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

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO CHANGE AND ESTABLISH NATURAL GAS DELIVERY SERVICE RATES FOR ENERGY WEST MONTANA, INC. AND CUT BANK GAS COMPANY	UTILITY DIVISION Docket No. D2017.9.80

ENERGY WEST MONTANA'S AND CUT BANK GAS COMPANY'S RESPONSES TO DATA REQUESTS PSC-003 THROUGH PSC-011 AND PSC-013 THROUGH PSC-022

Energy West Montana ("EWM") and Cut Bank Gas Company ("CBG") provide the attached responses to the Montana Public Service Commission's Data Requests PSC-003 through PSC-011 and PSC-013 through PSC-024.

Respectfully submitted this 29th day of November, 2017.

s/ Nikolas S. Stoffel
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DATA REQUESTS

PSC-003: RE: Daily Volumes
Witness: Henthorne

For January 1, 2016 through August 31, 2017, please provide an Excel-readable file including Great Falls daily degree day measure, MDDQ and daily volumes for Energy West Montana ("EWM"), EWM tracker customers, negotiated contract customers, and large commercial tariff customers.

Response to PSC-003:

Please reference tab "Daily 12-2013_8-2017" in Attachment PSC-003. This worksheet is the same worksheet filed in response to data requests in Dockets 2014.7.63, D2016.9.74, and D2017.6.46. For continuity, the data for January 1, 2016 – August 31, 2017 has been added to the bottom of the Daily 12-2013_8-2017 tab.

PSC-004: RE: Allocation of Reserved Capacity Costs
Witness: Henthorne

a. In your testimony at 29:4-7, you testify that tracker customers are allocated the residual MDDQ of total EWM reserved capacity less MDDQ for the large commercial and negotiated contract customers. Please illustrate this calculation and explain the origin of each MDDQ value assigned to large commercial and negotiated contract customers.

b. In your testimony at 31:6-7, you testify that EWM is proposing language to the large commercial and negotiated contract tariffs to reset customer MDDQ if MDDQ is exceeded. Customer MDDQ will be automatically established at the higher volume. Will tracker customer MDDQ be automatically established at the new, lower, residual value?

c. If the Commission approves these tariff proposals, do you agree that large commercial (except Option 2) and negotiated contract customers will be allocated the cost of reserved capacity on a non-coincident peak basis?

d. If tracker customers are allocated the residual of total EWM reserved capacity and LC/NC MDDQ, determined according to non-coincident peak, do you agree that the tracker customer reserved capacity allocation will likely be substantially less than its own non-coincident peak? If not, please explain.

Response to PSC-004:

a. Please reference the "Summary" tab in Attachment PSC-004(a). Line 3 of page 1 shows the 43,063 Dkt MDDQ contracted for by EWM with NWE. Lines 5 – 8 in the Current column show the MDDQ's specifically assigned to each of the Large Commercial and Negotiated customers. Line 10 shows the residual MDDQ assigned to the tracker customers of 37,147 Dkt. It is important to understand that the cost of the 37,147 Dkt as shown on line 22 does not represent the cost to the tracker customers. The credits from Montana Refining and the Large Commercial customers must be applied to achieve the net cost of $4,222,924 (line 26).

Turning to the specific MDDQ values, the value of 2,607 for Montana Refining consists of the 2,100 Dkt contracted for in their previous contract plus the 507 Dkt that EWM's system MDDQ increased on January 4, 2017. MAFB's 2,808 Dkt is set with its November 2016 contract with EWM and is based on its usage on its peak day of February 5, 2014. The 286 Dkt for Benefis is based on legacy amounts that have no bearing since Benefis is a Large Commercial Option 2 customer. The 215 Dkt was set when Pasta MT elected to become a Large Commercial Option 1 customer and was based on its daily usage at that time.

