

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

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IN THE MATTER OF the Application) REGULATORY DIVISION
of Montana-Dakota Utilities Co. for)
Authority to Establish Increased Rates) DOCKET NO. D2017.9.79
for Natural Gas Service in the State of)
Montana)

**DATA REQUESTS MCC-001 THROUGH MCC-108
OF THE MONTANA CONSUMER COUNSEL
TO THE MONTANA-DAKOTA UTILITIES CO.**

MCC-001

Regarding: Property Data
Witness: Robinson

Please provide all property data utilized in the depreciation study, including, but not limited to, additions, retirements, transfers, sales, adjustments, cost of removal, and salvage data; this data should allow for the reconstruction of the analysis and calculations performed as part of the depreciation study. If the historical data were modified such that previously recorded vintage years or retirement years were changed, please provide a detailed narrative discussion explaining and supporting such modification, and provide the data requested herein in its entirety both before and after such modification.

- a. Please provide this data by account, placement, and experience year since the date of inception.
- b. Please provide all survivors for each account as of the study date.
- c. Please include all transaction codes and a description of each transaction code.
- d. Please also provide a description of any production unit / group / location codes if applicable.
- e. Please provide this information in Excel format with formulae intact where applicable.

MCC-002

Regarding: Electronic Copies
Witness: Robinson

Please provide all workpapers, schedules, tables, and exhibits used in the depreciation study or relied upon in conducting the depreciation study in Excel format with formulae intact where applicable.

MCC-003

Regarding: Observed Life Tables
Witness: Robinson

Please provide all final observed life tables generated for each account.

MCC-004

Regarding: Remaining Life Calculations
Witness: Robinson

Please provide all remaining life calculations in Excel format.

MCC-005

Regarding: Average Age of Survivors
Witness: Robinson

Please provide the average age of survivors as of the study date for each production plant by account.

MCC-006

Regarding: Accumulated Depreciation Balances
Witness: Robinson

Please provide the book reserve (accumulated depreciation) balances for each account as of the depreciation study date.

MCC-007

Regarding: Depreciation System/Methods
Witness: Robinson

Please identify and describe any changes in the depreciation system / methodology between the previous depreciation study and the depreciation study filed in this case.

MCC-008

Regarding: Approved/Proposed Schedules
Witness: Robinson

Please provide a schedule showing the currently-approved survivor curves, net salvage rates, and depreciation rates for each account, along with the proposed survivor curves, net salvage rates, and depreciation rates for each account.

MCC-009

Regarding: Previous Study
Witness: Robinson

Please provide a copy of the most recent, previously-filed depreciation study for MDU gas operations.

MCC-010

Regarding: Integrated Resource Plans
Witness: Robinson

Please provide a copy of the Company's most recently-filed integrated resource plan; please also provide a copy of the most recently prepared integrated resource plan.

MCC-011

Regarding: Notes
Witness: Robinson

Please provide all notes taken during any meetings with Company personnel regarding the depreciation study. Identify by name and title, all Company personnel who provided the information, and explain the extent of their participation and the information they provided. Please explain how this information affected the depreciation study.

MCC-012

Regarding: Plant Tours
Witness: Robinson

Please identify all plant tours taken in relation to the depreciation study. For each such tour:

- a. Identify those in attendance and their titles and job descriptions.
- b. Provide all conversation notes taken during the tour.
- c. Provide all photographs and images taken during the tour.
- d. Provide all written materials obtained during the tour.

MCC-013

Regarding: Average Service Lives
Witness: Robinson

Please identify and describe any information obtained from any plant tour, field trip, or discussion with Company personnel, that would indicate that the average service lives of any life span or mass property would be shorter or longer than what is indicated by the retirement rate described by the Company's plant data.

MCC-014

Regarding: External Sources
Witness: Robinson

Please provide copies of all external sources relied upon in conducting the depreciation study, including industry surveys, statistics, and reports.

MCC-015

Regarding: Industry Surveys
Witness: Robinson

Please provide a copy of the most recent industry surveys associated with depreciation statistics.

MCC-016

Regarding: SPR Analyses
Witness: Robinson

Please provide the output of each separate SPR analysis whether relied upon or not, by account.

MCC-017

Regarding: Capital Structure
Witness: Nygard

For the following time periods: September 30 and December 31, 2016, March 31, June 30, and September 30, 2017, please provide the per book capital structure for Montana-Dakota Utilities, and MDU Resources. For each data and corporate entity please break out long-term debt, short-term debt, other debt (specify), preferred or preference stock, common stock, additional paid-in capital, retained earnings and total common equity including equity attributable to unregulated operations, if any.

MCC-018

Regarding: Capital Structure
Witness: Nygard

Please also provide published balance sheet support for each of the capital structures requested in the preceding Data Request, and, if the amounts provided in response to this Data Request are different from those contained in the published balance sheets, please explain why.

MCC-019

Regarding: Cost Rates
Witness: Nygard

For the quarterly time periods September 30 and December 31, 2016, March 31, June 30, and September 30, 2017, please provide the following information for Montana-Dakota Utilities:

- a. Embedded cost rates for long-term debt, short-term debt, other debt and preferred or preference stock;
- b. Computation of embedded cost rates of long-term debt;

- c. Computation of embedded cost rates of short-term debt; and
- d. Computation of embedded cost rates of preferred or preference stock.

Note: Schedules should include date of issue, maturity date, dollar amount, coupon rate, net proceeds, annual interest paid and balance of principal, where applicable.

MCC-020

Regarding: Corporate Structure
Witness: Nygard

Please provide a block diagram that shows the corporate structure of MDU Resources and Montana-Dakota Utilities; also, please list the officers and members of the board of directors of MDU Resources as well as the officers and members of the board of directors of Montana-Dakota Utilities.

MCC-021

Regarding: Consolidating Balance Sheet
Witness: Nygard

Please provide the most recent consolidating (not consolidated) balance sheet for MDU Resources. If the Company is unable to provide the most recent consolidating balance sheet, please explain why.

