

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-144 THROUGH MCC-173
OF THE MONTANA CONSUMER COUNSEL
TO THE MONTANA-DAKOTA UTILITIES COMPANY**

MCC-144

Regarding: Accumulated Deferred Income Taxes
Witness: Most Appropriate Witness

Company Exhibit TRJ-2 shows adjusted Accumulated DITs of \$15,640,817 on a pro forma basis as a net deduction to rate base, and Company Statement J, page 18 of 21 shows that the \$15,640,817 is comprised of the following components:

MONTANA-DAKOTA UTILITIES CO.		
ACCUMULATED DEFERRED INCOME TAXES		
GAS UTILITY - MONTANA		
	Average	
	Balance	
ADIT Component	12/31/2017	
Liberalized Depreciation	\$13,069,661	
Full Normalization	259,469	
R&D Tax Carryforward	(35,293)	
Prepaid Demand Charges	385,024	
Unamortized Loss on Debt	77,419	
Provision for Pensions & Benefits	2,691,517	
Provision for Injuries & Damages	8,364	
Discontinued Service - Saco, MT	(39,388)	
Customer Advances	(775,956)	
	<u>\$15,640,817</u>	
Balance	<u>\$15,640,817</u>	

For each component of the Accumulated DIT listed above, please provide the following information:

- a. The state income tax rate used to compute the ADIT.
- b. The federal income tax rate used to compute the ADIT.
- c. The combined state and federal income tax rate used to compute the ADIT.
- d. The balance to which the income tax rates were applied to compute the ADIT.
- e. A reconciliation of the combined tax rate used (per the response to part c) with the 39.3875% combined income tax rate used by the Company. Identify, quantify and explain each reconciling item.

MCC-145

Regarding: Accumulated Deferred Income Taxes

Witness: Most Appropriate Witness

Refer to Exhibit No. TRJ-2.

- a. Please show in detail how the \$39,388 addition to rate base for ADIT was derived from the \$100,000 amount for Saco Discontinued Service.
- b. Please show in detail how the Company would record ADIT (by account) related to the costs that are being requested for Saco Discontinued Service.
- c. Should the \$39,388 ADIT amount be a reduction to rate base? If not, please explain fully why not.

MCC-146

Regarding: Accumulated Deferred Income Taxes

Witness: Most Appropriate Witness

Refer to Exhibit No. TRJ-2.

- a. Please show in detail how the \$45,090 addition to rate base for ADIT was derived from the \$141,811 amount for Customer Advances.
- b. What state and federal income tax rates were used to compute the \$45,090?

- c. Exhibit TRJ-2 shows pro forma Customer Advances of \$2,010,112. Statement J, page 18 of 21 shows ADIT for Customer Advances of \$775,956. What state and federal income tax rates were applied to the \$2,010,112 Customer Advances to compute the related ADIT?

MCC-147

Regarding: Accumulated Deferred Income Taxes
Witness: Most Appropriate Witness

Refer to Exhibit No. TRJ-2.

- a. Please show in detail how the \$8,536 subtraction to rate base for ADIT was derived from the \$14,497 amount for Injuries and Damages.
- b. What state and federal income tax rates were used to compute the \$8,536?

MCC-148

Regarding: Accumulated Deferred Income Taxes
Witness: Most Appropriate Witness

Refer to Exhibit No. TRJ-2.

- a. Please show in detail how the \$50,966 addition to rate base for ADIT was derived from the \$139,954 amount for Pensions and Benefits.
- b. What state and federal income tax rates were used to compute the \$50,966?

MCC-149

Regarding: Accumulated Deferred Income Taxes
Witness: Most Appropriate Witness

Refer to Exhibit No. TRJ-2.

- a. Please show in detail how the \$20,274 subtraction to rate base for ADIT was derived from the \$50,762 amount for Loss on Debt.
- b. What state and federal income tax rates were used to compute the \$20,274?

MCC-150

Regarding: Accumulated Deferred Income Taxes
Witness: Most Appropriate Witness

Refer to Exhibit No. TRJ-2 and to Statement J, page 18 of 21.

- a. To what amount of Prepaid Demand Charges does the \$385,024 of ADIT for Prepaid Demand Charges relate?
- b. What state and federal income tax rates were used to compute the \$385,024 for ADIT for prepaid demand charges?