The “Current” tab consists of pages 2 – 4 from Exhibit EWM-1 which is filed with EWM’s monthly gas tracker filing and details the calculations behind the amounts for the tracker customers, each Large Commercial customer, and Montana Refining. For reference, tabs for pages 1 & 2 and page 3 of Exhibit JDH-EWM-11 are also included

b. If the customer exceeds its MDDQ on a day when EWM’s total system MDDQ is not exceeded then yes, the tracker customer’s MDDQ would be lowered. However, if the EWM total system MDDQ is exceeded by the same amount on the same day as the referenced customer exceeds its MDDQ, EWM’s total increases and the tracker customer’s MDDQ would remain unchanged.

c. Under the company’s proposal, large commercial (except Option 2) and negotiated contract customers may be allocated the cost of reserved pipeline capacity on either a non-coincident or coincident peak basis. The large customers referenced in this question have the right and ability to access and use up to their MDDQ on any day, including a coincident peak day.

d. For large groups of customers with diversified usage patterns, it is generally agreed that the coincident peak day for the group as a whole will likely be less than its own non-coincident peak day obtained by summing the actual maximum day of use for each individual customer in that group over an annual period.

PSC-005: RE: Negotiated Contract Tariff
Witness: Henthorne

a. Please provide copies of all current negotiated contracts.

b. For each negotiated contract customer, please describe all substantive changes to contracts that have been implemented since December 31, 2015.

c. For each negotiated contract customer, please describe all other known, substantive changes to contracts that will occur before January 1, 2019. Please provide supporting documentation, if available.

Response to PSC-005:

a. Please see Attachment PSC-005(a) - MAFB and Attachment PSC-005(a) - MR.

b. For Malmstrom Air Force Base (MAFB) in November 2016, a new contract was signed between EWM and MAFB when converted to a full-service customer from a transportation-only customer. MAFB's distribution rates were increased to make the volumetric rate match the rate for the Large Commercial class, with a corresponding reduction in the monthly fixed charge so that there was no change to EWM's established revenue requirement from MAFB. For gas supply, MAFB joins the tracker customer pool. Upstream transportation and storage are negotiated, based on rates passed through from Northwestern Energy. No other changes have occurred since December 31, 2015.

While preparing this response, EWM identified an error in Mr. Henthorne's testimony. The reference to 2015 at page 28, line 13 should instead refer to 2016.

For Montana Refining, the contract was updated, effective April 1, 2017, to increase Montana Refining's MDDQ to 8,500 Dkt per day. In addition, the language in the contract was updated to address what happens if Montana Refining exceeds its MDDQ.

While preparing this response, EWM determined that the MDDQ-related language added to the negotiated contract tariff should be clarified to allow for customers such as Montana Refining who set an MDDQ for critical operating times but may exceed it during non-peak times. A proposed tariff reflecting this clarification is provided as Attachment PSC-005(b).

c. EWM is not aware of any other contemplated changes to the two negotiated contracts.

PSC-006: RE: Large Commercial Tariff
Witness: Henthorne

This tariff is available to Great Falls Redi-Mix, Pasta Montana, and Benefis Hospitals EGS. Option 1 in this tariff is also available to other customers with daily metering or purely interruptible volumes (MDDQ = 0). Option 2 in this tariff is only available to Pasta Montana, Benefis Hospitals EGS, and Great Falls Redi-Mix.

a. Please confirm that all new customers with daily metering or MDDQ = 0 are informed that this tariff is available for their use. Please provide supporting documentation, if available.

b. Please describe and support Energy West Montana's position regarding the elimination of Option 2 from the tariff.

c. Does EWM believe that qualifications in addition to daily metering or zero reservation should be established for Option 1 (e.g., size requirement)? If so, what are they?

Response to PSC-006:

a. No new customers with daily metering capability have been added to the EWM system.

b. Of the three customers to whom Option 2 is available, two have elected Option 1. If Benefis elected to change to Option 1, then EWM would agree that Option 2 is no longer needed.

c. The rate design in our application groups the Large Commercial Class with the Extended General Class so EWM proposes the same size requirements (meter rated above 7001 CF/Hour) in addition to the existing Option 1 requirement for daily metering capability. It should also be noted that the Large Commercial tariff is restricted to transportation only customers.