MCC-022

Regarding: Credit Rating Presentation
Witness: Nygard

Please provide a complete, detailed copy of MDU Resources most recent bond rating agency presentation (i.e., not a slide-show summary, but the volume that discusses in detail the Company's operations, generation, transmission assets, purchased power contracts, financial projections and service territory economics.) Also please consider this an on-going request, so that, if the Company made a presentation in 2016, and makes another presentation during this rate proceeding, the Company is requested to provide the most recent presentation as well.

MCC-023

Regarding: Credit Rating Reports
Witness: Nygard

Please provide the most recent bond rating agency report(s) on MDU Resources and on Montana-Dakota Utilities, if rated separately. [Note: report should be a full report, not an update of a previous report] If such reports are not available, please explain why.

MCC-024

Regarding: Short-term Debt
Witness: Nygard

- a. Please provide the monthly short-term debt balances for Montana-Dakota Utilities for each month from January 2015 through the most recent month available.
- b. Please provide, for each month, the monthly cost-rate of that short-term debt for Montana-Dakota Utilities.
- c. Please provide a narrative description of Montana-Dakota Utilities' and MDU Resources' short-term debt financing arrangements, as well as inter-company borrowing arrangements between Montana-Dakota Utilities and Montana-Dakota Resources.

MCC-025

Regarding: Largest Customer Usage
Witness: Most Appropriate Witness

Please provide a description of Montana-Dakota Utilities' ten largest industrial and/or commercial customers in Montana (name of customer should be withheld), and indicate what percentage of the Company's total 2015 and 2016 Mcf throughput and revenues each represents. Also, please provide copies of any inter-company reports analyzing the potential for any of the listed companies to bypass the utility system, and outlining how the Company would respond to that event.

MCC-026

Regarding: Financial Forecast
Witness: Most Appropriate Witness

If not provided in the material presented to the bond rating agencies, please provide a copy of the Company's (Montana-Dakota Utilities') most recent five-year financial forecast (or

most similar document). If the Company does not prepare a five-year financial forecast, please explain why and provide a complete copy of the most recent and longest-term financial forecast employed by the Company for capital budgeting purposes.

MCC-027

Regarding: Expected Investment Returns
Witness: Most Appropriate Witness

At page 84 and 85 of MDU Resources' 2016 SEC Form 10-K, the company indicates that the expected long-term return on its retirement plan assets is 6.75% and that portfolio contains "40 percent to 50 percent equity securities and 50 percent to 60 percent fixed-income securities." In addition, the investment portfolio is described as consisting of "cash equivalents, fixed-income securities and equity securities."

- a. Please provide the documentation supporting that 6.75% expected long-term return assessment, including long-term return expectations for *each* class of asset in the portfolio (i.e., equities, debt, and other).
- b. Please provide any internal documents prepared by the Company or its investment portfolio or pension fund advisors that support the long-term investment return expectations, as well as any "forward views of the financial markets" on which the Company relied in reaching its pension fund return expectations.

MCC-028

Regarding: Historical Financial Statements
Witness: Nygard

Please provide an income statement, balance sheet and cash flow statement for Montana-Dakota Utilities, each year for the most recent ten years. (Note: if separate financial statements are kept for MDU's gas utility operations, please also provide that information, each year for the past ten years; if not, please so state.)

MCC-029

Regarding: Statement A
Witness: Nygard

With regard to Statement A in the Company's filing in this proceeding, please respond to the following questions:

- a. Please explain why the balance sheets for MDU Resources are presented on a non-consolidated basis.
- b. Is it correct to understand that the non-consolidated balance sheets represent the assets and liabilities of the parent and its utility subsidiaries but excludes the assets and debt capital associated with MDU Resources' unregulated operations? If not, please explain why not.
- c. Is it correct to understand that the MDU Resources unconsolidated balance sheets exclude approximately \$1.1 billion of debt capital that appears on MDU Resources consolidated balance sheets? If not, please explain why not.
- d. Is it correct to understand that the balance sheets provided in Statement A do *not* employ GAAP accounting? If not, please explain why not.
- e. Please provide consolidated balance sheets for MDU Resources at the same dates as shown for the non-consolidated balance sheets provided in Statement A.

MCC-030

Regarding: Statement F

Witness: Nygard

- a. What balance sheets are the source of the capital amounts shown on Statement F, p. 1?
- b. Please provide copies of the balance sheets from which the average 2016 capital amounts were drawn, and provide a sample calculation to show how the average common equity balance was calculated.
- c. Do the capital structures shown on page 1 of Statement F support the assets of all of the divisions of Montana-Dakota Utilities? (Please list each of those divisions)
- d. Please provide the most recent **consolidating** (not **consolidated**) capital structure for Montana-Dakota Utilities. If a **consolidating** capital structure is not prepared for Montana-Dakota Utilities, please explain why.
- e. Please detail and describe how the projected year-end 2017 capital structure amounts were determined.

MCC-031

Regarding: Statement F

Witness: Nygard

- a. Please show how the Pro Forma 2017 capital balances were calculated, and provide the balance sheets from which the data were drawn.
- b. Regarding page 2 of Statement F (Rule 38.5.146), if not already provided, please provide the balance sheets from which the capital amounts shown were drawn.
- c. What corporate entity issued the debt shown on page 3 of Statement F (Rule 38.5.147)? (If more than one, please identify all.)
- d. What corporate entity issued the preferred stock shown on page 1 of Statement F (Rule 38.5.148)?
- e. Please explain why the Preferred Stock was reacquired in April of 2017. Who made that decision?

MCC-032

Regarding: Statement F

Witness: Nygard

Regarding Statement F (Rule 38.5.149), is it correct to understand that the only common stock issued by MDU Resources since 2012 has been employee stock awards, and flotation costs associated with that type of equity issuance has been zero? If not, please explain why not.

MCC-033

Regarding: Overall Cost of Capital

Witness: Nygard

[Ref: Nygard Direct, p. 5, ll. 10-12] Please provide support to show that the elimination of Preferred Stock lowered the Company's cost of capital.

