

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

Before the Public Service Commission of North Dakota

Case Nos. PU-13-83 and PU-13-85

Direct Testimony
of
Tamie A. Aberle

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

2 A. Yes. My name is Tamie A. Aberle, 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 Director of Regulatory Affairs for Montana-Dakota Utilities
6 Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

7 **Q. What are your responsibilities as the Director of Regulatory Affairs?**

8 A. My responsibilities include the preparation of rate design and
9 miscellaneous tariff revision filings to ensure that the applicable revenue
10 requirements are properly recovered from various customer classes via
11 applicable rate forms. I also administer utility tariffs and rules and regula-
12 tions effective in each of the jurisdictions in which Montana-Dakota
13 provides utility service.

14 **Q. Would you please outline your educational and professional
15 background?**

16 A. I graduated from Moorhead State University, Moorhead, Minnesota
17 in 1982 with a Bachelor of Science degree in Accounting. I began my

1 career with Montana-Dakota in 1983 in the Regulatory Affairs Department,
2 holding several positions within the Department including Rate
3 Administration Supervisor, Pricing and Tariff Manager and Regulatory
4 Affairs Manager before attaining my current position in 2012.

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

6 A. Yes. I have previously presented testimony before this
7 Commission, the Public Service Commissions of Montana and Wyoming,
8 and the Public Utilities Commissions of South Dakota and Minnesota.

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

10 A. The purpose of my testimony is to explain the Company's proposed
11 Environmental Cost Recovery Rider Rate 57 tariff and how the proposed
12 Rate 57 tariff addresses each of the issues for consideration stated on
13 pages 2 and 3 of the Commission's Notice of Consolidated Hearing, dated
14 July 10, 2013 in Case Nos. PU-13-83 and PU-13-85, Montana-Dakota's
15 Application for Approval of an Environmental Cost Recovery Rider.

16 **Q. Before you explain the Company's proposed Environmental Cost
17 Recovery Rider Rate 57 tariff, would you first inform the Commission
18 why Montana-Dakota chose to file an environmental rider tariff?**

19 A. Yes. Montana-Dakota is proposing to implement an Environmental
20 Cost Recovery Rider (ECRR) tariff that allows the Company to recover a
21 current return on Montana-Dakota's share of the Construction Work in
22 Progress (CWIP) costs associated with the required environmental retrofit
23 equipment to be installed at Big Stone. The ECRR is proposed in

1 accordance with the North Dakota Century Code as provided in Section
2 49-05-04.2(1):

3 The commission may approve, reject, or modify a tariff filed under section
4 49-05-06, which provides for an adjustment of rates to recover
5 jurisdictional capital costs and associated operating expenses incurred by
6 a public utility to comply with federal environmental mandates on existing
7 electricity generating stations. For purposes of this section, federal
8 environmental mandates are limited to any requirements under the Clean
9 Air Act, the Clean Water Act, or any other federal law or rule designed to
10 protect the environment. Associated operating expenses are costs
11 incurred by the public utility to comply with the environmental mandate.

12 The tariff must:

- 13 a. Allow the public utility to recover on a timely basis its investment in
14 capital costs and associated operating expenses incurred to meet
15 federal environmental mandates not reflected in the utility's general
16 rate schedule.
- 17 b. Allow a return on the public utility's investment made to meet federal
18 environmental mandates at the level approved in the utility's most
19 recent general rate case.
- 20 c. Provide a current return on construction work in progress to meet
21 federal environmental mandates provided the cost recovery from
22 retail customers of the allowance for funds used during construction
23 is not sought through any other means.
- 24 d. Terminate cost recovery after the public utility's costs and expenses
25 to meet federal environmental mandates have been recovered fully
26 or have been reflected in the utility's general rate tariffs.