PSC-007: RE: Benefis Hospitals EGS
Witness: Henthorne

In your testimony at 31:11-15, you state that Benefis Hospitals EGS now has daily metering capability and that analysis shows Benefis would likely benefit in converting to Option 1 of the tariff.

a. If Benefis EGS converted to Option 1, would EWM immediately establish a new MDDQ for the facilities? Please explain.

b. Please provide Excel analysis showing the cost impacts to tracker customers and Benefis EGS, assuming that Benefis EGS converted to Option 1.

Response to PSC-007:

a. Based on its last peak day usage of 715 Dkt on February 6, 2014, the MDDQ for Benefis would be set at 715 Dkt.

b. Please reference the "Summary" tab of Attachment PSC-004(a). Comparing the Current column to the Benefis Opt 1 column, on page 1, line 7, the MDDQ assigned to Benefis changes from 286 Dkt to 715 Dkt. Line 26 shows that the costs to the tracker customers increase by $3,398 from $4,222,924 to $4,226,322. On page 2, line 11 shows that the costs to Benefis would decrease by $3,405 from $100,100 to $96,695. The "Current" and "Benefis Opt 1" tabs show the detail calculations for the current Option 2 costs and the Option 1 costs, respectively

PSC-008: RE: Malmstrom Air Force Base
Witness: Henthorne

a. In its compliance filing of August 4, 2016, Docket D2010.9.90, Order 7132c, EWM stated that if MAFB could demonstrate cause for an MDDQ reduction, including analysis of degree day usage, the information will be used to set an appropriate tariff in the next rate case. Is EWM applying for reduced MAFB reserved capacity in this rate case?

b. Since MAFB is now a full service customer, would it be reasonable to serve it under the extended general service tariff or large commercial tariff instead of under negotiated contract tariff terms? Please explain.

Response to PSC-008:

a. No. MAFB has not demonstrated cause for a MDDQ reduction.

b. The current negotiated contract tariff specifically applies to MAFB and to customers who can demonstrate a credible bypass threat. As a full-service customer, MAFB has a fully functional alternative fuel source and has demonstrated that it uses it. Additionally, although MAFB is a full-service customer for gas supply, its contract for upstream transportation capacity and storage capacity is negotiated and separate from the tracker customers in the extended general class.

Therefore, EWM recommends that MAFB stay in the negotiated contract class.

PSC-009: RE: Montana Refining
Witness: Henthorne

a. Please explain why EWM reserves only 2,607 MDDQ from NorthWestern for Montana Refining rather than the 8,500 MDDQ purchased by the refinery.

b. Is EWM planning to increase the reservation value of 2,607 Dkt if Montana Refining exceeds this value, as described in your testimony at 31:6-7?

Response to PSC-009:

a. Please reference line 5 of the "Summary" tab of Attachment PSC-004(a). Montana Refining's arrangement with EWM is different from the other negotiated and Large Commercial customers. The contract calls for Montana Refining to pay $10,200 to EWM as its distribution charge and to pay a total of 90% of the costs they would pay as a direct customer of NWE. This calculation does not translate well into an MDDQ amount for line 5. Instead, the tracker customers are given the credit through the Montana Refining credit on line 23.

The effect on the tracker customers is the same. To illustrate, note that the MT Refining column of line 5 shows 4,040 Dkt and on line 23, the Montana Refining credit is much smaller. However, the Net Transport Costs paid by the tracker customers (line 26) comes to the same amount with $1 rounding ($4,222,924 vs $4,224,925). The 4,040 comes from the 3,533 Dkt used by Montana Refining on EWM's last system peak day of February 5, 2014, plus the 507 that EWM's MDDQ increased on January 4, 2017. The detail calculations are shown on the "MT Refining" tab.

b. Upon reflection, it seems appropriate to set the reservation value as shown in line 5 to 4,040 Dkt. This most closely reflects Montana Refining's portion of the 43,063 Dkt reserved from NWE by EWM.