MCC-151

Regarding: Accumulated Deferred Income Taxes
Witness: Most Appropriate Witness

Refer to Exhibit No. TRJ-2 and to Statement J, page 18 of 21.

- a. To what amount of Pensions and Benefits in rate base does the \$2,691,517 of ADIT for Pensions and Benefits relate?
- b. What state and federal income tax rates were used to compute the \$2,691,517 for ADIT for Pensions and Benefits?

MCC-152

Regarding: Accumulated Deferred Income Taxes
Witness: Most Appropriate Witness

Refer to Exhibit No. TRJ-2 and to Statement J, page 18 of 21.

TRJ-2 shows \$192,794 as the pro forma amount in rate base for Unamortized Loss on Debt. Statement J, page 18 of 21, shows \$77,419 as the ADIT for Unamortized Loss on Debt. What state and federal income tax rates were used to compute the \$77,419 for the ADIT related to the Unamortized Loss on Debt?

MCC-153

Regarding: R&D Tax Carryforward
Witness: Most Appropriate Witness

Refer to Statement J, page 18 of 21.

- a. Was a reduction to 2016 income tax expense reflected related to the \$35,293 on Statement J, page 18 of 21, for R&D Tax Carryforward? If not, please explain fully why not. If so, show the impact on 2016 income tax expense related to the R&D Tax carryforward.
- b. What was the 2016 amount of book expense for R&D? Please show amounts by account.
- c. What is the related 2016 tax deduction for R&D?
- d. Why is there a difference between the book expense for R&D and the tax deduction for R&D?
- e. What caused the R&D for 2016 to result in a tax carryforward?

MCC-154

Regarding: R&D Tax Carryforward Reversal
Witness: Most Appropriate Witness

Refer to Statement J, page 18 of 21.

Over what period will the R&D tax carryforward reverse? Please show estimated amounts of reversal for each year in that period.

MCC-155

Regarding: Accumulated Deferred Income Taxes
Witness: Most Appropriate Witness

Statement J, page 18 of 21, shows ADIT of \$13,069,661 for Liberalized Depreciation and \$259,469 for Full Normalization.

- a. What state and federal income tax rates were used to compute each of those amounts?

- b. To what specific differences between book and tax results for average 2017 were the state and federal income tax rates identified in part a. applied to, to derive the \$259,469 for Full Normalization?

MCC-156

Regarding: Injuries and Damages
Witness: Jacobson

- a. Please provide a listing and explanations of all of the entries recorded in the Provision for Injuries and Damages and the related expense accounts for 2016, starting with the 1/1/2016 balance and continuing through the 12/31/2016 balance.
- b. Please provide a listing and explanations of all of the entries recorded in the Provision for Injuries and Damages and the related expense accounts for 2017, starting with the 12/31/2016 balance and continuing through the 12/31/2017 balance.

MCC-157

Regarding: Pension Amount in Rate Base
Witness: Jacobson

Refer to the response to MCC-105 and the electronic workpapers provided in response to PSC-001. In this response, MDU cited Commission Order 5856b in Docket No. D95.7.90 as its authorization to include the “Provision for Pension & Benefits” in the pro forma amount of \$6,814,942 in the Company’s rate base. Specifically, the Company’s response to MCC-105 cites point numbers 53-55 (pages 25-27) of Order 5856b as the basis for the Company’s inclusion of Pension & Benefits in rate base.

- a. Please identify the specific discussion in Order 5856b (point numbers 53-55) upon which the Company is relying for its proposed inclusion of the provision for pension & benefits in rate base.
- b. Refer to the electronic Excel workpaper titled “PSC-001 Rate Base 16” on the tab titled “Stmt E” as it relates to Adjustment H. The provision for pension and benefits of \$6,814,942 is a hard-coded amount in various cells within the referenced workpaper. Please show in detail and explain fully how the \$6,814,942 was derived. Please show detailed calculations.