MCC-034

Regarding: Preferred Redemption Charges
Witness: Nygard

[Ref: Nygard Direct, p. 6, ll. 1-2] Please provide numerical support for the statement cited.

MCC-035

Regarding: Debt Prospectus
Witness: Nygard

[Ref: Nygard Direct, p. 8, ll. 1-4] Please provide a complete copy of the prospectus that accompanied the \$100 million issuance of senior notes.

MCC-036

Regarding: Automatic Revenue Recovery
Witness: Nygard

As Controller for Montana-Dakota Utilities is Ms. Nygard able to determine what percentage of revenues for MDU's Montana operations are recovered through automatic adjustment clauses such as fuel clauses or other "true-up" adjustment? If so, please provide that information for each such adjustment clause, if not please explain why not.

MCC-037

Regarding: Inter-corporate Structure
Witness: Kivisto

Please provide a block diagram of MDU Resources group including all subsidiaries (regulated and unregulated) indicating the position of MDU Resources Group within the parent organization. Please also provide a block diagram of the corporate organization of MDU Resources Group, Inc.

MCC-038

Regarding: Rate Filing Rationale
Witness: Kivisto

[Ref: Kivisto Direct, p. 7, ll. 10-12] What are the factors that generally determine the need to file a base rate case and which of those factors are applicable in the instant proceeding? Is Ms. Kivisto solely responsible for the decision to file a base rate request? Please explain your response and identify other responsible parties, if any.

MCC-039

Regarding: SSIP
Witness: Kivisto

[Ref: Kivisto Direct, p. 8 and 9]

- a. Would the SSIP automatically recover pipe replacement costs between rate cases?
- b. As pipe-in-the-ground is replaced with new pipe will the cost of the replacement pipe be included in ratebase and cause rates to increase to account for that additional expense?
- c. Will the SSIP reduce the Company's revenue and net income volatility between rate cases, compared to the current regulatory system? If so, how; if not, please explain why not and provide supporting documentation.
- d. If the SSIP is implemented as requested, what percent of MDU's Montana revenues will be recovered through automatic adjustments?

MCC-040

Regarding: Documentation
Witness: Gaske

Please provide complete copies of each document, article, textbook (pertinent chapter), report or treatise cited by Dr. Gaske in Exhibit__(JSG-1).

MCC-041

Regarding: Electronic Files
Witness: Gaske

If not previously provided, please provide copies of each of Dr. Gaske's Schedules attached to his testimony in electronic spreadsheet format with cells unlocked, formulas available and all original data.

MCC-042

Regarding: Prior Testimony
Witness: Gaske

[Ref: Gaske Direct, Attachment A] Please provide the Case Numbers and date of filing for each of the expert testimonies filed by Dr. Gaske addressing rate of return.

MCC-043

Regarding: Debt Cost Forecasts
Witness: Gaske

[Ref: Gaske Direct, p. 11, ll. 9-14]

- a. Over the past ten years, how accurately has Blue Chip estimated long-term Treasury Bond yield projections. If Dr. Gaske has not undertaken that analysis, please so state and explain why.
- b. Are investors that buy Treasury bonds today aware of projections that T-bond yields will be higher in the future?
- c. Please provide copies of the Blue Chip Financial Forecasts published in June 2014 and June 2015.

MCC-044

Regarding: Dividend Yield Calculation
Witness: Gaske

[Ref: Gaske Direct, p. 14, l. 2-4] Please confirm with a numerical example that with a dividend received “today” the appropriate multiplier for the current dividend is $(1+0.5g)$. Please also explain why, if the basic assumption is an increase in the dividend is “a half year away” (p. 13, l. 22), Dr. Gaske’s model is based on dividends paid “today” and one quarter hence.

MCC-045

Regarding: Cost of Equity/Allowed Return
Witness: Gaske

[Ref: Gaske Direct, p. 15, ll. 5-10]

- a. Please describe the relationship between the cost of equity, the allowed return and the book value of the regulated entity that supports Dr. Gaske's contention that in order "to be able to issue new common stock on reasonable terms...", MDU's gas operations must produce a stock price ("a value on its equity") 4% above book value by multiplying the cost of capital ("the investor return requirement) by 1.04?
- b. If a utility bond with a coupon rate of 5% were issued at a market price 10% above its face value and experienced flotation costs of 4%, would the resulting embedded debt cost be higher or lower than the coupon rate? Why?

MCC-046

Regarding: Sample Group
Witness: Gaske

[Gaske Direct, p. 17, ll. 11-16] Please provide the source data from which Dr. Gaske determined the percentage of operating income from regulated gas distribution operations and the percentage of assets devoted to natural gas distribution.

MCC-047

Regarding: DCF Results
Witness: Gaske

[Gaske Direct, p. 19, l. 18] Please explain why Dr. Gaske elected to report the "third quartile" result of his basic DCF analysis. What was the first quartile result?

MCC-048

Regarding: Monetary Policy
Witness: Gaske

[Ref: Gaske Direct, p. 24, ll.1-4] Please respond to the following questions:

- a. Please explain how monetary policy is an “artificial factor.”
- b. If monetary policy is an artificial factor, wouldn’t capital markets always be affected by this “artificial factor”? Please explain.
- c. Would non-accommodative monetary policy be less artificial than accommodative monetary policy? Please explain.
- d. Are the “market’s expectation for substantially higher interest rates” reflected in current long-term Treasury rates? Please explain.

MCC-049

Regarding: Efficient Markets
Witness: Gaske

[Ref: Gaske Direct, p. 24, ll. 5-14]

- a. Does Dr. Gaske believe that U.S. utility stocks are incorrectly priced and the efficient market hypothesis is invalid? If not, please explain why not; if so, please explain why.
- b. If we assume current market prices are not accurate representations of investor expectations, what method would Dr. Gaske use to determine the cost of equity capital?