PSC-010: RE: Line Extension Allowance
Witness: Henthorne

In Docket UG-152394, Order 01, the Washington Utilities and Transportation Commission adopted on a temporary basis a modification to the calculation of line extension allowances for Avista Corporation. The adopted line extension allowance is derived using the perpetual net present value method.[1] The allowance equals the net present value over an infinite period of the expected net margin provided by a customer, as an approximation to the marginal value of a line extension over a lifespan of 50 years or more. The infinite life assumption reduces the calculation to the ratio of annual net distribution margin to pre-tax cost of capital or rate of return. Thus if a customer is expected to contribute margin of $300 annually, and the pre-tax cost of capital is 10%, the extension allowance would be $3,000.

a. Would EWM support a similar calculation for line extension allowance in this proceeding? Please support your position.

b. If the Commission adopted a similar method, how would EWM propose to calculate values for net distribution margin and pre-tax cost of capital?

c. Please describe the calculation currently used by EWM to derive its line extension allowance and explain its rationale for using this calculation.

d. Has EWM recently investigated providing service to unserved or underserved customers? If so, please provide the results of these investigations.

Response to PSC-010:

a. EWM will not support a similar calculation. The circumstances and revenue recovery are far different for Avista Corporation than what exists now or proposed in the current case for EWM. The method used by Avista ignores the incurrence of added operating and maintenance costs required to serve additional customers (*i.e.*, billing costs, administrative costs, collections and cash processing, etc.). In addition, current pre-tax capital is not a stable, non-changing calculation that can be used in perpetuity to accurately reflect the inevitable changes that will occur. Avista resolves these issues through the Washington Utilities and Transportation Commission's adoption of a decoupling mechanism for Avista which allows for recovery of all costs and returns. EWM does not have that same ability.

b. Any mechanism to calculate values for net distribution margin and pre-tax cost of capital can only be equitably developed once a rate design and charges have been approved, along with a method for keeping the utility and existing customers whole.

[1] *Line Extensions for Natural Gas: Regulatory Considerations*, by Ken Costello. February 2013, National Regulatory Research Institute. See page 20.

c. Please reference Attachment PSC-10(c), which is Rule No. 17, Extension of Distribution Main, from EWM's Natural Gas Rules and Regulations tariff. Rule No. 17 specifies the main extension allowance at $500 per applicant for a residential customer and generally a five year simple payback from base revenues for larger customers. This is a simple method for consistently determining an allowance that is easy for customers to understand, and limits the customer's and EWM's exposure to variations in usage and billing from what was estimated.

d. EWM has been serving in Montana for years and is familiar with the various areas that do not have natural gas service. EWM has previously conducted feasibility studies for gas service to the Tracy, Centerville, Sand Coulee areas and to the town of Belt, and provided these studies to the Commission. The SME pipeline provided the opportunity that allowed EWM to extend gas service to Tracy and Centerville in 2016.

PSC-011: RE: Residential Class Revenue Recovery Variability
Witness: Loy

a. Please obtain daily temperature data for Great Falls for the past twenty years and use it to project daily volumes for the residential class of Great Falls / Cascade using the regression model described at pp. 7-8 of your testimony. Please sum daily volumes to derive a sample set of annual volumes.

b. Using the projected annual volumes and test year residential customer numbers, please calculate revenues from the monthly service charge and distribution base rate for each year in the sample set under three rate models with rates designed to recover proposed revenues using test year determinants: 1) the service charge and distribution rate proposed in the application; 2) the service charge and rate escalated in equal proportion from current levels; and 3) the service charge maintained at its current level with the volumetric rate adjusted to recover proposed revenues.

c. For the set of annual revenues derived for each rate model, please calculate a minimum, maximum, mean, and the 10th through 90th deciles of revenue.

d. Please provide your responses to PSC-011 (a-c) in excel-readable file.

