

**PUBLIC SERVICE COMMISSION  
STATE OF MONTANA**

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



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December 7, 2015

Mr. Thorvald Nelson  
Holland & Hart LLP  
6380 South Fiddlers Green Circle, Suite 500  
Greenwood Village, CO 80111

RE: Data Request in Docket D2015.6.51

Dear Mr. Nelson,

Enclosed please find a data request of the Montana Public Service Commission, numbered PSC-108 through PSC-114, to the Large Customer Group in the docket referenced above. If you have any questions, please contact me at (406) 444-6185.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Dalton".

Mike Dalton  
Regulatory Division  
Montana Public Service Commission

Enclosure

cc: Service List

Service Date: December 7, 2015

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

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 REQUESTS PSC-108 THROUGH PSC-114 OF THE  
MONTANA PUBLIC SERVICE COMMISSION TO  
LARGE CUSTOMER GROUP**

PSC-108

Regarding: Cost of Service Study  
Witness: Baron

- a. Regarding class cost of service, please confirm that the LCG's primary recommendation is to use the cost of service study provided in Exhibit SJB-9, which includes the 12 CP methodology, and the LCG's secondary recommendation – which LCG would also support – is to use the cost of service study provided in Exhibit SJB-8, which includes a modified AED methodology.
- b. On page 8, lines 14-15 of your direct testimony, you state “while the AED methodology can be a reasonable approach and I have supported its application in other cases, I have concerns about the Company’s filed study in this case.” Please provide an electronic copy or link to the most recent testimony or documents in which you supported the use of the AED methodology.
- c. Please explain what factors specific to this case caused you to primarily recommend a 12 CP methodology to allocate demand related production and transmission costs.
- d. In your testimony, you appear to argue that the AED methodology which MDU has proposed over-allocates costs to Rate 35 in part because it allocates excess demand to customers based on non-coincident peak demand, which may not occur at the time of system peak, and thus would not cause the utility to incur additional costs to add generation and transmission capacity. Would an AED methodology that uses coincident peak demand rather than non-coincident peak demand alleviate some of the LCG's concerns with respect to the AED methodology MDU has proposed? Please explain. Please reference the following article for further discussion on such a

methodology: Coyle, Eugene P. "Average and Excess Demand Once Again." *Public Utilities Fortnightly* 24 June 1982: 51-52.

- e. If not provided in response to PSC-074, provide an electronic version of the modified embedded cost of service study that supports Exhibit\_\_(SJB-8) and Exhibit\_\_(SJB-9). (e.g. similar to Statement L).

PSC-109

Regarding: LCG Alternative 12 Coincident Peak Allocator

Witness: Baron

- a. Has the 12 CP methodology that is used for interstate cost allocation purposes which you mention on page 13, lines 14-15 been approved by the Montana Commission?
- b. Have any of MDU's other state regulators specifically approved the 12 CP methodology to allocate jurisdictional production and transmission demand related costs based on MDU's use 12 CP for interstate cost allocation? If so, provide the relevant order(s)/decision(s) from those regulators.
- c. Does MDU's use of the 12 CP methodology for interstate cost allocation preclude the Montana Commission from using a different methodology to allocate jurisdictional production and transmission demand costs? Please explain.

PSC-110

Regarding: Wind Energy/Demand Classification

Witness: Baron

- a. Regarding your testimony on page 19, has the method you propose for classifying wind costs been approved by any other public utility commission? If so, identify which commissions have adopted the approach and provide the most recent order that does so.
- b. Is it likely that during the life of the wind facilities the average annual price of MDU's MISO energy purchases will deviate, year to year, from the \$29.70/MWh test year value?
- c. If the answer to part b. is yes, why is it reasonable to use a one-year average of MISO market prices rather than, for example, a forecast of MISO market prices over the expected life of the wind facilities?
- d. Under your wind cost classification method, and assuming MDU does not acquire additional wind facilities. Would the classification of wind costs near the end of the existing facilities' book lives approach 100 percent energy-related due to the effect of depreciation? If not, please explain.

- e. Regarding your testimony on page 8, explain why you generally believe wind facility costs should be allocated in their entirety using a demand allocation factor.

## PSC-111

Regarding: AED Method

Witness: Baron

- a. On page 9 you testify that a problem with MDU's AED method is that it compares a three-year peak demand to a one-year average demand and there is no justification for such a mismatched calculation. Could this problem be solved by using a three-year average of average demand? Why or why not.
- b. In its response to data request PSC-024, MDU explains that it used a three-year average of July coincident peak in order to normalize the peak data. Is it unreasonable to attempt to normalize peak data when applying an AED method? If so, why?
- c. Provide the same information shown in Figure 1, on page 11, for the years 2009 through 2013.

## PSC-112

Regarding: Rate Impact Mitigation Proposal

Witness: Baron

- a. Does LCG support the rate impact mitigation principles outlined on page 26, starting at line 10, for whatever total revenue requirement the Commission ultimately approves? If not, please explain.

## PSC-113

Regarding: Rate 99 - Transmission Cost Recovery Rider (TCRR)

Witness: Baron

- a. In your direct testimony you advocate to allocate transmission costs that would be included in the TCRR on the basis of a demand allocator (AED, 12 CP, or 4 CP), as well as have those costs recovered on a \$/kW basis from demand-metered customers and on a \$/kWh basis for non-demand metered classes. If costs imposed through the TCRR were allocated using a demand allocator as you have recommended, do you agree that the costs imposed on LCG would be the same, no matter what rate element is used to recover them? If not, please explain.
- b. Please explain why LCG prefers to have costs imposed through the proposed TCRR on a \$/kW basis for demand metered customers.

PSC-114

Regarding: Proposed Rate 98 - Environmental Cost Recovery Rider (ECRR)

Witness: Baron

- a. Would you agree that the total number of MWh a fossil fuel plant produces over the course of a year is more closely correlated with the environmental impact that plant has than the total peak capacity a plant provides over that same year? For example, if one coal plant generates 100 MW of electricity during every hour of the year, would it have a greater environmental impact than a coal plant which generated at 200 MW during only one hour of the year, assuming all else equal? If you disagree, please explain the basis for disagreement.
  
- b. In data request LCG-075, as part of the question LCG states: "Wouldn't a demand charge be more appropriate given the nature of the costs that MDU proposed to recover through Rate 98?" Please further explain the basis for this notion.