

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

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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

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**ENERGY WEST MONTANA’S AND CUT BANK GAS COMPANY’S  
RESPONSES TO DATA REQUESTS MCC-060 THROUGH MCC-079**

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Energy West Montana (“EWM”) and Cut Bank Gas Company (“CBGC”) provide the attached responses to the Montana Consumer Council’s Data Requests MCC-060 through MCC-079.

Respectfully submitted this 31st day of January, 2018.

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**COUNSEL FOR ENERGY WEST MONTANA,  
INC. AND CUT BANK GAS COMPANY**

## DATA REQUESTS

**MCC-060:** RE: SME Pipeline  
Witness: Kevin Degenstein

Was EWM planning to build the SME pipeline or some similar project, independent of the project that arose to serve the SME power generation facility? If yes, please provide all documentation, including e-mails, notes and any other information regarding those discussions and plans, such as siting information, engineering specifications, costs, completion dates, anticipated related revenues, etc.

### **Response to MCC-060:**

Yes. After an incident in January of 2007 when there was a pipeline failure at city gate number 1, it became evident that city gate number 2, as a stand-alone source of supply, could not support the entire City of Great Falls. At the time, city gate number 2 delivered a pressure of 60 psi into the existing 10" pipeline loop that began on the west side of the Missouri river and terminated just east of the river. The 60 psi pressure and termination point did not allow the 10" pipeline to support the entire city of Great Falls. EWM determined that it would be necessary to uprate its 10" pipeline loop which was fed by city gate number 2 and extend that loop around the south and east end of town.

See Attachments MCC-060-1, MCC-060-2, and MCC-060-3, which identify the 12" tees that were removed, the 12" tee failure, and the 24" line stopper and 8" bypass required to be installed to allow the 12" tee sections to removed and rebuilt.

See responses to PSC-025 and PSC-037. See Attachment PSC-037 for uprate information.

After EWM uprated its existing 10" loop from 60 psi to 170 psi in September of 2008, there were internal discussions about looping the system from the end of the existing EWM 10" pipeline. See PSC-019 & 020 SME 11x17.pdf, for reference. During those internal discussions, EWM was contacted by SME asking if EWM could serve SME's proposed electrical generation plant. By September of 2009, EWM had received a copy of their Preliminary Determination on Permit Application from the Montana Department of Environmental Quality. See Attachment MCC-060-4. By April of 2010, EWM had an executed construction agreement to build the SME pipeline at an estimated cost of \$8,000,000. See Attachment MCC-060-5.

Because of the timing of events, as described above, EWM did not design and estimate an independent project, but instead took advantage of the opportunity presented by SME.

**MCC-061:** RE: SME Pipeline  
Witness: Kevin Degenstein

What percentage of the original capacity of the SME Pipeline was intended to serve the SME generation facility? What was the original operating pressure of the pipeline designed to serve the SME generation facility and does that pressure have to be stepped down for those EWM customers served from the pipeline?

**Response to MCC-061:**

The SME generation facility phase 1 design was for 10,000 MCFD, with future expansion plans to increase that amount to a total of 24,000 MCFD. As identified in response to PSC-027, the capacity of the pipeline is significantly higher, as 24,000 MCFD represents approximately 50% of the SME Pipeline capacity.

The SME Pipeline operating pressure of 250 psi was established to serve the SME generation facility. EWM currently operates the SME Pipeline at the original operating pressure to allow for a stronger back feed and to provide insurance for the customers of Great Falls. That pressure helps ensure service will not be interrupted if there is a failure at city gate number 1 or within the distribution system.

At 250 psi, the SME Pipeline operating pressure is stepped down to serve EWM customers. That is not unusual. Prior to the SME Pipeline, EWM's existing 10" pipeline from city gate number 2 had a MAOP of 170 psi, which required the pressure to be stepped down for all EWM customers served from the existing 10" pipeline as well. And, if the SME Pipeline was not built, EWM would have extended the 10" pipeline by installing 12" pipe operating with an MAOP of 170 psi to ensure redundancy and adequate supply in case of a failure at city gate 1 or elsewhere in the distribution system. That extension operating at an MAOP of 170 psi would have also required a step down in pressure to serve customers. Thus, stepping down the operating pressure would be required with or without the SME Pipeline.