Response to PSC-011:

a. KGTA does not provide HDDs on a daily basis, only monthly data is available which represents a summation of the month's daily HDDs. Thus, EWM's and CBG's weather normalization analysis were done on a monthly bases. Attachment PSC-011(a) Regression Model - GTF and Attachment PSC-011(a) Regression Model – Cascade project annual volumes for the residential class of Great Falls and Cascade using the regression model described on pages 7-8 of Mr. Loy's testimony.

b. Please see Attachment PSC-011(b).

c. Please see Attachment PSC-011(b).

d. The attachments provided in response to subparts (a)-(c) are excel-readable files.

PSC-013: RE: Enterprise Resource Planning System (ERP)
Witness: Henthorne

a. Please explain in further detail what the ERP system is responsible for.

b. Please explain the productivity gains that have been achieved as a result of the installation of the ERP.

c. Please explain how the ERP has reduced or increased EWM's O&M expenses.

d. Please explain how the ERP costs have been allocated to any GNI or subsidiary company's expenses.

e. Are any companies outside of the GNI hierarchy utilizing or otherwise paying rents or leases for the use of the ERP?

Response to PSC-013:

a. The ERP system is responsible for facilitating the flow of information throughout the company. It integrates many aspects of our business into one unified system. Some of the key functional areas included are billing, banking, customer account management, accounting, financial reporting, procurement, inventory, work order management, and fixed assets. The multiple business areas are able to work in one shared database, allowing better management of day to day operations by providing quicker access to timely and accurate information.

b. Prior to the implementation of our new ERP system, the only integrated functions we had were the accounting, procurement, and inventory. The customer activity, banking, billing, fixed assets, work order budgeting, and financial reporting were all in separate software programs. At month end we gathered data from the various software and uploaded the information into Epicor, the main accounting software. This process was inefficient and more susceptible to errors. It also decreased the ability of management to see operational data quickly, as they had to wait for the data to be combined at month end to get accurate and cohesive results. With the new system, GNI and all of its subsidiaries converted to one standard chart of accounts, created with FERC as a guideline. This allowed for much more efficient, accurate and comparative reporting.

c. With the new ERP system, EWM no longer has the need for many of its previous software maintenance and licensing fees. Prior to the ERP system, EWM paid Epicor for its accounting, inventory, and FRX reporting, Advanced Utility Systems for its billing and customer account management, and FAS for its fixed asset management. These costs have been replaced by the SAP annual licensing and monthly maintenance costs and SAP consultant fees. EWM and CBGC's portion of the SAP expenses being allocated among all GNI companies through the 4-factor formula in the normalized 2016 test year totaled $291,273 and $26,196, respectively. The comparable cost that was included in the 2009 rate case filing for EWM was $82,452. There are no comparable costs included in the 2005 rate case filing for CBGC.

d. The ERP costs have been allocated using the 4-factor allocation method.

e. No, only GNI and its subsidiaries are using the ERP system.

PSC-014: RE: Enterprise Resource Planning System, pg. 10
Witness: Degenstein/Henthorne

a. Please explain in greater detail all of the EWM and Cut Bank Gas Company (CBG) utility operations that the new ERP system encompasses.

b. Please provide workpapers to justify any accounts or subaccounts any allocated amounts charged to EWM and CBG ratepayers for the ERP system.

c. Please provide an explanation for each allocated expense the ERP system is charging EWM and CBG rate payers.

Response to PSC-014:

a. The new ERP system encompasses billing, banking, customer account management, accounting, financial reporting, procurement, inventory, work order management, and fixed assets for both EWM and Cut Bank Gas Company.

b. Please refer to Exhibit JDH-EWM-9, Rule No. 38.5.160, Note 5 of Mr. Henthorne's testimony, as seen below. The $1,096,202 on line 12 represents the total amount of SAP costs included in normalized GNI O&M expenses allocated using the 4-factor formula Of this amount, EWM's portion is 26.5711%, or $291,273 and CBGC's part is 2.3898%, or $26,197.

