

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-113 THROUGH MCC-139  
OF THE MONTANA CONSUMER COUNSEL  
TO MONTANA-DAKOTA UTILITIES COMPANY**

**MCC-113**

Regarding: Strategic Plans  
Witness Travis Jacobson

- a. Please provide the Business Plans and Strategic Plans for 2017 and 2018.
- b. Is there a multi-year (e.g. 2017-2019 or some other period including 2017) Strategic Plan or series of updated Plans (similar to the 2014-2016 Strategic Plans for MDU that were provided in response to Audit Data Request No. 6)? If so, please identify and provide it.
- c. For the initial version of the 2014-2016 Strategic Plan, please show in detail how the return targets and weighted average cost of capital in Critical Success Factor #5 were derived.

**MCC-114**

Regarding: Strategic Plans - "Create Shareholder Value" objective  
Witness: Travis Jacobson

For the 2016 Update of the 2014-2016 Strategic Plan, for Critical Success Factor #5, please identify, quantify and explain what the target is for the "create shareholder value" objective to achieve a certain combined utility return on invested capital. Also:

- a. Show in detail how the average cost of capital target is derived, and include the supporting calculations.
- b. Show in detail how the combined utility return on investment capital is derived.
- c. Was any measurement made for 2016 of how the combined utility return on invested capital compared with the average cost of capital? If not, explain fully why not. If so, identify, quantify and explain the comparison and the related calculations.

**MCC-115**

Regarding: Trial Balances  
Witness Travis Jacobson

- a. Please provide monthly trial balances for MDU and MDU Resources updated through December 31, 2017 as soon as they are available.
- b. On those trial balances, please identify the amounts that are for MDU Montana Gas utility operations.

**MCC-116**

Regarding: 2015 federal income tax return  
Witness Travis Jacobson

Please provide a complete copy of the 2015 federal income tax return.

**MCC-117**

Regarding: Excavation Damages  
Witness Patrick Darras / Travis Jacobson

- a. Please explain fully and in detail the process for billing for excavation damages caused by non-affiliated third parties. Include a copy of written policies.
- b. Please identify and provide the documentation maintained for the instances of excavation damage in 2016 and 2017. Provide a copy of the reports generated for each instance of excavation damage in these years.

- c. Please identify and provide the invoices and billings to third parties for excavation damage cost recovery in 2016 and 2017.

### MCC-118

Regarding: Identification of Risk/DIMP Model

Witness: Patrick Darras

Refer to the response to MCC-078 and referencing the demonstration of the software used for the DIMP model that was provided during MCC's on-site visit on December 18, 2017:

- a. Please provide copies of the "DIRT" (Distribution Integrity Reporting Tool) reports that were issued for 2015, 2016 and 2017 to date.
- b. Please explain fully and show in detail how factors that are used by the Company in assessing risk were utilized in determining each of the **five highest** risk areas associated with identifying risk in the DIMP model for MDU Montana Gas. Include an identification and description of the MDU gas utility facilities that are located in each of those highest risk areas.
- c. Please explain fully and show in detail how factors that are used by the Company in assessing risk were utilized in determining each of the **five lowest** risk areas associated with identifying risk in the DIMP model for MDU Montana Gas. Include an identification and description of the MDU gas utility facilities that are located in each of those lowest risk areas.

### MCC-119

Regarding: Labor Costs for 12 months ending September 30, 2017

Witness Travis Jacobson

Please provide the MDU labor costs, broken out by payroll, each type of employee benefit cost, and each type of incentive compensation, by account, for the 12 months ended September 30, 2017.

### MCC-120

Regarding: Labor Costs for 12 months ending December 31, 2017

Witness Travis Jacobson

As soon as the information is available (anticipated approximately 2 weeks into January 2018) please provide the MDU labor costs, broken out by payroll, each

type of employee benefit cost, and each type of incentive compensation, by account, for the 12 months ended December 31, 2017.