MCC-050

Regarding: Company Size
Witness: Gaske

- a. Please describe the “additional business and financial risks that smaller companies face.”
- b. Do all of the risks enumerated also pertain to regulated utilities?
- c. Are small utility companies more or less risky enterprises than small non-utility companies? Please explain.
- d. Are small utility companies like MDU more or less likely to go bankrupt compared to small non-utility companies? Please explain.

MCC-051

Regarding: Company Size
Witness: Gaske

[Ref: Gaske Direct, p. 26, ll. 2-11]

- a. Please provide the Duff & Phelps data cited to in footnote 20.
- b. Does the 1,400 basis point premium apply to utilities only or all “companies in the same size range” as MDU?

MCC-052

Regarding: Documentation
Witness: Gaske

[Ref: Gaske Direct, p. 26, ll. 14, 15] Please cite and provide complete copies of the research to which Dr. Gaske refers.

MCC-053

Regarding: Statistical Analysis
Witness: Gaske

[Ref: Gaske Direct, p. 27, ll. 1-16] Please provide the inputs and outputs of the statistical analysis described in this part of Dr. Gaske's testimony (preferably in Excel format, with cells unlocked and all original data available).

MCC-054

Regarding: Risk Premium
Witness: Gaske

[Ref: Gaske Direct, p. 27, ll. 11-14]

- a. Is it correct to understand that the historical risk premium analysis was based on then-current T-Bond yields (as opposed to near-term or longer-term projected yields)?
- b. Is it correct that the historical risk premium, based on current T-Bond yields is then added to near-term and longer-term projected T-Bond yields (in addition to current T-Bond yields)?

MCC-055

Regarding: Prior Testimony
Witness: Gaske

[Ref: Gaske Direct, p. 28, ll. 1-7] Please provide a complete copy of the first cost of capital testimony in which Dr. Gaske calculated a DCF cost of equity for the S&P 500 as part of his CAPM analysis. Please explain why he began to use this methodology.

MCC-056

Regarding: Market Risk Premium
Witness: Gaske

[Ref: Gaske Exhibit_(JSG-2), Schedule 8, p.1]

- a. Please provide support from the financial literature for a current market risk premium of 9% or greater.

- b. What is Duff & Phelps' current recommendation for the market risk premium for large cap stocks? Please provide support for your response.

MCC-057

Regarding: Appropriate Return
Witness: Gaske

[Ref: Gaske Direct, p. 32, ll. 13-15] Please provide all MDU-specific data used as the basis for the cited statement. If none, please so state.

MCC-058

Regarding: Relative Risk
Witness: Gaske

[Ref: Gaske Direct, pp. 30-32] With regard to the Company's risks relative to that of his proxy group of gas distributors, please respond to the following:

- a. Please describe in detail any instance that has occurred since 2014 in which the Company has been unable to attract capital from investors, or in which the Company's ability to attract capital compared to that of another gas distributor was quantifiably diminished.
- b. How have the business risks inherent in the natural gas distribution industry changed since the Company's 2014 rate case before the Montana PSC?
- c. How have the business risks faced by the Company changed since the Company's most recent rate case before the Montana PSC?

MCC-059

Regarding: Montana Regulatory Risks
Witness: Gaske

[Ref: Gaske Direct, pp. 33, 34] Have there been any changes in the regulatory risks faced by the Company since its most recent rate case proceeding before the Montana PSC that would increase the Company's risk? If so, please detail and describe each of those changes.

MCC-060

Regarding: Montana Financial Risks
Witness: Gaske

[Ref: Gaske Direct, p. 34, 35] Have there been any changes in the financial risks faced by the Company since its most recent rate case proceeding before the Montana PSC? If so, please detail and describe each of those changes.

MCC-061

Regarding: Flotation Costs
Witness: Gaske

[Ref: Gaske Direct, Schedule 2, p.1] Please explain why flotation costs are calculated as a percentage of “net proceeds” instead of a percentage of the issue price.

MCC-062

Regarding: Earnings Growth
Witness: Gaske

[Ref: Gaske Direct, Schedule 4, p.2] Did Dr. Gaske review any other earnings growth rate estimates for the proxy companies? If so, please provide these estimates; if not, please so state.

MCC-063

Regarding: Distribution Integrity Management Plan (DIMP)
Witness: Nicole Kivisto

Ms. Kivisto’s testimony (page 8, line 12) indicates that the Company has a DIMP.

- a. Provide a copy of the DIMP that was in effect during the 2016 test year, as well as any amendments made in 2016 and 2017.
- b. Identify the costs incurred in 2016 by account related to the DIMP.
- c. Identify the costs incurred by month in 2017 by account related to the DIMP.

MCC-064

Regarding: MDU proposed SSIP Adjustment Mechanism

Witness: Stephanie Bosch

- a. Provide the Company's proposed SSIP Adjustment Mechanism, Exhibit No. (SB-1) in Word.
- b. Provide the calculations related to the SSIP, Exhibit __ (SB-2), in Excel.
- c. Provide workpapers and supporting calculations for the SSIP, Exhibit __ (SB-2), in Excel.
- d. Is the Company's proposed SSIP based upon any other utility's adjustment mechanism? If so, identify the other utility's adjustment mechanism and provide a copy of the other utility's plan and the tariff provision.
- e. Refer to page 5, lines 10-11 of Ms. Bosch's testimony. Why are flexible contract rate customers proposed to be exempted from the SSIP?

MCC-065

Regarding: Manual Meter Reading Charge

Witness: Stephanie Bosch

Refer to Ms. Bosch's testimony at page 10.

- a. As of December 31, 2016, and as of the most recent date available: How many customers have AMR-equipped meters?
- b. As of December 31, 2016, and as of the most recent date available: How many customers do not have AMR-equipped meters?
- c. Can customers opt-out of having an AMR-equipped meter installed by the Company at their premises? Explain fully.
- d. Approximately how many customers have their meters read manually?
- e. For each month of 2016 and 2017, how many customers are having the Company read their meter manually because the customer has rejected installation by the Company of an AMR-equipped meter?