**MCC-062:** RE: SME Pipeline  
Witness: Kevin Degenstein/Jed Henthorne

Please describe in detail the process for purchasing the SME Pipeline for \$75,000:

- a. From whom was the pipeline directly purchased and when did the purchase close?
- b. Was the \$75,000 purchase price the result of negotiations or a bidding process? If there was a bidding process, please describe how it was conducted and whether there were other bidders, and if so, how many.
- c. Please explain and provide all documentation, including e-mails, notes and any other information regarding discussions and analyses of how EWM management decided upon an offer of \$75,000 for the SME Pipeline.
- d. Please provide all documentation, including e-mails, notes and any other information regarding discussions and analyses of the anticipated return of and on the \$75,000 investment by EWM in the SME Pipeline.

**Response to MCC-062:**

- a. The pipeline was purchased from Southern Montana Electric Generation and Transmission Cooperative, Inc. in conjunction with HGS Holding Trust through its Liquidating Trustee Dean E. Swick. The purchase agreement was dated March 4, 2016, and closed on the same day
- b. In late 2015, SME contacted EWM to see if EWM would purchase the pipeline for \$5.0 million. After EWM rejected SME's initial offer and subsequent offers as too high, SME indicated it was going to attempt to bid the SME Pipeline. EWM is not aware of the bid process used by SME or how many potential buyers they may have contacted, but, in early 2016, SME contacted EWM again and indicated they could find no parties interested in buying the SME Pipeline. After a series of negotiations regarding the potential purchase price, EWM counter-offered \$75,000 for the SME Pipeline and that offer was accepted.
- c. All discussions were in person or by phone.
- d. No such analysis was performed. EWM had an opportunity to purchase a pipeline with the capability to be its system backbone around the south and east of the City of Great Falls for years into the foreseeable future. EWM was aware of what it cost to build the pipeline, and was also aware that \$75,000 was not paying too much, so no further analysis was performed.

**MCC-063:** RE: Billing Cycle  
Witness: Jed Henthorne

Please describe and provide an example of the typical billing cycle for an EWM-Great Falls customer and for a Cut Bank Gas customer including:

- a. frequency of meter reads;
- b. when a bill is sent after the meter read and;
- c. when payment is due in relation to the time the bill is mailed out.

**Response to MCC-063:**

**EWM-Great Falls**

- a. EWM-Great Falls has 21 meter reading/billing cycles – approximately one for each business day. The meter reading period for each cycle is 25 – 35 days. Each cycle is read every month.
- b. The bill is sent 1 day after the meter read is received and processed.
- c. Payment is due 10 business days from the billing date.

Example: Cycle 17 in January 2018 was read on January 25, 2018 for a meter reading period of 35 days. The bill date was January 25, 2018 and the payment due date is February 8, 2018.

**Cut Bank Gas Company**

- a. CBGC has 6 meter reading/billing cycles. Meter reading occurs within a 2 -3 day period each month as close to the end of the month as possible. The meter reading period for each cycle is 25 – 35 days.
- b. The bill is generated 1 day after the meter read is received and mailed 1 day later.
- c. Payment is due 20 calendar days from the billing date.

Example: Cycle 3 in December 2017 was read on December 26, 2017. The bill generation date was December 27, 2017 and the mailing date was December 28, 2017. The payment due date was January 15, 2018.

**MCC-064:** RE: Working Cash  
Witness: Jed Henthorne

Has EWM or Cut Bank Gas Company had a lead-lag study performed within the past ten years?  
If yes, please provide a copy of all such studies.

**Response to MCC-064:**

Neither EWM nor CBGC has had a lead-lag study performed within the past ten years.

**MCC-065:** RE: Depreciation Expense  
Witness: Jed Henthorne

Please provide a depreciation schedule showing the amount subject to depreciation, the depreciable life and depreciation method used, and the annual depreciation expense per asset account, to derive the \$1,045,180 in depreciation expense that resulted from the final Commission decision in Montana Public Service Commission (MPSC) docket number D2010.9.90.

**Response to MCC-065:**

Please see Attachment MCC-065. The tabs labeled “GFDIST”, “GFGEN”, “CASC”, and “WYELL” were previously submitted as part of data request MCC-026 in docket number D2010.9.90. A Summary tab has been added to reconcile the depreciation schedules to the ending \$1,045,180 approved by the MPSC.

