

**BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

***In the Matter of Montana-Dakota Utilities Co., a Division of MDU Resources
Group, Inc.***

Tariff and Rates for Generation Resource Recover Rider

Case No. PU-15-704

**DIRECT TESTIMONY
OF
Victor Schock**

**ON BEHALF OF THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION
ADVOCACY STAFF**

February 2, 2016

1 **Q: Provide your name and qualifications.**

2 A: My name is Victor Schock. I am a Public Utility Analyst for the North Dakota
3 Public Service Commission (Commission). I have 10 years of accounting
4 experience and one year of utility regulation experience.

5 I received a Bachelor of Science Degree in Accounting from Dickinson State
6 University in 2007. I have testified before the Commission on damage
7 prevention, advanced determination of prudence, certificate of public
8 convenience and necessity and rate cases. Prior to my work with the
9 Commission I completed hundreds of financial reviews of both public and
10 private companies as well as government entities in my work as a Credit &
11 Collections Manager with Unisys Corporation.

12 **Q: What is the purpose of your testimony?**

13 A: The Commission has appointed me to advocacy staff (staff) in this
14 proceeding. As such, I will provide to the commission with an analysis and
15 recommendation concerning this case. My testimony will support the January
16 25, 2016 Settlement Agreement (settlement) between Montana-Dakota
17 Utilities, Co., (MDU) and staff.

18 **Q: Provide a summary of the settlement as it pertains to generation
19 resources.**

20 A: The settlement represents an agreement between MDU and staff on several
21 key items.

22 First, the rate of return on equity used to calculate the revenue requirement
23 was reduced from 10.75% to 10.50%. This reduced the increase by
24 \$191,414.

25 Second, it implements the generation rider on an interim basis, and ties the
26 authorized net investment and rate of return to the outcome of a rate case
27 that must be filed by MDU no later than September 30, 2016. This provides
28 staff an opportunity to more thoroughly review these generation resources in

1 the rate case without duplicating efforts. If we were to hire a consultant to
2 review the resources now, we would end up reviewing all generation
3 resources in the rate case proceeding.

4 Finally, it provides a refund mechanism for possible excess earnings. In the
5 event that MDU earns more than 10.5% return on equity prior to the rate case
6 decision, 100% of the return above 10.5% will be returned to customers.

7

8 **Q: Why are you agreeing to wait until the rate case to continue the review**
9 **of these resources?**

10 A: Staff believes it is in the best interest of rate payers to avoid a duplicate
11 resource review. Regardless of the outcome of this generation rider
12 proceeding, staff would solicit a full review of all generation resources during
13 a rate case. Since MDU is agreeing to file a rate case no later than
14 September 30, 2016 staff believes it is more economical and prudent to hold
15 further review until that time. The provisions of this settlement agreement
16 ensure no additional risk to rate payers while the interim rates are in place.

17

18 **Q: Does this conclude your testimony?**

19 A: Yes, it does.