MCC-066

Regarding: Annual Meter Reading Revenue
Witness: Stephanie Bosch

How much annual revenue does the Company expect from the Manual Meter Reading Charges?

MCC-067

Regarding: Employee Discount
Witness: Stephanie Bosch

Refer to page 11 of Ms. Bosch's testimony.

- a. What is the current Employee Discount and what is the revised Employee Discount that the Company is proposing?
- b. How much foregone revenue was there in the 2016 test year relating to the Employee Discount? Show calculations of how that amount was estimated.
- c. What amount of additional annual revenue prospectively is anticipated from narrowing the applicability of the Employee Discount to qualifying retirees of MDU Resources and its subsidiaries?
- d. How was the amount identified in response to part c reflected in the Company's filing? Explain fully.

MCC-068

Regarding: 2016/2017 detailed general ledgers
Witness: Kivisto/Nygaard/Jacobson

- a. Provide the Company's detailed general ledger for the 2016 test year.
- b. Provide the Company's detailed general ledger for all months of 2017 which are available.

MCC-069

Regarding: Income tax return
Witness: Kivisto/Nygaard/Jacobson

- a. Provide a complete copy of the 2016 consolidated federal income tax return in which the Company participates. Include all supporting schedules, all consolidating schedules and all pages and statement that are included in the filing with the IRS.
- b. Does the Company file a corporate income tax return with the State of Montana? If so, provide a complete copy of the 2016 Montana income tax return.

MCC-070

Regarding: Embedded CCOS Study
Witness: Jordan Hatzenbuhler

- a. Provide a complete copy of the Class Cost of Service Study in Excel, with formulas and cross references intact.
- b. Are there workpapers associated with the Company's Class Cost of Service Study? If so, please identify and provide those. If available in Excel, include the Excel files for the workpapers.
- c. Is the Company's Class Cost of Service Study linked to any other Excel files? If so, please identify and provide each of the linked Excel files.

MCC-071

Regarding: Leak surveys
Witness: Patrick Darras

- a. Identify and provide copies of the leak surveys that the Company conducted for its Montana gas distribution operations in 2015, 2016 and 2017.
- b. Does the Company maintain information on leaks in its Montana gas distribution operations by type of leak, cause, location and cost of repairing? If not, explain fully why not. If so, identify and provide such information for 2015, 2016 and for 2017 to date.

- c. How does the Company prioritize leak repairs? Explain fully and provide related written policy and procedure documents.

MCC-072

Regarding: Shared services/ Cost Allocation Manual

Witness: Darras/Nygard/Jacobson

- a. Does the Company have a Cost Allocation Manual (CAM)? If so, identify and provide the CAM that was in effect during 2016 and identify and provide any revisions made during 2016 and 2017.
- b. Does the Company have any contracts with affiliates for shared services? If so, identify and provide a complete copy of each such contract.
- c. Does the Company receive invoices from any affiliates for shared services? If so, identify and provide a complete copy of all invoices for 2016 and 2017.
- d. Is the Company charged from affiliates for any services? If so, identify all affiliated charges by account as recorded by the Company in the 2016 test year, and by month for 2017.

MCC-073

Regarding: Shared services to MDU

Witness: Darras/Nygard/Jacobson

- a. Show in detail how costs for shared services are allocated and charged to MDU.
- b. Show in detail how costs for shared services are allocated to MDU Montana gas distribution operations.

MCC-074

Regarding: Pragma CAD system

Witness: Patrick Darras

Refer to page 11 of Mr. Darras' testimony.

- a. When was the Pragma CAD placed into service?

- b. What was the total cost of the Pragma CAD?
- c. How much cost of the Pragma CAD is recorded by MDU? Please show by account.
- d. How much cost of the Pragma CAD is being requested by MDU for its Montana gas distribution utility in its current rate case? Please show by account.
- e. What is the estimated useful life of the Pragma CAD?

MCC-075

Regarding: Pipeline Inspection Manager (PIM) system
Witness: Patrick Darras

Refer to page 13 of Mr. Darras' testimony.

- a. When was the PIM placed into service?
- b. What was the total cost of the PIM?
- c. How much cost of the PIM is recorded by MDU? Please show by account.
- d. How much cost of the PIM is being requested by MDU for its Montana gas distribution utility in its current rate case? Please show by account.
- e. What is the estimated useful life of the PIM?

MCC-076

Regarding: PIM and PCAD
Witness: Patrick Darras

Refer to pages 13-14 of Mr. Darras' testimony.

- a. Are savings anticipated from implementing the PCAD and PIM? If so, identify and provide the cost savings estimates. Include supporting detail identifying projected cost savings by type and by year.
- b. Was there a cost-benefit analysis prepared for either the PCAD or PIM? If so, identify and provide the cost-benefit analysis.

MCC-077

Regarding: Types of Pipe
Witness: Patrick Darras

Refer to pages 15-34 of Mr. Darras' testimony.

- a. Please identify as of December 31, 2016, the miles and related plant cost for each type of distribution system pipe that the Company has in its Montana system.
- b. Please identify as of December 31, 2016, the miles and related plant cost for each type of service line pipe that the Company has in its Montana system.

MCC-078

Regarding: Identification of risk/DIMP model
Witness: Patrick Darras

Refer to Mr. Darras' testimony page 33, lines 10-11.

- a. Show in detail, and explain fully, how the Company identifies risk in its DIMP model.
- b. Is the Company's DIMP model in Excel? If so, please provide the related Excel files. If some other platform is used, please explain.

MCC-079

Regarding: Saco/Bowdoin discontinuance of service
Witness: Patrick Darras/Travis Jacobson

Refer to pages 34-35 of Mr. Darras' testimony.

- a. Show in detail how the \$300,000 in expense was developed.
- b. Has the Company incurred any expense to date related to Saco/Bowdoin discontinuance of service? If so, identify the amounts by account (1) through December 31, 2016 and (2) subsequent to December 31, 2016.
- c. Provide a copy of the letter mailed to affected customers on September 5, 2017.