NOTE (5)	NORMALIZE OUTSIDE SERVICES EMPLOYED - CONTINUED			
1	Detail	Hours/ Months	Cost Per	Total Cost
2	Consultant 1 (Vishnu)	2,080	$ 120	$ 249,600
3	Consultant 2 (Surya)	2,080	100	208,000
4	Consultant 3 (Javier)	2,080	75	156,000
5	Consultant 4 (Varma)	2,080	39	81,894
6	Consultant 5 (Anil)	520	10	5,200
7	Utili Gateway/IVR	12	3,750	45,000
8	AWS Reservation Fee	12	2,270	27,240
9	AWS Application Hosting	12	5,921	71,052
10	Capgemini COMPLETE Management	12	8,400	100,800
11	SAP Maintenance	12	12,618	151,416
12	Total			$ 1,096,202

The ERP system is an asset under capital lease and is depreciated over a 10 year useful life. For EWM and CBGC, the 2016 depreciation is $246,291 and $20,238, respectively.

As discussed on pages 13 and 14 of Mr. Henthorne's testimony, the 2016 test year includes a pre-paid asset related to the loss on the sale-lease back of the ERP system. This asset is being amortized over the 3 year life of the capital lease as "deferred rent expense." EWM and CBGC are requesting an accounting order from the PSC to allow the unamortized portion of the pre-paid asset to be amortized over the remaining life of the SAP asset. In the normalization adjustments for Statement G, (EWM Note 10, CBGC Note 11), the 3 year amortization totals are removed from the O&M expenses and replaced with a 10 year amortization expense. The total test year normalization adjustment to rent expense is a decrease to O&M expenses of $181,963 and $14,952 for EWM and CBGC, respectively. The on-going annual amortization expense is $81,275 and $6,750 for EWM and CBGC, respectively.

The total normalized rate base related to the ERP system is $1,334,355 and $112,071 for EWM and CBGC, respectively. This is calculated as follows:

	EWM	CBGC
Utility Plant in Service	2,319,957.04	192,752.06
Accumulated Depreciation	(165,577.83)	(13,609.36)
Original Cost less Depreciation	2,154,379.21	179,142.70
Add Working Capital:		
Cash Requirement	23,349.50	2,228.50
Regulatory Asset - Deferred Rent	627,640.00	51,575.00
Less Obligation on Capital Lease	(1,471,014.00)	(120,875.00)
Total Rate Base	$ 1,334,355	$ 112,071

c. Referencing Note 5 again, the consultants assist with day-to-day operation of the SAP software, both in the back end and server side as well as assisting with end user questions and issues that arise. Utili Gateway/IVR is the software used for online bill pay and credit card payment services. AWS Reservation Fee is a fee for Amazon Web Services for reserving a set amount of storage space on their external servers. AWS Application Hosting is a fee for Amazon Web Services for storage of our data on their external servers. Capgemini Complete Management is a monthly service fee to Capgemini to manage the SAP software including software updates, running system replications, etc. SAP Maintenance is an annual fee we pay for SAP licensing.

PSC-015: RE: Degenstein direct testimony figure 1.
Witness: Degenstein

Regarding figure 1, please compare and contrast the inputs that EWM has used to compute the Company's 12 month average residential bill vs. the inputs EIA has used to determine the EIA monthly bill average.

Response to PSC-015:

We used Attachment PSC-015 - Comparison, an internal spreadsheet that compares a residential bill for 100 therms (10 dekatherms) of usage for Montana Dakota Utilities, Northwestern Energy, and Energy West Montana. The 12 month average residential bill for EWM was calculated using the average of the 12 months for each given calendar year.