27
28 The establishment of this tracker is beneficial to both the Company and its
29 customers. First it provides Montana-Dakota with a rate mechanism by
30 which it can recover costs incurred as a result of compliance with
31 environmental mandates on generating stations outside of a general rate
32 case, thereby reducing cash flow requirements during the construction
33 phase. Second, the tariff allows for the gradual increase in customer bills
34 over time as compared to a larger rate increase that would occur if the total
35 cost of the project, plus the AFUDC accrued during the project, were

1 introduced into rates upon completion of the project, which often times, is a
2 number of years as is the case with the Big Stone AQCS project. Customers
3 also benefit through the implementation of the tariff because carrying costs
4 will not be compounded during construction, reducing the amount of rate
5 base to be recovered through rates over the life of the project.

6 **Q. Please explain the Environmental Cost Recovery Rider Rate 57 tariff**
7 **submitted on February 11, 2013 and updated on May 31, 2013.**

8 The ECRR tariff specifies the procedure to be used in recovering the
9 jurisdictional costs incurred by Montana-Dakota in complying with federal
10 and state environmental mandates. Costs to be recovered include actual
11 capital expenditures, depreciation, taxes and a current return on the project
12 costs during construction. The projected Construction Work in Progress
13 (CWIP) costs included in the calculation of Montana-Dakota's proposed
14 ECRR reflect an allocation of CWIP to North Dakota based on the peak
15 demand allocator applicable each year. The Application submitted on
16 February 11, 2013 was based on Montana-Dakota's share of estimated
17 project costs of \$52,941,152 through March 31, 2014. That amount was
18 updated in May to reflect estimated costs of \$46,639,830 through March 31,
19 2014 as shown on Exhibit 1, pages 2 and 3 included with the May 31, 2013
20 update. The update in costs reflects the reduction in the total budget from
21 \$489 million to \$405 million as described more fully by Mr. Mark Rolfes.
22 Montana-Dakota's ownership share in the Big Stone Plant is 22.7%, and
23 therefore Montana-Dakota is responsible for 22.7% of the costs or \$92

1 million. Montana-Dakota's North Dakota jurisdictional share of this cost
2 responsibility is approximately 71.3% or \$65.5 million.

3 The revenue requirement for the AQCS at Big Stone as shown on
4 Exhibit 1 page 1 of the May 31 update reflects actual Construction Work in
5 Progress costs incurred through April 30, 2013 plus projected costs for the
6 period May 1, 2013 through March 31, 2014. The total amount requested to
7 be recovered through this first ECRR adjustment is \$2,751,330. This
8 amount represents the revenue requirement associated with the average
9 CWIP balance for the period January 2013 through March 2014 based on
10 the Company's rate of return authorized in the last electric rate case (Case
11 No. PU-10-124). The revenue requirement was allocated to the rate classes
12 using the demand factor identified in the Company's most recent general
13 electric rate case. A separate ECRR amount is being proposed for each of
14 the classes shown below, similar to Montana-Dakota's currently effective
15 Transmission Cost Adjustment, and will be shown as a separate line item on
16 customer bills denoted as "Req Environmental Cost".

17 The ECRR rates proposed are as follows.

Residential and Small General	\$0.00203 per Kwh
Large General	\$0.00164 per Kwh
Lighting	\$0.00120 per Kwh

18 The ECRR includes an annual true-up from the previous year based on
19 actual expenditures. The true-up will be reflected in the next ECRR
20 adjustment filing. Also, future filings will reflect a thirteen month average
21 balance for the determination of CWIP.

1 **Q. Would you please identify the issues the Commission noticed for**
2 **consideration regarding the Company's proposed environmental**
3 **cost recovery tariff on its Notice dated July 10, 2013?**

4 A. Yes. Four issues were identified on pages 2 and 3 of the
5 Commission's Notice of Hearing in regard to the Company's proposed
6 environmental cost recovery tariff. (1) Does each tariff allow the
7 respective public utility to recover on a timely basis its investment in
8 capital costs and associated operating expenses incurred to meet federal
9 environmental mandates not reflected in the utility's general rate
10 schedule? (2) Does each tariff allow a return on the respective public
11 utility's investment made to meet federal environmental mandates at the
12 level approved in the utility's most recent general rate case? (3) Does
13 each tariff provide a current return on construction work in progress to
14 meet federal environmental mandates provided the cost recovery from
15 retail customers of the allowance for funds used during construction is not
16 sought through any other means? (4) Does each tariff terminate cost
17 recovery after the respective public utility's costs and expense to meet
18 federal environmental mandates have been recovered fully or have been
19 reflected in the utility's general rate tariffs?