- d. Has the Company received any responses to the letter and/or customer comments on the discontinuance of service? If so, identify and provide the customer communications regarding discontinuance of service that the Company has received.

MCC-080

Regarding: Saco/Bowdoin discontinuance of service

Witness: Patrick Darras/ Travis Jacobson

Refer to pages 34-35 of Mr. Darras' testimony and to Exhibit __ (PCD-1).

- a. Refer to Exhibit __ (PCD-1). Is the Saco/Bowdoin system located in the Wolf Point District at the "Saco" location shown there? If not, explain the location of the system.
- b. Show how the Saco/Bowdoin system is interconnected with the MDU Wolf Point District system and related transmission and gas gathering facilities. Include related explanations.
- c. How much revenue did MDU receive from customers in the Saco/Bowdoin service area (1) in 2016 and (2) to-date in 2017? Please show both in total for each period and by type of revenue (e.g., base revenue, Gas Cost Tracking Adjustment revenue, etc.)

MCC-081

Regarding: Montana ad valorem tax

Witness: Jacobson

Refer to pages 8-9 of Mr. Jacobson's testimony.

- a. Identify and provide the most recent two assessments of Montana ad valorem taxes.
- b. Identify and explain the time frame for assessing and paying Montana ad valorem taxes.
- c. Does the Company receive an invoice or billing statement for Montana ad valorem taxes? If so, identify and provide the most recent two invoices.

- d. Identify the amounts of ad valorem taxes recorded by account for 2016, and by month for each month of 2017 for which such information is available.
- e. What supporting documentation does the Company have for the \$4,630,983 pro forma amount listed on page 9? Please identify and provide it.

MCC-082

Regarding: Other Operating Revenue
Witness: Jacobson

Refer to pages 9-10 of Mr. Jacobson's testimony. Provide amounts recorded for each of the following types of Other Operating Revenue for each year, 2014 through 2016, and for each month of 2017 to-date:

- a. Work for Others
- b. Other Miscellaneous Services
- c. Rent from Property

MCC-083

Regarding: Other Operating Revenue
Witness: Jacobson

Refer to pages 9-10 of Mr. Jacobson's testimony. Provide amounts recorded for each of the following types of Other Operating Revenue for each year, 2014 through 2016, and for each month of 2017 to-date:

- a. Late payment revenue (and the amount of Sales and Transportation Revenue).
- b. Gains and Losses.
- c. Penalty revenue.

MCC-084

Regarding: Bonuses/incentive compensation
Witness: Jacobson

Refer to Mr. Jacobson's testimony, page 11.

- a. Identify the dollar amount of bonuses and incentive compensation recorded in the test year by account, in total and by each bonus and incentive compensation program.
- b. Identify the dollar amount of bonuses and incentive compensation recorded in pro forma year 2017 by month by account, in total and by each bonus and incentive compensation program.
- c. Identify the dollar amount of bonuses and incentive compensation by account that the Company is requesting be included in its revenue requirement.
- d. Identify and provide a complete copy of each bonus and incentive compensation program that relates to costs that the Company has included in its revenue requirement.

MCC-085

Regarding: Recorded Affiliated Charges
Witness: Jacobson

- a. During 2016 did the Company record any cost for affiliated charges for any bonus or incentive compensation programs? If so, please identify the amounts by account in total and by program.
- b. During 2017 to date, has the Company recorded any cost for affiliated charges for any bonus or incentive compensation programs? If so, please identify the amounts by account in total and by program.

MCC-086

Regarding: Pension and Post-retirement expense
Witness: Jacobson

Refer to pages 11-12 of Mr. Jacobson's testimony.

- a. Identify and provide the two most recent complete actuarial reports for each pension and post-retirement benefit plan for which the Company has reflected costs.
- b. For each pension and post-retirement benefit program, provide a copy of the plan and explain the eligibility requirements.
- c. During 2016 did the Company record any pension or post-retirement costs that were charged or allocated from affiliates? If so, explain fully and identify the amounts by account.
- d. During 2017 to-date did the Company record any pension or post-retirement costs that were charged or allocated from affiliates? If so, explain fully and identify the amounts by account.

MCC-087

Regarding: Uncollectibles
Witness: Jacobson

Refer to Mr. Jacobson's testimony, page 13.

- a. Identify the amount of Uncollectibles accounts expense recorded for each year, 2014 through 2016, and for 2017 to date.
- b. Identify the amount of Sales and Transportation revenue (that relates to Uncollectibles) that was recorded for each year, 2014 through 2016, and for 2017 to date.

MCC-088

Regarding: Leak Survey costs
Witness: Jacobson

Refer to Mr. Jacobson's testimony, page 13.

- a. Identify the amount of leak survey costs recorded by account in 2016.
- b. Identify the amount of leak survey costs in each year in the previous four-year cycle, i.e., in years 2012 through 2015, by account.
- c. Identify the amount of leak survey costs recorded by account to date in 2017.
- d. Identify the amount of leak survey costs that are projected for each of the remaining years in the most recent cycle, i.e., for 2017, 2018 and 2019.

MCC-089

Regarding: Insurance expense
Witness: Jacobson

Refer to page 14 of Mr. Jacobson's testimony.

- a. Identify the amount of self-insurance claims paid by month for 2017 to-date.
- b. Identify and provide the most recent invoices for each type of insurance.
- c. Does the Company maintain a reserve for self-insurance? If so, identify the balances and activity in the self-insurance reserve for each month from January 1, 2012 through the most current month that is available for 2017.

MCC-090

Regarding: Depreciation study
Witness: Jacobson/Robinson

Refer to Mr. Jacobson's testimony, page 15.

- a. Why weren't plant balances through December 31, 2016 used for the depreciation study?