### **MCC-121**

Regarding: Aldyl A pipe

Witness: Patrick Darras

- a. How much Aldyl A pipe was in the MDU Montana system as of 12/31/2016 and now at 12/31/2017? How much of that was installed through 1970? How much was installed from 1971-1982? How much was installed from 1983 through the present? Please provide the Company's best approximations if installation time frames and installation footage information is not known with precision.
- b. How much Aldyl A pipe has been replaced in each of the five years through 2017, and what was the cost of replacing the Aldyl A pipe in each of the five years through 2017?
- c. How much Aldyl A pipe does MDU plan to replace in each year 2018-2024 if its requested SSIP is approved?
- d. What is the estimated cost of replacing the Aldyl A pipe in each year 2018-2024? Include details showing how the replacement cost is estimated.
- e. How much Aldyl A pipe does MDU plan to replace in each year 2018-2024 if its requested SSIP is NOT approved?

### **MCC-122**

Regarding: Inside meters

Witness: Patrick Darras

- a. How many inside meters were in the MDU Montana system as of 12/31/2016 and now at 12/31/2017?
- b. Does the Company know the locations (e.g., towns, cities, districts within its Montana gas distribution system, specific building locations) of the inside meters? If so, please indicate the number of inside meters by location as the Company tracks such information.
- c. How many inside meters have been replaced (or relocated to an outside location) in each of the five years 2013 through 2017, and what was the

cost of replacing/relocating the inside meters in each of the five years 2013 through 2017?

- d. How many inside meters does MDU plan to replace/relocate in each year 2018-2024 if its requested SSIP is approved? If not approved?
- e. What is the estimated cost of replacing/relocating the inside meters in each year 2018-2024? Include details showing how the replacement/relocation cost is estimated.

### **MCC-123**

Regarding: Low pressure portions of system

Witness: Patrick Darras

- a. How much of the MDU Montana system as of 12/31/2016 and 12/31/2017 is considered to be low pressure that MDU is targeting for replacement?
- b. How much of the low pressure system has been replaced in each of the five years 2013 through 2017?
- c. How much of the low pressure system is considered “high risk” per the Company’s DIMP?
- d. How much of the high-risk portions of the low pressure system does MDU plan to replace in each year 2018-2024 if its requested SSIP is approved?
- e. How much of the high-risk portions of the low pressure system does MDU plan to replace in each year 2018-2024 if its requested SSIP is NOT approved?

### **MCC-124**

Regarding: DIMP Risk Factors

Witness: Patrick Darras

- a. Please list and explain each of the risk factors that are considered in MDU’s DIMP.
- b. Please show the low, medium and high-risk ranges used in the DIMP (as shown on one of the screen shots for the DIMP) for (1) services, (2)

mains and (3) joints.

- c. Please identify the highest risk segments in the DIMP for (1) services, (2) mains and (3) joints and show in detail how the risk factors were accumulated and processed to produce those risk rankings.

#### **MCC-125**

Regarding: DIMP Risk Factors

Witness: Patrick Darras

- a. Please explain the risks associated with Dresser couplings on older vintages of pipe.
- b. How is the existence or suspected existence of Dresser couplings on older pipe installations identified and considered in the DIMP model evaluation of risk?
- c. During the five years 2013 through 2017, has the Company experienced any grade 1 leaks in its Montana gas distribution system related to Dresser couplings? If so, please identify and explain each instance.

#### **MCC-126**

Regarding: DOT 7100 Reports

Witness: Patrick Darras

- a. Refer to the response to MCC-077. Please provide similar DOT 7100 reports for the previous five years.
- b. Is the leak information that is reported in the DOT 7100 reports considered by the Company in assessing risk in its Montana gas distribution system? If not, explain fully why not. If so, please explain how.
- c. Over the five-year period 2013 through 2017, has the Company noticed any trends in hazardous leaks in its Montana gas distribution system, such as by cause or by location or by type of pipe or fittings involved? If so, please identify and explain the trends that the Company has identified.
- d. How are each of the trends in hazardous leaks that were identified in response to part c being addressed in the Company's DIMP?