**MCC-066:** RE: Depreciation Expense  
Witness: Jed Henthorne

Please provide a depreciation schedule showing the amount subject to depreciation, the depreciable life and depreciation method used, and the annual depreciation expense per asset account, to derive the \$1,521,211 in depreciation expense requested for recovery in this current filing. Please explain any changes to any of the depreciation rates used in the schedule provided in response to Data Request MCC-006, discussing when those changes were implemented and the basis for each change.

**Response to MCC-066:**

Please see Attachment MCC-066. Rows 545 shows the total of 2016 actual depreciation expense based on the assets included in rows 5-544. Rows 549-570 represent the estimated additions to assets for the period up to one year after the test year date of December 31, 2016. The total of \$112,992 on row 571 is the normalization adjustment in column B, line 21 of Exhibit JDH-EWM-2. The total of the \$1,408,219 actual depreciation expense and the \$112,992 normalization adjustment is \$1,521,211.

In September 2015, during our conversion to the SAP software, we converted the configuration for all new assets from straight line half-year to straight line mid-month. We made no other known changes to depreciation method or lives from those presented in our previously filed rate case.

**MCC-067:** RE: New Employees  
Witness: Jed Henthorne

Page 18, lines 2-3 of Mr. Henthorne's direct testimony references two new employees, a GIS Technician in Great Falls and a Customer Service Representative in West Yellowstone. Please indicate the dates each of those individuals were added to the payroll.

**Response to MCC-067:**

We are in the process of searching for a GIS technician or engineer, but have not yet found a suitable candidate. The Customer Service Representative/Gas Technician in West Yellowstone was added on December 18, 2017.

**MCC-068:** RE: Interest Payments  
Witness: Jed Henthorne

Please indicate when interest expense payments for each current debt instrument are due from EWM and Cut Bank Gas respectively and the period that those payments cover (e.g. payment remitted on July 20 for January 1 – June 30<sup>th</sup> interest expense).

**Response to MCC-068:**

Term note interest payments for both EWM and Cut Bank Gas Company are due bi-annually on October 19 and April 19.

Line of credit interest is paid in two different intervals. Part of the interest is paid monthly on or around the 29th day of the month. The other part of the interest is paid quarterly, also around the 29th day of the month. Both the monthly and quarterly interest payments are for charges up to the date paid. For example, the quarterly payment made December 29 is for the interest charges from September 29 through December 28.

**MCC-069:** RE: Property Taxes  
Witness: Jed Henthorne

Please provide the detail of all property tax payments for EWM and Cut Bank Gas for 2015, 2016, and year-to-date 2017, including:

- a. the time period covered by those bills;
- b. when those bills were due; and
- c. copies of the bills.

**Response to MCC-069:**

- a. Please see Attachments MCC-069 Property Tax Payments, MCC-069 Property Tax Bills – CBGC, and MCC-069 Property Tax Bills – EWM.
- b. See response to subpart (a).
- c. See response to subpart (a).

**MCC-070:** RE: Board of Directors Fees  
 Witness: Jed Henthorne

Please provide a listing of the total amount of the annual Board of Director’s fees showing:

- a. The total amounts paid to individual directors (names excluded) of each respective board;
- b. The amounts per board included for recovery in this current application from EWM customers and Cut Bank customers respectively.

**Response to MCC-070:**

- a. Only the directors of the GNI board of directors received compensation. The boards of directors of GNI’s subsidiaries are made up of employees who are not separately compensated. In the 2016 test year, GNI recorded \$361,782 of expense for director fees and expenses. (Exhibit JDH-CBG-6, Rule 38.5.160, page 12 of 13, line 14.) The table below summarizes the compensation for each director as presented in GNI’s 2016 Form 10-K (pages 58 and 64) and reconciles the total to the test year amount.

	Fees	Stock Awards	Total
Robert Johnston	\$ 53,000	\$ 14,909	\$ 67,909
Gregory Osborne	5,000	14,909	19,909
James Carney	53,000	14,909	67,909
Michael Winter	53,000	14,909	67,909
Richard Greaves	53,000	14,909	67,909
Michael Bender	53,000	14,909	67,909
	<u>\$ 270,000</u>	<u>\$ 89,451</u>	<u>\$ 359,451</u>
Remove amounts included in payroll			(5,000)
Error in year-end 2016 accrual			(11,333)
Director expenses			18,664
<b>Total test year director fees and dues</b>			<u><b>\$ 361,782</b></u>
Remove publicly traded costs			(240,000)
Further normalization			(21,782)
<b>Total normalized test year director fees and dues</b>			<u><u><b>\$ 100,000</b></u></u>
Included for recovery by EWM		26.5711%	<b>\$ 26,571</b>
Included for recovery by CBGC		2.3898%	<b>2,390</b>

- b. The table above continues to summarize line 14 of Exhibit JDH-CBG-6, Rule 38.5.160, page 12 of 13, \$240,000 is removed as part of the \$993,000 of identified publicly traded costs. An additional amount of \$21,782 is removed to arrive at the normalized amount of \$100,000 which is meant to cover director expenses going

forward. Applying the 4-Factor formula percentages yields the amount for recovery of \$26,571 for EWM and \$2,390 for CBGC.