- b. Would updating the plant balances (and related accumulated depreciation balances) through December 31, 2016 for Common assets (from December 31, 2014) or for Gas assets (from December 31, 2015) have any impact on the depreciation rates being requested by the Company? If not, explain fully why not. If so, identify, quantify and explain the impact.
- c. For each Common plant account that was considered in the depreciation study, please provide the comparable December 31, 2016 balances for plant and accumulated depreciation.
- d. For each Common plant account that was considered in the depreciation study, please provide the amount of depreciation expense recorded in each year 2015 and 2016.
- e. For each Gas plant account that was considered in the depreciation study, please provide the comparable December 31, 2016 balances for plant and accumulated depreciation.

MCC-091

Regarding: North Dakota ad valorem taxes and Montana tribal taxes
Witness: Jacobson

Refer to Mr. Jacobson's testimony, page 17 and adjustment 18.

- a. Identify and provide the two most recent assessments for Montana tribal taxes.
- b. Identify the amount of Montana tribal taxes recorded for each month of 2016 and 2017.
- c. Identify the amount of North Dakota allocated taxes by month for 2016 and 2017.

MCC-092

Regarding: Consumer Counsel and PSC tax
Witness: Jacobson

Identify and provide the most recent assessments of the Montana Consumer Counsel tax and PSC tax and the related invoices.

MCC-093

Regarding ADIT, book/tax depreciation differences
Witness: Jacobson

Refer to page 18 of Mr. Jacobson's testimony.

- a. Has the Company claimed bonus tax depreciation on all qualifying plant additions that were placed into service in each year 2012 through 2016? If not, explain fully why not. If so, identify the amounts of bonus tax depreciation claimed in each year.
- b. Does the Company intend to claim bonus tax depreciation on all qualifying plant additions that were placed into service in 2017? If not, explain fully why not. If so, identify the amounts of bonus tax depreciation that the Company plans to claim for 2017 plant additions.
- c. As of December 31, 2016, did the Company have any net operating loss carryforward for federal income tax purposes? If so, identify the amount and show how the NOL CF was built up by tax year through December 31, 2016.

MCC-094

Regarding: Gas stored underground
Witness: Jacobson

Refer to page 20 of Mr. Jacobson's testimony.

- a. Identify the quantity and cost of the month-end balances of gas in underground storage for each month from January 1, 2014 through the most current month available for 2017.
- b. Identify the actual injection and withdrawal activity for the gas in underground storage from January 1, 2014 through the most current month available for 2017 and as forecast for any remaining months in 2017.

MCC-095

Regarding: Preferred stock call premium analysis
Witness: Jacobson

Refer to Mr. Jacobson's testimony, page 22.

- a. Identify and provide the analysis prepared by the Company.
- b. Identify, by account, all costs being requested by the Company for the \$600,000 of Preferred Stock call premium in rate base and in operating expenses.
- c. Is the redemption of all the Company's preferred stock in 2017 a non-recurring transaction?
- d. Is the Company relying upon any Commission orders for its proposal to defer the Preferred Stock call premium on its books and/or to amortize it over 15 years for ratemaking purposes? If so, please identify each Commission order relied upon by the Company for this treatment.

MCC-096

Regarding: Labor Expense
Witness: Jacobson

Refer to the Direct Testimony of Company witness Jacobson as well as Rule 38.5.157, Statement G, Adjustment Nos. 6 and 7.

- a. Referring to page 11 (lines 6-9) of Mr. Jacobson's testimony, please explain fully and in detail how the labor increases of 3.0% and 3.4% for union and non-union employees, respectively, were determined.
- b. On page 11 (line 9), Mr. Jacobson states that the 3.0% and 3.4% labor increases for union and non-union employees, respectively, were effective in 2017. Please state the specific date in 2017 in which each of these labor increases became effective.
- c. For each year 2014 through 2016, please state the labor increase percentages for (1) union employees, and (2) non-union employees, and the respective effective dates.

MCC-097

Regarding: Regulatory Commission Expense
Witness: Jacobson

Refer to the Direct Testimony of Company witness Jacobson, Rule 38.5.157, Statement G, Adjustment No. 16 and pages G52 and G53 from the Rate Case Expense workpaper.

- a. Please explain fully and in detail why the Company is proposing to include ongoing regulatory expense totaling \$67,593 (net of the deferred charge amortization and depreciation study consulting services), in its filing, which MDU is proposing to amortize over three years (\$22,531).
- b. Referring to page G52 from the Rate Case Expense workpapers, please explain fully and in detail what each component of the recurring regulatory expenses which total \$517,484 relates to (e.g., past rate case).
- c. Please cite by date and docket number, all Commission Orders of which the Company is aware that authorized including ongoing regulatory expense in the Company's filing.
- d. Referring to page G53 from the Company's Rate Case Expense workpapers, please explain fully and in detail the rate case related work that is being performed by Concentric.
- e. Referring to page G53 from the Company's Rate Case Expense workpapers, please explain fully and in detail the rate case related work that is being performed by AUS Consultants.

MCC-098

Regarding: Rate Case Expense
Witness: Jacobson

Has the Company included any rate case expense in rate base? If so, explain fully why and identify by amount and account.

MCC-099

Regarding: Regulatory Commission Expense
Witness: Jacobson

As it relates to rate case expense:

- a. Identify the test year, filing date and effective date for the Company's last five Montana gas utility rate cases.
- b. Provide the level of rate case expense incurred for the last five Montana gas utility rate cases broken down by payee or type of activity.
- c. Indicate which cases were settled and which were litigated. For the settled cases, also indicate at which stage they were settled (e.g., after MDU's rebuttal, before hearings, etc.).
- d. Explain fully and in detail why the Company normalized rate case expense over the period it is proposing versus some other period.

MCC-100

Regarding: Working Capital - Materials and Supplies
Witness: Jacobson

Refer to Rule 38.5.157, Statement E (page 1 of 10), Adjustment C. The footnote states that the pro forma column "reflects actual balances December 2015 through June 2017. July to December 2017 reflect per books 2016."

