Montana Public Service Commission

January 22, 2016

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 a data request of the Montana Public Service Commission, numbered PSC-115 through PSC-138, to Montana-Dakota Utilities Co. in the docket referenced above. If you have any questions, please contact me at (406) 444-6359.

Sincerely,

Will Rosquist
Regulatory Division
Montana Public Service Commission

Enclosure

cc: Service List

Service Date: January 22, 2016

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. for the Authority to Establish Increased Rates for Electric Service in the State of Montana	))))	REGULATORY DIVISION DOCKET NO. D2015.6.51

DATA REQUESTS PSC-115 THROUGH PSC-138 OF THE MONTANA PUBLIC SERVICE COMMISSION TO MONTANA-DAKOTA UTILITIES CO.

PSC-115

Regarding: Line Loss Factors
Witness: Aberle

Do you agree with the corrected line loss factors Mr. Baron presents in Exhibit SJB-5? If not, please explain why.

PSC-116

Regarding: ECOS Analysis – Coincident Peak
Witness: Aberle

a. Did MDU use the average of the single peaks over a 3 year period in its calculation of any other allocation factors apart from its AED allocator (Factor 2) in Statement L?

b. Please provide a modified Statement L sponsored by MDU that utilizes MDU's 2014 peak in its AED allocator (allocation factor 2), instead of the average of the single peaks over a 3 year period. If MDU agrees with the corrected line loss factors Mr. Baron presented in Exhibit SJB-5, please incorporate those changes. Please leave all other allocation factors unchanged. Please provide an electronic copy with all formulas intact.

c. Would the results of the ECOS analysis provided in part (b) to this question change MDU's recommendation of a uniform 21.1% increase to the revenue requirement of all rate classes?

PSC-117

Regarding: AED Allocator – Excess Demand
Witness: Aberle

a. On page 2 of your rebuttal testimony, lines 21-23, you state that allocating the excess demand above the average demand will account for a customer's peak demand control. Please explain the rationale of encouraging a customer to control peak demand to reduce investment in generation and transmission capacity if that customer's peak demand does not occur at the same time as the MDU system peak.

b. Please explain why MDU prefers to allocate excess demand within the AED allocator on the basis of NCP demand rather than CP demand.

c. Please provide a modified Statement L sponsored by MDU that utilizes MDU's 2014 peak in its AED allocator (allocation factor 2), instead of the average of the single peaks over a 3 year period. Allocate the excess demand within the AED allocator to rate classes based on their contribution to 12-CP instead of NCP. If MDU agrees with the corrected line loss factors Mr. Baron presented in Exhibit SJB-5, please incorporate those changes. Please leave all other allocation factors unchanged. Please provide an electronic copy with all formulas intact.

d. Would the results of the ECOS analysis provided in part (c) to this question change MDU's recommendation of a uniform 21.1% increase to the revenue requirement of all rate classes?

PSC-118

Regarding: Wind Facilities
Witness: Aberle

On page 4, line 10 of your rebuttal, should SBJ-9 actually be SJB-7?

PSC-119

Regarding: Mitigation of Rate Impacts
Witness: Aberle

a. You state that Mr. Baron's recommended cap of 1.5 times the system average for the increase to any rate class is too significant a step to take in this rate case. Is there a lesser cap that MDU would find acceptable? If so, what size of a cap does MDU find acceptable?

b. Would you agree that another viable option to mitigate the impacts of a large rate increase would be to phase in the increase over a period of time, such as over a two to three year period?

c. If the answer to part b is yes, please explain what your thoughts are with respect to phasing in a rate increase over a period of time subsequent to this docket.

PSC-120

Regarding: Rate Design
Witness: Aberle

a. Do you agree with Dr. Wilson's recommendation that, to the extent seasonal energy rate differentials are appropriate, they should be adopted for all customer classes? (Page 67, lines 15-18 of Dr. Wilson's direct testimony.) Please explain why or why not.

b. Please explain how MDU determined which customer classes should be subject to seasonal differentials within the energy rate, and which customer classes should not, under MDU's current rates.

c. For those customers that do have seasonal rates under MDU's current tariffs, please explain how MDU arrived at the seasonal differentials that are currently in place.

