

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.

Before the Public Service Commission of North Dakota

Case No. PU-06-482

Direct Testimony
of
Rita A. Mulkern

1 Q. Would you please state your name and business address?

2 A. Yes. My name is Rita A. Mulkern and my business address is 400
3 North Fourth Street, Bismarck, North Dakota 58501.

4 Q. What is your position with Montana-Dakota Utilities Co.?

5 A. I am the Regulatory Analysis Manager of Montana-Dakota Utilities
6 Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

7 Q. Would you please describe your duties as Regulatory Analysis Manager?

8 A. I am responsible for the preparation of cost of service studies, fuel
9 cost adjustments, purchased gas cost adjustments and gas tracking
10 adjustments in each of the jurisdictions in which Montana-Dakota
11 operates.

12 Q. Would you please describe your education and professional background?

13 A. I graduated from North Dakota State University with a Bachelor of
14 Arts degree with majors in Economics and Business Administration and a
15 minor in Statistics. I joined Montana-Dakota in July 1981 as a Regulatory
16 Statistician, became Cost of Service Supervisor in 1986 and assumed my
17 current position in 1999.

18 Q. Have you testified in other proceedings before regulatory bodies?

1 A. Yes, I have presented testimony before the Public Service
2 Commissions of Montana, North Dakota, and Wyoming and the Minnesota
3 and South Dakota Public Utilities Commissions.

4 Q. Are you familiar with the books and records of Montana-Dakota and the
5 manner in which they are kept?

6 A. Yes. Montana-Dakota's books and records are kept in accordance
7 with the Federal Energy Regulatory Commission (FERC) Uniform System
8 of Accounts.

9 Q. What is the purpose of your testimony in this proceeding?

10 A. The purpose of my testimony is to present an overall revenue
11 requirement for North Dakota's share of the Big Stone II generating
12 station.

13 Q. What statements, schedules and exhibits are you sponsoring?

14 A. I am sponsoring Exhibit No.__(RAM-1) and Exhibit No.__(RAM-
15 2).

16 Q. Were these exhibits prepared by you or under your direct supervision?

17 A. Yes, they were.

18 Q. Would you please describe how you calculated Montana-Dakota's share
19 of the Big Stone II plant?

20 A. Yes. As discussed by Mr. Rolfes, the total capital cost of Big Stone
21 II is projected to be \$1.6 billion. Montana-Dakota's participation in Big
22 Stone II is approximately 19.33 percent of the total and its share of the
23 investment is approximately \$309 million.

1 Q. Would you describe the allocation of the investment in Big Stone II to
2 North Dakota electric operations?

3 A. Yes. Montana-Dakota's portion of the investment is approximately
4 \$309 million. Generation facilities are allocated to the jurisdictions on the
5 basis of the sum of the twelve monthly peak demands by jurisdiction.
6 North Dakota customers contribute to 68.53 percent of annual peak
7 demand. Therefore, the North Dakota allocated share of Big Stone II is
8 approximately \$212 million of the total \$309 million investment by
9 Montana-Dakota. The calculation of North Dakota's share of the
10 investment is shown on Exhibit No. ___(RAM-1). Ultimately, the inclusion
11 of allowance for funds used during construction (AFUDC) pursuant to
12 FERC Uniform System of Accounts or the reflection of construction work
13 in progress (CWIP) will add approximately 18.8 percent or 6.6 percent
14 respectively, to the cost of the plant.

15 Q. Is Montana-Dakota requesting approval from the Commission for the
16 recovery of CWIP in this proceeding?

17 A. No. If Montana-Dakota seeks the recovery of the investment
18 through CWIP rather than accruing AFUDC, it will file for such recovery in
19 a separate proceeding.

20 Q. What is the estimated effect on North Dakota customers of the revenue
21 requirement based on the \$212 million investment?

22 A. The estimated revenue requirement for the return on the
23 investment alone, exclusive of any operation and maintenance expenses,
24 depreciation or ad valorem taxes, is approximately 1.87 cents per kwh for

1 North Dakota customers at the time Big Stone II becomes operative in
2 2012, as shown on Exhibit No. ____ (RAM-2).

3 Q. Is Montana-Dakota requesting that the Commission approve an increase
4 in rates in this proceeding?

5 A. No, Montana-Dakota is not requesting any change in rates in this
6 proceeding. The estimated increase of 1.87 cents per kwh is informational
7 only and any request for an increase in rates will be a separate
8 proceeding.

9 Q. Does that complete your testimony?

10 A. Yes, it does.

**MONTANA-DAKOTA UTILITIES CO.
BIG STONE II PLANT INVESTMENT
ELECTRIC UTILITY - NORTH DAKOTA
(000S)**

Total Cost of Plant	\$1,600,000
% of total	19.33%
Montana-Dakota Share	<u>\$309,280</u>
North Dakota %	68.534266%
North Dakota Share	<u>\$211,963</u>

**MONTANA-DAKOTA UTILITIES CO.
BIG STONE II PLANT INVESTMENT
ELECTRIC UTILITY - NORTH DAKOTA
(000S)**

Rate Base	\$211,963
Rate of Return 1/	10.0160%
Return	\$21,230
Income Taxes	8,155 2/
Total Revenue Requirement	<u>\$29,385</u>
North Dakota Mwh	1,575,888
Cost per Kwh	<u><u>\$0.0187</u></u>

1/ Authorized in Case No. PU-399-03-296.

2/ Taxes net of interest expense.

Taxable Income	\$0
Interest Expense	8,474
Taxable Income	(8,474)
Income Taxes	<u>(3,305)</u>
Net Income	<u>\$3,305</u>
Required Return	\$21,230
Current Return	<u>3,305</u>
Increase Required	17,925
Revenue Increase	29,385
Income Taxes	11,460
Current Inc. Tax	<u>(3,305)</u>
Total Income Taxes	<u><u>\$8,155</u></u>