- c. Can the \$6,814,942 be reconciled to any actuarial reports? If “yes,” please provide the reconciliation. If not, please explain fully why not.
- d. Refer to the electronic Excel workpaper titled “PSC-001 Rate Base 16” on the tab titled “Stmt E” as it relates to Adjustment H. The accumulated deferred income taxes (“ADIT”) in the credit amount of \$2,691,517 that relate to the provision for pension and benefits is a hard-coded amount in various cells within the referenced workpaper. Please show in detail how the credit amount of \$2,691,517 was derived, including details on the state and federal income tax rates that were used to compute that amount, as well as the amount for Pensions and Benefits to which the income tax rates were applied. Please show detailed calculations.

MCC-158

Regarding: Accounting Policies
Witness: Robinson

Please identify and provide a copy of the Company’s accounting policies and procedures for plant retirements and cost of removal.

MCC-159

Regarding: Company Programs Regarding Service Life
Witness: Robinson

Please identify and provide copies of Company programs and plans that might substantially affect the remaining lives of any plant assets.

MCC-160

Regarding: Placement and Experience Bands
Witness: Robinson

Regarding the placement and experience bands chosen for the analysis of each account, please explain why such bands were chosen and if any other bands were considered for conducting depreciation analyses.

MCC-161

Regarding: Removal Cost and Installation Policy
Witness: Robinson

Please provide copies of any internal memos, policies, studies, etc., identifying the appropriate allocation or treatment of costs between cost of removal and the installation of new investment when a retirement occurs, and a replacement investment is installed at the same location. Further, provide all support, justification and related documents associated with establishing the allocation levels.

MCC-162

Regarding: Historical Plant Data
Witness: Robinson

Please state whether the recorded vintage years of retirement have been modified in the historical data used to conduct the depreciation study. If so, please specifically identify such modifications by account, and provide all justification and support for the same.

MCC-163

Regarding: Account 390 Common
Witness: Robinson

Please identify each time in the last 20 years when the Company retired one of its general office structures in Account 390 Common Plant, or terminated a lease and moved to a new location. For each such instance, identify the dollar level of retirements, a description of what was retired, along with the corresponding cost of removal and net salvage.

MCC-164

Regarding: Net Salvage
Witness: Robinson

Please identify the dollar amount of cost of removal incurred, by account, for accounts 376 and 380 by year for the past 10 years associated with emergency retirement activity.

MCC-165

Regarding: Statement H, page 7
Witness: Jordan Hatzenbuhler

Please provide an electronic copy of Statement H, page 7, in Excel format, including all supporting workpapers with all links and formulas intact.

MCC-166

Regarding: Statement L
Witness: Jordan Hatzenbuhler

Please provide an electronic copy of Statement L, in Excel format, including all supporting workpapers with all links and formulas intact.

MCC-167

Regarding: Statement M
Witness: Jordan Hatzenbuhler

Please provide an electronic copy of Statement M, in Excel format, including all supporting workpapers with all links and formulas intact.

MCC-168

Regarding: Statement O, Part B
Witness: Jordan Hatzenbuhler

Please provide an electronic copy of Statement O, part B, in Excel format, including all supporting workpapers with all links and formulas intact.

MCC-169

Regarding: Exhibit No. JRH-1
Witness: Jordan Hatzenbuhler

Please provide an electronic copy of Exhibit No. JRH-1, in Excel format, including all supporting workpapers with all links and formulas intact.

MCC-170

Regarding: Exhibit No. JRH-2
Witness: Jordan Hatzenbuhler

Please provide an electronic copy of Exhibit No. JRH-2, in Excel format, including all supporting workpapers with all links and formulas intact.

MCC-171

Regarding: Statement H, Adjustment No. 2.
Witness: Travis R. Jacobson

Please provide an electronic copy of Statement H, Adjustment No. 2, in Excel format, including all supporting workpapers with all links and formulas intact.

MCC-172

Regarding: Weather Normalization Adjustment
Witness: Travis R. Jacobson

Please provide a detailed narrative description of MDU's proposed weather normalization adjustment of \$6,685,522.

MCC-173

Regarding: Normal Weather
Witness: Travis R. Jacobson

With reference to page 26, lines 9-11 of Mr. Jacobson's testimony, please provide electronic copies in Excel format, including all supporting workpapers with all links intact, of all calculations and/or analyses performed by MDU to determine that weather in 2016 was 12.4% warmer than normal. Please include all calculations made to produce the "normal weather" data used to support the comparison of actual 2016 weather with normal weather.