

November 17, 2017

Tamie Aberle  
Director Regulatory Affairs  
Montana-Dakota Utilities Co  
400 North Fourth Street  
Bismarck, North Dakota 58501

RE: Montana Public Service Commission Upcoming Discovery Audit D2017.9.79

Dear Ms. Aberle,

This letter is to confirm an on-site investigation of Montana-Dakota Utilities Co. (MDU) to be conducted by Scott Fabel, Graham Kilgariff, and Jeremiah Langston of the Commission staff, and Montana Consumer Counsel staff and consultants. The tentative dates of the audit are December 18 through December 20, 2017. During our audit, we would like to have a primary contact person from the Company to assist us in answering questions and providing materials as requested. We cordially request a room to work from with WiFi access that can accommodate nine or more people.

This investigation will include a review of all items which are relevant to Docket No. D2017.9.79 as well as a general review of the overall operations of MDU. Please be prepared to discuss, for each pro-forma adjustment to the 2016 historical test year as presented in Ex. TRJ-2, pages 1-6, the ratemaking reason/logic for including each adjustment and the detailed financial information and calculations used to derive the income statement, rate base and revenue requirement impact of each adjustment. We will also like to discuss in detail the 2014 through 2016 PSC annual reports financial information and the 2016 historical test year.

In order to help you prepare materials for our review, we have identified the following items we would like to examine first. Please make sure these items are available upon our arrival the morning of December 18, 2017.

For our convenience in tracking requests, please note that the following items are audit request numbers one (1) through sixteen (16).

1. Board of Directors' minutes for MDU and all subsidiaries for 2014, 2015, 2016 and year-to-date 2017. Minutes from all Board of Directors' committee meetings for 2014, 2015, 2016 and year-to-date 2017.
2. Internal audit reports 2014, 2015, 2016, and year-to-date 2017 for MDU and subsidiaries.

3. External audit reports from 2014, 2015, 2016 and year-to-date 2017 for MDU and subsidiaries.
4. Special project reports prepared in house for the 2014, 2015, 2016 and year-to-date 2017.
5. Outside consultant reports for the years 2014, 2015, 2016 and year-to-date 2017.
6. Business plans for the years 2014, 2015, and 2016.
7. Please provide copies of 2015 and 2016 Montana Corporate License Tax returns for MDU.
8. Please provide copies of 2015 and 2016 Federal Income Tax returns for MDU.
9. Please provide copies of all rate decisions for all regulated divisions and subsidiaries of MDU issued from January 1, 2014 to January 1, 2017.
10. Please provide a list of all clubs and organizations for which dues or memberships were paid by MDU, and the amount included for recovery in the rate case.
11. For the years 2015 and 2016 please provide copies of MDU's year-end departmental summary expense statements and balance sheets.
12. Please provide a listing of all outside firms or individuals retained by MDU during 2014, 2015, 2016 and year-to-date 2017, that have provided services and had expenses allocated to the various operating divisions.
  - a) For each of the outside services above that was paid in excess of \$75,000 provide a description of the service provided and an explanation of how the service benefited the operating divisions.
  - b) List the amount paid each outside service provider for the years 2014, 2015, 2016 and year-to-date 2017.
13. Using full-time employee equivalents please provide, for MDU, year-end employee counts, by department, for the years 2014, 2015 and 2016. Also provide the current employee count.
  - a) For those years that reflect increased staffing levels, please provide a narrative detailing the circumstances that warranted the hiring of the additional personnel.
  - b) Provide any analysis performed, at the division or corporate level, to determine necessary staffing levels.

- c) For all new positions filled at the corporate or division level please provide a copy of the job descriptions.
  - d) If the current staffing level is lower than year-end 2014 please explain if wages/salaries included in the cost-of-service have been adjusted to reflect the lower staffing. If not, please explain.
14. Please provide a narrative detailing any and all efforts undertaken by MDU and its operating divisions to contain the costs of company provided medical insurance.
15. Please provide a copy of the testimony filed by MDU on rate of return, cost of capital and capital structure, in its two most recent rate applications to the North Dakota and South Dakota and any other Public Utilities Commission.
16. Please provide a copy of the general ledgers for the corporate office and the Montana division for 2015 and 2016.

Should you have any questions regarding this letter, please call me at (406) 444-6193. I thank you in advance for your attention to this matter.

Sincerely,



Scott Fabel  
Rate Analyst

cc: Commissioners  
Scott Fabel  
Gary Duncan  
MCC