The EIA inputs are from the following website links, release date 08/31/2017:

http://tonto.eia.gov/dnav/ng/hist/n3010mt3a.htm

http://tonto.eia.gov/dnav/ng/hist/n3010us3a.htm

The Excel spreadsheets representing the Montana and United States averages are provided as Attachment PSC-015 - MT and Attachment PSC-015 – US, respectively.

The Energy Information Administration (EIA) collects monthly and annual volume and revenue numbers for natural gas distribution companies.

PSC-016: RE: SME Pipeline, pg. 12
Witness: Degenstein/Henthorne

a. During SME's ownership of the SME Pipeline EWM added 200 plus customers to the pipeline. Please provide the annual revenue that those customers generated from the time the customer was added until the filing of this rate case.

b. For the revenues generated by the additional customers added to the SME pipeline please provide the portion of those revenues that was a return on equity.

Response to PSC-016:

a. Please reference the "Total Revenue" line of Attachment PSC-016.

b. Please reference the "Distribution Revenue" line of Attachment PSC-016. EWM cannot determine the portion of this distribution revenue that is attributable to return on equity. However, the revenue from customers on the SME pipeline was included in the normalized total revenue for the 12 months ending 12/31/16 used to calculate EWM's overall rate of return of 3.73% as shown on page 2 of Exhibit JDH-EWM-2.

PSC-017: RE: SME Pipeline, pg. 13
Witness: Degenstein

a. What was the exact amount to build the SME pipeline?

b. What amount of the total build cost recovered was billed to SME by EWM?

c. What amount of the cost to build the pipeline was recovered by SME outside of EWM, and by whom was the amount recovered from?

d. What was the book value of the pipeline on SME's books at bankruptcy?

Response to PSC-017:

a. The exact amount required to build out the SME pipeline was $4,905,867.

b. SME paid the vendor directly for the pipe in the amount of $2,566,503. EWM billed SME for the installation costs of $2,339,364 and was paid all but $29,774.

c. EWM is not aware of any recovered costs by SME.

d. EWM does not know what the book value was on SME's books at the time of bankruptcy.

PSC-018: RE: SME Bankruptcy, pg. 13
Witness: Degenstein

Please describe in more detail the “unique circumstances” that surrounded the SME pipeline bankruptcy and EWM purchase of the pipeline.

Response to PSC-018:

The SME pipeline was built as a natural gas distribution system (19 miles of 12” steel pipe) to provide a fuel source for SME’s electrical generating plant. The pipeline was operated by EWM, and EWM performed all the activities required to be compliant with CFR 49 Part 192 and filed the required operator information with PHMSA on report PHMSA F 7100.1-1.

SME did not petition the Montana Public Service Commission for an approved tariff. EWM understood that SME was primarily focused on providing natural gas to its electrical generating plant, and SME was not interested in serving additional distribution customers or establishing rates. EWM was permitted to use SME’s pipeline at no cost, which allowed EWM to expand its footprint and to serve additional customers under EWM’s current tariffs.

SME’s bankruptcy and the resulting sale of the pipeline put EWM in a unique position. SME had no tariffs, no customers, and no source of revenue from the pipeline. If the pipeline were purchased by anyone other than EWM, the purchaser would have to file tariffs, add their own distribution customers, and move natural gas through EWM’s distribution system. The logistics of establishing a new local distribution company would be difficult and time consuming. Ultimately, SME’s focus on completing the bankruptcy process provided EWM the opportunity to purchase the pipeline for less then what it cost to build and less than its intrinsic value to EWM and its customers.

PSC-019: RE: SME improvements, pg. 13
Witness: Degenstein

Please list the system improvements, cost for each improvement, and scheduled completion date EWM intends to make to the SME Pipeline system to reflect the true value of the property as estimated on the filing.

