or an outside consultant employed by MDU comparing de-commissioning costs of the plants affected by the MATS Rule.
- b. If a comparison study was not completed to determine the feasibility of mothballing the existing plants in favor of power purchase agreements, please explain why such a study was not completed.
- c. Please provide any study completed by MDU or an outside consultant employed by MDU comparing de-commissioning costs of the plants affected by the regional haze rules.
- d. If a comparison study was not completed to determine the feasibility of mothballing the existing plants in favor of open market purchases, please explain why such a study was not completed.

PSC-057

Regarding: De-Commissioning Costs

Witness: Appropriate

If a de-commissioning study was completed, please provide a side by side comparison of the new revenue requirement, taking into account all costs subject to such a change. Depreciation expense as an example may change if new equipment is not added to depreciate.

PSC-0058

Regarding: On Site Examination Documents

Witness: Aberle

- a. Please provide copies of all rate decisions for all regulated divisions and subsidiaries of MDU issued from January 1, 2010 to January 1, 2015.
- b. 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.
- c. 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 Commissions, and any other Public Utilities Commissions.
- d. Please provide work papers, memos and other supporting documentation *as to the funding status of the pension plan.*
- e. Please provide a detailed description of the Company's efforts to take advantage of the currently historically low interest rates *to refinance existing debt issue.*