20 Two additional questions were included for consideration on page 3
21 of the Commission's Notice for Hearing in regard to the proposed
22 environmental cost recovery rate adjustment. (1) Does each rate
23 adjustment comply with the respective tariff? (2) Are each utility's incurred

1 costs and expenses to meet federal environmental mandates reasonable
2 and prudent?

3 **Q. Would you please address the issues for consideration relating to**
4 **the Company's proposed Environmental Cost Recovery Rider Rate**
5 **57 tariff?**

6 A. Yes. I will address each issue noticed by the Commission in regard
7 to Montana-Dakota's proposed tariff. First, the proposed ECRR (Rate 57)
8 would allow Montana-Dakota to recover on a timely basis its investment in
9 capital costs and associated operating expenses incurred to meet federal
10 environmental mandates not reflected in Montana-Dakota's existing rates.
11 The ECRR Rate 57 tariff provides Montana-Dakota with a rate mechanism
12 that closer aligns the recovery of such environmental mandated costs as
13 the costs are being incurred rather than to defer cost recovery, accrue
14 Allowance for Funds Used During Construction (AFUDC) and seek
15 recovery at the completion of this multi-year project.

16 The proposed tariff also provides a return on Montana-Dakota's
17 investment made to meet federal environmental mandates at the level
18 approved in the utility's most recent general rate case. As stated in
19 Paragraph 2, section a. of Rate 57, the return component of the revenue
20 requirement calculation will be the authorized rate of return from the
21 Company's most recent general rate case. In compliance with the
22 proposed tariff and the Statute, the return on rate base was calculated
23 using the authorized capital structure approved in Case No. PU-10-124,

1 the Company's most recent general rate case. The return on rate base,
2 calculated using the authorized capital structure, is shown in Exhibit 1,
3 page 2 of 3 of the Company's May 31, 2013 Revisions to the Application
4 for Approval of an Environmental Cost Recovery Rider.

5 The proposed tariff provides a current return on construction work
6 in progress to meet federal environmental mandates and Montana-Dakota
7 is not seeking cost recovery from retail customers of the allowance for
8 funds used during construction (AFUDC) through any other means. Upon
9 approval of the ECRR, AFUDC will no longer be accrued.

10 Finally, while the Rate 57 tariff will remain active, the ECRR rate
11 applicable to the AQCS project will end upon completion of the project.
12 Montana-Dakota is proposing to file an updated Environmental Cost
13 Recovery Rider (ECRR) annually, to be effective April 1 of each year, with
14 the Company ceasing collection of the rider at which time the equipment is
15 operational and included in rate base pursuant to a general rate case.

16 **Q. In regard to the proposed rate adjustment itself, does Montana-**
17 **Dakota's rate adjustment comply with its proposed Rate 57 tariff?**

18 A. The rate adjustment does comply with the Company's proposed
19 Rate 57 tariff. As shown in Exhibit 1, pages 2 and 3 of the Company's
20 May 31, 2013 Revisions to the Application for Approval of an
21 Environmental Cost Recovery Rider, the revenue requirement reflects only
22 those costs applicable to the AQCS at Big Stone.

23 In compliance with Paragraph 2, Section b of Rate 57, the revenue

1 requirement is allocated to the rate classes using the Company's AED
2 Factor No. 2 established in the Company's most recent general rate case
3 as shown on page 1 of Exhibit 1 to the May 31, 2013 Revisions to
4 Application. The allocated class costs are then further divided by the
5 forecasted Kwh sales to determine each class' ECRR.

6 **Q. Does this conclude your direct testimony?**

7 **A. Yes, it does.**