PSC-121

Regarding: PSC and MCC Taxes
Witness: Aberle

Do you object to Mr. Baron's recommendation to recover deferred MCC and PSC taxes on a uniform percentage basis factor applied to customer base rate revenues (as described on page 31 and 32 of his direct testimony)? Please explain why or why not.

PSC-122

Regarding: Four Large Infrastructure Investments
Witness: Welte

a. Please provide the completion percentage of each project as of today's date.

b. Please provide the total generation percentage if the project is not 100% producing.

c. Please provide the estimated complete dates for all four investments as of today's date.

PSC-123

Regarding: Four Large Infrastructure Investments
Witness: Welte

a. Please provide a breakdown of the percentage of power flowing to Montana customers from the Lewis and Clark, Big Stone, Thunder Spirit and RICE generators as of today's date.

PSC-124

Regarding: Four Large Infrastructure Investments
Witness: Welte

a. Please provide the total amount of trailing costs thus far incurred on all four large infrastructure investments as an aggregate. If a subcategory is available for the trailing costs and that subcategory accounts for twenty percent or more of the total trailing costs of any one unit, please describe that cost.

PSC-125

Regarding: Account 355
Witness: Robinson

a. On page 42 of your rebuttal testimony, you mention companies often use contractors to perform construction work for several reasons, as the cost for company employees may be higher. Is that the case regarding Account 355?

b. Regarding all accounts in which MDU uses contractors instead of company employees, does MDU track these costs for comparison?

c. On page 8 of your testimony, an Iowa survivor curve labeled 57 R3 is listed for a graph title, as are Iowa 45R1 and Iowa 60 R3. Is it possible the Iowa 57 R3 graph should be labeled Iowa 50 R3? If not please reconcile the graph to the text.

PSC-126

Regarding: Exhibit 4
Witness: Robinson

a. Please describe the event(s) that led to the drastic spikes in experienced net salvage values broken down by account and year.

b. On page 38 you reference "spikes" being discounted. Please describe the method you used to discount the spikes and provide workpapers.

PSC-127

Regarding: PowerPlan
Witness: Robinson

a. Was the implementation of PowerPlan software disclosed in initial testimony? If not, please explain why.

b. When MDU converted to PowerPlan from JDE, how was the conversion reconciled?

c. How did MDU know the new inputted amounts to PowerPlan were correct? Please provide workpapers documenting how the conversion was reconciled.

PSC-128

Regarding: Depreciation
Witness: Robinson

a. If plant can be left in the ground, are you aware of any instances where that plant is considered in the net salvage calculation?

b. If so, how is it disclosed?

c. Do the net salvage values assume company personnel doing the work, or contractors?

d. If such a comparison exits please provide workpapers.

PSC-129

Regarding: Depreciation
Witness: Robinson

a. Throughout the testimony, the survivor curves presented appear arbitrary, as there is no other analysis presented on a set interval for curves of the different accounts. Please explain in further detail why set intervals cannot be used.

b. Is it possible for MDU to provide to the Commission requested survivor curves?

c. If so, please provide them.

PSC-130

Regarding: KVAR Penalty Revenue
Witness: Jacobson

a. You state on page 2 of your rebuttal testimony that "Montana-Dakota has used the three year average in the computation of KVAR penalty revenue in the revenue requirement in both D2007.7.79 and D2010.8.82 rate filings."

b. In the final orders of those dockets, how was the KVAR penalty revenue handled?

PSC-131

Regarding: Self-Insurance Expense
Witness: Jacobson

In the final orders in D2007.7.79 and D2010.8.82, what average was used to calculate self-insurance expense?

