

**PUBLIC SERVICE COMMISSION
STATE OF MONTANA**

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



1701 Prospect Avenue
PO Box 202601
Helena, MT 59620-2601
Voice: 406.444.6199
Fax #: 406.444.7618
<http://psc.mt.gov>
E-Mail: psc_webmaster@mt.gov

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-79 through PSC-083, to the Montana Large Customer Group in the docket referenced above. If you have any questions, please contact me at (406) 444-6189.

Sincerely,

Gary Duncan
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-079 THROUGH PSC-083 OF THE
MONTANA PUBLIC SERVICE COMMISSION TO
MONTANA LARGE CUSTOMER GROUP

PSC-079

Regarding: Capital Structure, Exhibit MPG-1, DCF Inputs
Witness: Gorman

- a. Please explain why the Common Equity 12/31/2014 shown on Exhibit MPG-1 was reduced by \$639,554 from the same amount shown on MDU Rule 38.5.146, Statement F Page 2.
- b. The Exhibit MPG-1 -\$77,048,201 adjustment to common equity proposed by the witness is the total of the 12/31/14 balances for Nonutility Property, Accumulated Depreciation and Other Investments from MDU Rule 38.5.121, Statement A, Page 1. These 12/31/2014 ending balances were used to adjust the MDU 12/31/15 Common Equity balance and the MDU Average 2015 Common Equity balance. Is this not a timing mismatch using end of year 2014 balances to adjust end of year 2015 balances? Please explain.
- c. Please explain why the witness approves of the use of the MDU proxy group.
- d. Please explain why the witness believes the 13 week average stock price is preferable to the 6 month average stock price utilized by MDU witness Gaske. MPG Testimony Page 18.
- e. Please explain why the witness chose to use SNL Financial and Reuters as the source for expected dividend growth rather than Yahoo Finance (used by MDU witness Gaske). MPG Testimony Page 19.

PSC-080

Regarding: DCF Models

Witness: Gorman

- a. In analyzing the DCF analysis on Exhibit MPG-5, the average and the median DCF results are shown in column 5. Which result is the preferable result to use in choosing a ROE for MDU?
- b. Please explain how Column 6 – Growth on Exhibit MPG-7, Page 2 is calculated.
- c. Using the formula shown on Exhibit MPG -7, Page 2 for Column 8 – V Factor, staff cannot replicate the numbers shown in Column 8. Please explain how these numbers are calculated.
- d. Please explain the Adjustment Factor Column 6 on Exhibit MPG-7, Page 1.
- e. Please explain the logic of MPG-7 Column 10 being the product of Columns 7 times 9.

PSC-081

Regarding: DCF Models

Witness: Gorman

- a. Please explain the logic behind columns 7, 8, and 9 on MPG-7 Page 2 and why Column 9 is added to Column 10 on Page 1 to calculate the sustained growth rate in Column 11.
- b. How are the Adjusted Yield shown in Column 4 of Exhibit MPG-8 and Column 4 of Exhibit MPG-5 calculated and why are they different?
- c. Please explain the differences between the LCG Sustainable Growth Rate DCF model versus the MDU Retention Rate DCF model versus the MCC Fundamental Growth Rate DCF model, since they all appear to be based on retention rates. However, the LCG model has more inputs than either the MDU or MCC models.
- d. Please explain how the Multi-Source Growth Rate DCG estimates in Column 10 of Exhibit MPG-10 were calculated and provide the actual calculations for those estimates.

PSC-082

Regarding: Risk Premium

Witness: Gorman

- a. Please discuss the use of the Ibbotson Associates risk premium of 5.7% utilized by MDU witness Gaske. That is, are there advantages or disadvantages to using this risk premium versus the average risk premium of 4.03 percent as calculated by this LCG witness.

- b. It would appear from the testimony on Page 35 that the average “A” rated utility bond spread for the last 36 years of 1.52% exceeds the current utility bond spread of 1.24%. Please explain the statement that “[t]he current ‘A’ and ‘Baa’ rated utility bond spreads over Treasury bonds are higher than the 36-year average spreads.”
- c. Is it true that in the DCF results offered by the LCG that the assumption is that the dividend is paid once annually rather than quarterly, as was assumed by both the MCC and MDU?
- d. If the answer to c above is yes, please explain your preference for the annual dividend assumption over the quarterly assumption. If the answer to c above is no, please explain how the quarterly dividend assumption is reflected in your DCF models.
- e. What is the Beta Coefficient (β) for MDU Resources Group, Inc.? Is this Beta Coefficient of any value in analyzing the risk associated with MDU’s Montana electric operations?

PSC-083

Regarding: Financial Risk, Blended Rate DCF Model

Witness: Gorman

- a. Please explain in more detail the statement on Page 44 of your testimony that MDU has a “Strong” business risk profile and a “Significant” financial risk profile. That is, what S&P benchmarks determine the business risk rating and the financial risk rating and what are those benchmarks for MDU?
- b. Please comment on the LCG’s position regarding the use of a blended rate DCF by MDU witness Gaske.