**MCC-071:** RE: Payroll taxes  
Witness: Jed Henthorne

Please show how the individual elements (FICA, FUTA, SUTA, property taxes, etc.) that comprise the \$28,670 Adjustment to Taxes Other Than Income in column I of Exhibit JDH-EWM-6 were calculated and then reconcile to \$28,670.

**Response to MCC-071:**

Please see Attachment MCC-071.

Section A is an excerpt from Statement K of the ARM-Based Rule, number 38.5.173. The test year adjustments total the \$28,760 from column I of Exhibit JDH-EWM-6. They are derived by calculating the normalized column (c) and subtracting the actual 2016 activity. The calculations of the normalized column (c) for lines 2-8 are described below. The \$100 on line 9 represents licensing fees paid for doing business in the state of Montana.

Section B is the calculation detail for the payroll taxes, broken out by FICA, FUTA, and SUTA. The calculations multiply the normalized payroll from Statement G in column (a) times the statutory rates.

Section C is the calculation detail for the property taxes, broken out by division (Great Falls, West Yellowstone, and Cascade). For Great Falls, line 1 represents the actual property tax expense for tax year 2016, which are based on 2015 asset values reported to the Montana Department of Revenue. An adjustment for 137 was made to remove activity related to 2015. Lines 6-16 calculate the normalization adjustment. Lines 6-9 calculate the percentage of taxable value compared to actual book cost based on information from the tax year 2016 bills. We then took that percentage and applied it to any change in assets for 2016 and also the test year CWIP additions from 2017 that were added to Statement C – Utility Plant to come up with the estimated addition to taxable value. In lines 17-31 we calculate the weighted average mill levy using the actual tax year 2016 bills. Line 16 multiplies the estimated addition to taxable value by the weighted average mill levy to determine the estimated addition to property taxes.

West Yellowstone's normalized property taxes are calculated in a similar manner as discussed above.

Cascade's normalized property taxes were calculated by adjusting the actual 2016 test year expense to the actual tax year 2017 invoice, which EWM received prior to filing its application in this docket.

Section D is the calculation of normalized PSC and MCC taxes. This is calculated by taking the normalized revenue from Exhibit JDH-EWM-2 and applying the current PSC and MCC tax rates. The result of this calculation differs slightly from the amount included in our filing, as noted in the difference column.

**MCC-072:** RE: Net Plant Additions  
Witness: Jed Henthorne

Please update the estimate of net plant additions and associated accumulated depreciation through year-to-date 2017 and provide a further update once actual net additions through the end of the year are known.

**Response to MCC-072:**

Please see Attachment MCC-072. The net plant additions and associated depreciation has been updated through year end December 31, 2017, on a preliminary basis. We plan to make final updates and to address the full effect of the additions on rate base, including the effect on deferred income taxes in our supplemental testimony.

**MCC-073:** RE: Advertising Expenses  
Witness: Jed Henthorne

Please provide a listing of all advertising expenses for 2016 and 2017 that are proposed for recovery in the current rate application and provide an amount, date, and description for each item indicating the type of media used and what the message was, also provide a print sample of each item if available.

**Response to MCC-073:**

Please see Attachments MCC-073 - Advertising Expenses and MCC-073 - Print Samples.

**MCC-074:** RE: Donations  
Witness: Jed Henthorne

Please provide a listing of any charitable contributions made by Energy West or Cut Bank Gas in 2016 and 2017 and indicate whether any of those items are included for recovery in the current rate application.

**Response to MCC-074:**

Please see the below listing of donations made by the divisions of EWM and by CBGC in 2016 and 2017. None of these donations have been included for recovery in the current rate application.