PSC-132

Regarding: Transmission Charges
Witness: Jacobson

a. Has MDU recovered transmission charges in D2007.7.79 and D2010.8.82?

b. Please explain.

PSC-133

Regarding: Exhibit No. TRJ-6
Witness: Jacobson

Incorporating the accepted adjustments in Exhibit No. TRJ-6, what is MDU's updated revenue requirement and rate base?

PSC-134

Regarding: Thunder Spirit Generation and Rate 35
Witness: Jacobson

Referencing page 15 of your rebuttal testimony, please elaborate how savings from Thunder Spirit wind generation has already impacted customers as a reduction to fuel and purchased power.

PSC-135

Regarding: Historical ROEs, Reference Materials, R-Squared
Witness: Gaske

a. Page 4 of your rebuttal testimony contains a histogram showing 184 ROEs authorized in electric utility rate proceedings between 2011 and 2015. For each of the 184 authorized ROEs, please provide the name of the electric utility, the name of the state regulatory commission that authorized the ROE, and the date the ROE was authorized. Please order the authorized ROEs from January 2011 through December 2015.

b. Please provide copies of the three studies cited on page 16 and described in footnotes 16, 17, and 18.

c. Please provide a copy of the Fama and French article cited on page 19.

d. Please provide the underlying Beta calculations and associated R-squared statistics referenced on page 20, lines 18-20.

e. Please explain the significance of the R-squared statistic and the witness' definition of "so low there is not statistical significance to the Beta estimate."

PSC-136

Regarding: CAPM, FERC Order, Wilson Comparable Earnings
Witness: Gaske

a. Please provide the information and data to support the statement on page 20, line 20-21, that the Fama and French test of the CAPM hypothesis "is the most comprehensive test of the CAPM hypothesis that has ever been conducted."

b. Please explain in more detail the arguments presented on page 28, lines 1–9, regarding flotation costs and secondary and primary markets.

c. Please provide a copy of the FERC Order referenced on pages 32-33 and in footnote 38.

d. On page 34 of your rebuttal testimony, you state that Wilson's comparable earnings has no perceptible relevance for the task of estimating an allowed rate of return. Yet on page 35, you use the comparable earnings from two of Wilson's exhibits to show that your 10.0% ROE recommendation is reasonable. Please explain how the witness can say the analysis has no relevance but then utilize said analysis to support his own ROE recommendation?

e. Please explain where or how your algebraic interpretation of Wilson's comparable earnings formula shown on page 34 was derived.

PSC-137

Regarding: Wilson Comparable Earnings Formula Page 34
Witness: Gaske

On page 34 Gaske portrayed Wilson's Comparable Earnings algebraically. The first term in the equation is as follows:

$$\frac{\textit{return on equity}}{\textit{Market to Book}}$$

In the following equation on page 34 the algebraic term above has been modified to the following term:

$$\frac{\textit{Earnings per Share}}{\textit{Book Value per Share}} \; X \; \frac{\textit{Book Value per Share}}{\textit{Price per share}}$$

Please explain how the modified term was derived from the term in the first equation.

PSC-138

Regarding: Non-Utility Operations and Other Investment Assets
Witness: Senger

a. What is the value of life insurance policies included in other investment assets? Please itemize the additional assets and their value included in this account.

b. Please itemize the assets held in the non-utility operations account and their value.

c. Gorman states in his direct testimony that in response to data request LCG-58, MDU asserts that the balance sheet items in question are supported by components of both debt and equity. Gorman disagrees. Gorman states that MDU Resources' debt rating generally reflects the relative stability of the utility and pipeline businesses, based on the stability and predictability of the cash flows from the utility-related businesses. He argues that investments that do not produce these cash flows should not get the benefit of the debt issued based on MDU's stable utility businesses. Therefore, he asserts it is reasonable to assume the investments are funded entirely with common equity, and this non-utility equity should be removed from the ratemaking capital structure. Please respond to Gorman's argument.