- a. Referring to the pro forma column, do the amounts shown for the December through June reflect December 2016 through June 2017 actuals? If not, explain what those amounts represent.
- b. Please explain fully and in detail the Company's rationale for using actuals for the period December 2016 through June 2017 then using actual 2016 amounts for the period July through December 2017.
- c. Please explain fully and in detail why the pro forma adjustment of \$22,273 is calculated by subtracting the per books beginning (December 2015) and ending (December 31, 2016) average of \$873,659 from the 13-month average of \$851,386 rather than subtracting the per books December 2015-December 2016 13-month average from the pro forma 13-month average.

MCC-101

Regarding: Working Capital - Gas in Underground Storage
Witness: Jacobson

Refer to Rule 38.5.157, Statement E (page 2 of 10), Adjustment D. The footnote states in part that the pro forma column "reflects actual balances December 2015 through May 2017."

- a. Referring to the pro forma column, please confirm that the amounts shown for the December through May reflect December 2016 through May 2017 actuals. If not confirmed, explain fully why not.
- b. Please explain fully and in detail why the pro forma adjustment of (\$1,353,577) is calculated by subtracting the per books beginning (December 2015) and ending (December 31, 2016) average of \$4,103,611 from the 13-month average of \$2,750,034 rather than subtracting the per books December 2015-December 2016 13-month average from the pro forma 13-month average.

MCC-102

Regarding: Working Capital - Prepaid Insurance
Witness: Jacobson

Refer to Rule 38.5.157, Statement E (page 3 of 10), Adjustment E. The footnote states that the pro forma column "reflects actual balances December 2015 through June 2017. July to December reflects Pro Forma 2017 expenses."

- a. Referring to the pro forma column, please confirm that the amounts shown for the December through May reflect December 2016 through June 2017 actuals. If not confirmed, explain fully why not.
- b. Please explain fully and in detail how the July through December 2017 pro forma amounts were derived. Show detailed calculations.
- c. Please explain fully and in detail why the pro forma adjustment of \$97,644 is calculated by subtracting the per books beginning (December 2015) and ending (December 31, 2016) average of \$30,942 from the 13-month average of \$128,586 rather than subtracting the per books December 2015-December 2016 13-month average from the pro forma 13-month average.

MCC-103

Regarding: Prepaid Demand and Commodity Charges
Witness: Jacobson

Refer to Rule 38.5.157, Statement E (page 4 of 10), Adjustment F. The footnote states that the pro forma column "reflects actual balances December 2015 through June 2017. July to December 2017 are based on storage activity and average pricing."

- a. Referring to the pro forma column, please confirm that the amounts shown for the December through May reflect December 2016 through June 2017 actuals. If not confirmed, explain fully why not.
- b. Please explain fully and in detail how the July through December 2017 pro forma amounts were derived. Show detailed calculations.
- c. Please explain fully and in detail why the pro forma adjustment of (\$450,166) is calculated by subtracting the per books beginning (December 2015) and ending (December 31, 2016) average of \$1,142,119 from the 13-month average of \$691,953 rather than subtracting the per books December 2015-December 2016 13-month average from the pro forma 13-month average.

MCC-104

Regarding: Customer Advances for Construction
Witness: Jacobson

Refer to Rule 38.5.157, Statement E (page 10 of 10), Adjustment O. The footnote states that the pro forma column "reflects actual balances December 2015 through June 2017."

- a. Referring to the pro forma column, please confirm that the amounts shown for the December through May reflect December 2016 through June 2017 actuals. If not confirmed, explain fully why not.
- b. Please explain fully and in detail why the pro forma adjustment of \$141,811 is calculated by subtracting the per books beginning (December 2015) and ending (December 31, 2016) average of \$1,868,301 from the 13-month average of \$2,010,112 rather than subtracting the per books December 2015-December 2016 13-month average from the pro forma 13-month average.

MCC-105

Regarding: Rate Base Additions
Witness: Jacobson

Refer to Exhibit No.__(TRJ-2), pages 5-6.

- a. Please explain fully and in detail why the Company has included the line item "Provision - Pension & Benefits" in the pro forma amount of \$6,814,942 as an addition to rate base.
- b. Please cite by date and docket number, all Commission Orders of which the Company is aware, that authorized the inclusion of "Provision - Pension & Benefits" as an addition to rate base.
- c. Please explain fully and in detail why the Company has included the line item "Provision - Injuries & Damages" in the pro forma amount of \$22,148 as an addition to rate base.
- d. Please cite by date and docket number, all Commission Orders of which the Company is aware, that authorized the inclusion of "Provision - Injuries & Damages" as an addition to rate base.

MCC-106

Regarding: Uncollectible Accounts
Witness: Jacobson

Refer to Rule 38.5.157, Statement G, Adjustment No. 10

Please explain fully and in detail how the three-year average write-off percentage of 0.44% was derived. Show detailed calculations.

MCC-107

Regarding: Annualized Revenues
Witness: Jacobson

Refer to Rule 38.5.164, Statement H, pages 6-7.

- a. Please provide pages 6 and 7 of Statement H electronically in Excel with all formulas and calculations intact.

- b. Referring to Statement H, page 6 as it relates to the line item "Large Interruptible Rate 82", please explain fully and in detail how the Distribution Delivery Revenue of \$474,679 and the Tax Tracking Adjustment of \$88,960 were derived. Show detailed calculations.
- c. Referring to Statement H, page 6 under the "Cost of Gas" column, please provide all workpapers electronically in Excel that show how the rate reporting class amounts in that column which total \$43,576,934 were derived.

MCC-108

Regarding: Federal and State Income Tax Rate
Witness: Jacobson

Refer to the electronic version of the Excel file titled "PSC-001 - Rate Base 16", which was provided in MDU's response to PSC-001.

Please show in detail how the state tax rate of 6.75% was derived. Does the 6.75% state income tax rate reflect a combination of tax rates from states other than Montana? If so, identify the state tax rates for each state, identify the source (e.g., a section in the state tax code) for each, and show how they were combined to derive the 6.75% tax rate.