### **MCC-127**

Regarding: Pension Expense Pro forma  
Witness: Travis Jacobson

Refer to Workpaper G6 and to the adjustment for Pension and Postretirement Benefits.

- a. Please update the G6 calculations to reflect the correct amounts per the actuarial reports.
- b. Please update the pension and postretirement benefit adjustment to reflect the G6 corrections requested in part a.

### **MCC-128**

Regarding: Audit Data Request 12 – Advertising/Dues  
Witness: Travis Jacobson

Referring to the listing of Payments for Services to Persons Other than Employees-Gas that was provided in response to Audit Data Request 12.

- a. In what account(s) and in what amount(s) did MDU record the \$16,452 for 2016 for Client Focused Media, Inc? Identify and provide copies of the advertisements and ad scripts to which the Client Focused Media costs relate.
- b. In what account did MDU record the \$251 allocated amount for EEI USWAG membership dues?
- c. Why are EEI USWAG membership dues being charged to MDU Montana Gas utility operations?
- d. In what account did MDU record the \$27 for Lignite Energy Council dues? Why are Lignite Energy Council dues being charged to MDU Montana Gas utility operations?
- e. Did MDU include in rate base or operating expenses any of the amounts listed in parts a through d, above? If so, identify which amounts were included in rate base or operating expenses by account and explain why such amounts should be recovered from MDU Montana gas utility customers.

### **MCC-129**

Regarding: Audit Data Request 12 – Services/Lobbying

Witness: Travis Jacobson

- a. In what account did MDU record the \$74,091 allocated amount from Olympus Technical Services for “PS&I remediate Billings Gas Plant”?
- b. In what accounts and in what amounts did MDU record the \$10,975 for Temp Services (payment to Spherion Staffing LLC)?
- c. In what account did MDU record the \$3,310 allocated amount from Gary Forrester for “Lobbying and Promotion”?
- d. Did MDU include in rate base or operating expenses any of the amounts listed in parts a through c, above? If so, please identify which amounts were included in rate base or operating expenses by account and explain why such amounts should be recovered from MDU Montana gas utility customers.

### **MCC-130**

Regarding: Heating Degree Days for weather normalization

Witness: Travis Jacobson

- a. Please provide the Excel file showing the Heating Degree Days from the weather stations in Montana that were used for determining normal weather in the Company’s pro forma adjustment for weather normalization, and how the Company derived the “Normal Degree Days” amounts on workpapers H16 and H18.
- b. Does the Company have similar information through a more recent date in 2017? If so, please include that more up-to-date information with your response.

### **MCC-131**

Regarding: Gas stored underground details

Witness: Travis Jacobson

Refer to workpapers E1 and E2. Please explain how the Company can have a negative balance sheet amount for the cost for gas stored underground at the end of some months, such as February, March and April 2017.

### **MCC-132**

Regarding: Gas stored underground details  
Witness: Travis Jacobson

Refer to workpapers E1 and E2. Please provide monthly information for actual quantities and cost of gas stored underground from January 1, 2015 through December 31, 2017, including the following information for each month:

- a. Quantity, total cost, and unit cost of base gas.
- b. Injections / (withdrawals) of gas (break out the withdrawals between working gas and base gas).
- c. Cost of injected (withdrawn) gas (break out the cost for withdrawals between working gas and base gas).
- d. Quantity, total cost and unit cost of working gas.

### **MCC-133**

Regarding: Gains and loss on property sold  
Witness: Travis Jacobson

Refer to page 10 of Mr. Jacobson's testimony and to Statement H, page 8. For each of the sales of land and office buildings that resulted in a gain or loss that the Company is amortizing please provide the following information:

- a. A description of the property.
- b. The gross and net book value at the time of the sale, as well as the gain or loss on the sale and how that was calculated.
- c. The date when the property was acquired, the date when the property was sold, and the dates during which the property was used in the provision of public utility service.
- d. The Company's reasoning for selecting a five-year amortization period, and the date the amortization commenced for each land parcel and building that was sold.
- e. The amount of amortization for each land parcel and each building sold that was recorded on the Company's books during the 2016 test year, and identification of similar details for any additional sales of land and

buildings that have occurred in 2017.