Company	Date	Amount	Text
Great Falls	3/18/2016	1,500.00	NeighborWorks
Great Falls	4/6/2016	3,750.00	Pledge 4/16 United Way
Great Falls	5/17/2016	125.00	Montana Shrine Golf
Great Falls	7/18/2016	300.00	NeighborWorks
Great Falls	10/24/2016	1,021.37	Energy Share
Great Falls	10/31/2016	3,000.00	NeighborWorks
Great Falls	12/29/2016	400.00	Project Graduation matters
Great Falls	12/31/2016	900.00	NeighborWorks
Great Falls	3/31/2017	600.00	NeighborWorks
Great Falls	8/18/2017	7,000.00	United Way
Great Falls	9/30/2017	3,000.00	NeighborWorks
Great Falls	10/2/2017	1,017.23	Energy Share
Great Falls	11/15/2017	400.00	Project Graduation matters
Great Falls	11/30/2017	600.00	NeighborWorks
Great Falls	11/30/2017	300.00	NeighborWorks
West Yellowstone	6/30/2017	200.00	WY Chamber of Commerce
West Yellowstone	1/20/2016	575.00	Fair Share Trail Grooming Program
West Yellowstone	12/31/2016	600.00	Fair Share Trail Grooming Program
Cut Bank	10/24/2016	53.26	Energy Share

**MCC-075:** RE: American Gas Association  
Witness: Jed Henthorne

Please provide a copy or copies of all invoices of American Gas Association dues included for recovery in this current rate filing.

**Response to MCC-075:**

Please see Attachment MCC-075.

**MCC-076:** RE: Legal Expenses  
Witness: Jed Henthorne

Please provide a listing of all legal fees included for recovery in this current filing including date, amount, service provider, and a description of the work performed and any regulatory filing the work was related to, if applicable.

**Response to MCC-076:**

Please see Attachment MCC-076. The “Direct” tab shows amounts fully included for recovery in EWM and CBGC and totals \$16,510.30 for EWM and \$712.00 for CBGC. The “GNI Services” tab shows actual legal expenses for Gas Natural Services for the 2016 test year which are properly allocated as part of GNI Services and the normalization and public company cost adjustments that were made to calculate the normalized legal fees of \$178,111. The amount allocated to EWM and CBGC using the 4-factor formula is \$47,326 and \$4,256, respectively. GNI incurs other legal fees that are not allocable and these fees are not included for recovery in this proceeding.

**MCC-077:** RE: Regulatory Expenses  
Witness: Jed Henthorne

Please provide a listing of all regulatory expenses for 2015, 2016, and 2017 year to date including date, amount, service provider, and a description of the work performed and the related docket number(s). Please indicate the hourly rates charged and the hours billed by each respective service provider

**Response to MCC-077:**

Please see Attachment MCC-077.

**MCC-078:** RE: Capitalized Pension  
Witness: Jed Henthorne

Please explain the 5.81% and 3.22% capitalized pension amounts as shown on JDH-EWM-9, Rule 38.5.157 Page 4 of 8 for Great Falls and any like adjustments for the other operating districts and for Cut Bank Gas.

**Response to MCC-078:**

The 5.81% capitalization percentage represents the amount of 401k/pension costs capitalized to EWM-Great Falls work-orders in relation to the total amount of 401k/pension cost for EWM-Great Falls. The 3.22% intercompany percentage represents the amount of 401k/pension charged to other companies in conjunction with direct hours worked for sister companies by EWM-Great Falls personnel. The percentages are calculated based on the actual 2016 test year and are only used to split the adjusted test year amounts on the same percentages. For CBGC, the percentage capitalized on line 10 of Exhibit JDH-CBG-6, Rule 38.5.157, page 4 operates in the same manner.

**MCC-079:** RE: Payroll  
Witness: Jed Henthorne

Please indicate the schedule for disbursing payroll to employees at the three Energy West operating districts and at Cut Bank Gas (e.g. weekly, bi-monthly etc.) and the schedules by which Energy West/Cut Bank Gas are required to remit FICA, FUTA, and SUI taxes.

**Response to MCC-079:**

Payroll is paid every two weeks to employees for all three EWM districts and for CBGC. All payroll taxes are remitted within one day of each payroll disbursement.

## CERTIFICATE OF SERVICE

I certify that on the 31st day of January, 2018, **ENERGY WEST MONTANA'S AND CUT BANK GAS COMPANY'S RESPONSES TO DATA REQUESTS MCC-060 THROUGH MCC-079** 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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*s/ Patti Penn*