Response to PSC-019:

EWM built the SME Pipeline and managed the costs of the project, which included the system improvements on EWM's system. Because EWM controlled and managed the project, it cost significantly less than similar projects of the same size. In 2012, INGAA reported that midstream-pipeline construction costs averaged $94,000 per inch-mile of pipeline in 2011. See Attachment PSC-019 - INGAA at p. 6. Applying the Central Regional Cost Factor of 0.69 identified in the INGAA report, an average project of this size would cost approximately $14,788,080. Thus, even if the project cost half of the Central Region average, EWM built it for significantly less given the total cost for the SME pipeline of $4,905,867. As a result, EWM believes the SME Pipeline's true value is significantly higher than the value identified in this filing.

The original system improvements were completed during the construction of the SME Pipeline in 2010. The 10" pipeline feed from Great Falls city gate number two was uprated to 250 psi, which allowed for system expansion south of Great Falls and for the communities of Ulm and Cascade. The uprate included regulator replacements, indirect heaters, and building structures for six regulator stations. The cost of these improvements was approximately $472,100; this cost was born by SME.

The final system improvement is anticipated for the summer of 2020 and is estimated to cost approximately $350,000. This improvement will loop the high-pressure SME Pipeline with the original 12" header main. This future improvement is shown on Attachment PSC-019 - Map. However, EWM does not believe that the "true value" of the SME pipeline as identified in this filing depends on this future improvement.

PSC-020: RE: SME capacity, pg. 14
Witness: Degenstein

The SME pipeline is restricted by the capacity of the NWE transmission system. With that in mind why should rate payers pay for an asset that is not yet fully useable?

Response to PSC-020:

There are no capacity restrictions or deliverability issues on the SME Pipeline. The SME Pipeline is fully useable and an important extension of the 10" pipeline built by EWM in 1979. See Attachment PSC-019 – Map and PSC-020.

The SME Pipeline completes the needed back-feed and looping that was anticipated when the 10" was built in 1979. Without the SME Pipeline, EWM would have had to build its own pipeline to support the growth on the east and south ends of Great Falls. EWM was able to take advantage of the SME Pipeline and avoid the cost of individual (several) smaller and more costly system expansions and improvements. EWM was able to support the growth of Great Falls and the surrounding communities, enhance system reliability, and provide uninterrupted service by utilizing the SME Pipeline.

EWM customers have benefitted from the SME Pipeline since the winter of 2010 and 2011 at no added cost.

EWM believes the NWE's transmission system feeding Great Falls is capable of supporting the Great Falls area far into the future. The referenced testimony generally addresses the reality that any additional load delivered to Great Falls is an added strain on NWE's overall transmission system when moving natural gas north to south.

PSC-021: RE: Line of Credit, pg. 14
Witness: Degenstein/Henthorne

Please provide a workpaper showing the use of the line of credit for gas purchases as compared to its use for paying for normal operating bills for the last three years broken down monthly.

Response to PSC-021:

Please see Attachment PSC-021 with tabs for EWM and CBGC.

PSC-022: RE: Infrastructure, pg. 16
Witness: Degenstein/Henthorne

Please provide the Company's infrastructure update plan to achieve a 10 to 12 year replacement estimation provided in your testimony.

Response to PSC-022:

Please reference Attachment PSC-022. This is Exhibit JDH-EWM-12 updated for the full 12 years of the proposed GIRC plan for both EWM and CBGC. For EWM, the company plans to replace 224,136 feet of pre-1984 Aldyl-A pipe, 90,480 feet through our on-going replacement efforts and 133,656 feet through the GIRC plan. In addition, EWM plans to replace 11,000 steel coupled services, 2,618 through our on-going replacement programs and 8,382 through the GIRC plan. For CBGC, the company plans to replace 750 services with a property line meter set. 320 of these will come from our on-going replacement efforts and 430 from the GIRC plan.

CERTIFICATE OF SERVICE

I certify that on this, the 29th day of November, 2017, **ENERGY WEST MONTANA'S AND CUT BANK GAS COMPANY'S RESPONSES TO DATA REQUESTS PSC-003 THROUGH PSC-011 AND PSC-013 THROUGH PSC-022** were e-filed with the Commission and served via U.S. mail and e-mail, unless otherwise noted, to the following:

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