**MCC-134**

Regarding: Compensation studies  
Witness: Travis Jacobson

Please identify and provide the compensation studies that were used to set base pay, employee benefits and incentive compensation for non-union employees in 2016 and 2017.

**MCC-135**

Regarding: Compensation policies  
Witness: Travis Jacobson

Please identify and provide the Board of Directors minutes and Board compensation committee minutes in 2015, 2016 and 2017 that address compensation policies for base pay, incentive compensation and employee benefits.

**MCC-136**

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

- a. Please identify and provide the Board of Directors minutes and presentations to the Board in 2015, 2016 and 2017 that address the abandonment of the Saco service area.
- b. Has the Board of Directors approved the Company-proposed \$5,000 amount per customer? If not, please explain fully why not. If so, identify and provide the Board authorization for that amount.
- c. Refer to the responses to MCC-079 and MCC-080. At the public meeting on September 18, 2017, did the Company have a written presentation or presentation notes? If so, please identify and provide those.
- d. Refer to the response to MCC-080 Attachment C. How has the Company treated the distribution margin amounts listed there in calculating its claimed revenue deficiency?

### **MCC-137**

Regarding: Abandonment of Saco/Bowdoin - taxes

Witness: Travis Jacobson / Patrick Darras

- a. How will the abandonment of the Saco service area affect the Company's Gas Tax Tracking Adjustment?
- b. If the Saco service area is abandoned, will that impact the amount of property taxes on MDU Montana Gas Distribution system utility property? If not, please explain fully why not. If so, by how much?
- c. What are the 2017 property taxes on the MDU utility property in the Saco service area that the Company is proposing for abandonment?

### **MCC-138**

Regarding: Impact of Federal Tax Legislation

Witness: Travis Jacobson

Please provide an analysis of the impact of the December 2017 federal income tax legislation on the Company. Include a quantification of the impact of the reduction of the corporate income tax rate from 35% to 21% on the rates proposed in this present docket. Also include an analysis of any other significant impacts that can be identified and quantified by the Company, such as an identification of the amount of excess Accumulated Deferred Income Taxes for MDU Montana-gas created by the change in the corporate income tax rate.

### **MCC-139**

Regarding: Bonus tax depreciation & NOLs

Witness: Travis Jacobson

- a. Did the Company claim any bonus tax depreciation on utility plant additions on its 2016 federal income tax return? If so, please identify the amounts of 2016 bonus tax depreciation claimed on MDU Montana Gas utility property and common property. Does the Company intend to claim any bonus tax depreciation on 2017 utility plant additions when it files its 2017 federal income tax return? If so, identify the amounts of 2017 bonus tax depreciation that the Company plans to claim on MDU Montana utility property and common plant additions in 2017.
- b. If the Company did not claim bonus tax depreciation on 2016 utility plant additions or does not plan to claim bonus tax depreciation on 2017 utility

plant additions, please identify and provide all analysis performed by or for the Company supporting its decision to not claim bonus tax depreciation on 2016 or 2017 utility plant additions.

- c. Does the Company have a net operating loss carryforward (1) in total or (2) on its Montana regulated gas distribution utility operations, as of any of the following dates: (i) 12/31/2015; (ii) 12/31/2016 or (iii) 12/31/2017? If so, identify the amounts and show in detail how they were derived.
- d. Does the Company have any projections of taxable income or how it will utilize its NOL carryforwards that existed as of 12/31/2016 or 12/31/2017? If so, please identify and provide those projections and analysis.
- e. Does the Company intend to claim bonus tax depreciation on all plant that the Company is requesting be included in the SSIP? If not, please explain fully why not. If so, what are the estimated amounts of bonus tax depreciation (1) under current federal income tax law and (2) if different, under the federal income tax legislation that was passed by Congress in December 2017?