

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

Before the North Dakota Public Service Commission

Case No. PU-17-\_\_\_\_\_

Direct Testimony  
of  
Stephanie Bosch

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

2 A. Yes. My name is Stephanie Bosch, 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 Affairs Manager for Montana-Dakota Utilities  
6 Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

7 **Q. Would you please describe your duties as Regulatory Affairs  
8 Manager?**

9 A. I am responsible for the proper application of the Company's gas  
10 and electric rates in the Customer Care and Billing System (CC&B), the  
11 application of tariffs, and the preparation of miscellaneous rate filings.

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

1 A. I graduated from the University of North Dakota in 1995 with a  
2 Bachelor of Business and Public Administration degree in Banking and  
3 Financial Economics. I joined Montana-Dakota in June 1997 as a Rate  
4 Clerk in the Regulatory Affairs Department and realized positions of  
5 increasing responsibility within the Regulatory Affairs Department until  
6 2011 when I left the Company. In 2013 I returned to the Company as a  
7 Regulatory Analyst before attaining my current position in August of 2015.

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

9 A. The purpose of my testimony is to present the gas revenues at  
10 current rates, included in Statements E and K of this Application and the  
11 proposed rate schedules provided in Appendix B to the Application, as well  
12 as discuss two new rate schedules and other proposed changes in the  
13 Company's tariff.

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

15 A. Yes. I have previously presented testimony before this Commission  
16 and the Public Service Commissions of Montana and Wyoming.

17 **Q. What statements and exhibits are you sponsoring in this**  
18 **proceeding?**

1 A. I am sponsoring the proposed rate schedules provided in Appendix  
2 B to the Application, with the exception of the proposed Cost of Gas Rate  
3 88 and Cost of Propane Rate 99, which are sponsored by Mr. Jacobson.

4 I am also sponsoring the proposed interim rate schedules provided  
5 in Appendix A to the Interim Application.

6 **Q. Would you please explain the calculation of the revenue at current**  
7 **rates included in Statements E and K?**

8 A. Yes. The Company applied the Basic Service Charges and  
9 Distribution Delivery Charges applicable under each rate schedule and as  
10 authorized in Case No. PU-15-090, to the number of customers and level  
11 of usage identified by Mr. Shoemake to derive the revenues shown on  
12 Statement K, pages 4 and 5. Interruptible sales and transportation  
13 customers were priced at the applicable rate schedule's maximum rate per  
14 Dk, unless service is provided for under a contract rate. The Cost of Gas  
15 rates and Cost of Propane rate are reflective of the May 2017 Cost of Gas  
16 rates and Cost of Propane rate, excluding the surcharge.

17 **Q. Please describe the first of the two new rate schedules, the System**  
18 **Safety and Integrity Program Adjustment Mechanism designated as**  
19 **Rate 94 and provided as Exhibit No. \_\_\_\_ (SB-1).**

1 A. As discussed by Ms. Kivisto and Mr. Darras, Montana-Dakota is  
2 proposing a System Safety and Integrity Program Adjustment Mechanism  
3 applicable to its North Dakota gas customers. The purpose of the new  
4 rate schedule is to provide a recovery mechanism for costs associated  
5 with qualifying operational and safety-related infrastructure additions  
6 and/or replacement projects to the Company's distribution system that are  
7 deemed prudent for recovery through the mechanism and not currently  
8 being recovered through the Company's rates.

9 Under the System Safety and Integrity Program Adjustment  
10 Mechanism (Mechanism), identified herein as Rate 94, Montana-Dakota  
11 would file annually with the Commission a portfolio of projects and costs  
12 that the Company will undertake in the upcoming plan year. A true-up will  
13 also be included in the following year's update to reflect any over or under  
14 recovery based on actual project expenditures from the preceding year  
15 plus carrying charges or credits accrued at a rate equal to the three-month  
16 Treasury Bill rate.

17 The revenue requirement, including the previous year's true-up, will  
18 be allocated to the various rate classes, excluding the Minot Air Force  
19 Base and any transmission level customer, based on each rate class'  
20 respective level of distribution or non-gas revenues authorized in the

1 Company's last general rate case. Each rate class' allocated costs will  
2 then be further divided by the projected customers to determine an annual  
3 cost per customer. This annual cost per customer will then be divided by  
4 365 days to derive a System Safety and Integrity Program Adjustment  
5 Mechanism rate per day. The Company is proposing to assess the  
6 System Safety and Integrity Program Adjustment Mechanism as a per day  
7 and per month charge, dependent on the rate applicable to a customer's  
8 gas service. Customers taking service under a gas rate schedule where  
9 the Basic Service Charge is billed as daily rate (Rates 60, 70, 72, 90, and  
10 92) will also be billed the System Safety and Integrity Program Adjustment  
11 Mechanism as a daily rate. Customers taking service under a gas rate  
12 schedule where the Basic Service Charge is stated as a monthly rate  
13 (Rates 71, 81, 82, and 85) will also be billed the System Safety and  
14 Integrity Program Adjustment Mechanism as a monthly charge.

15 **Q. Why the proposed allocation of costs and rate structure?**

16 A. The proposed allocation of costs to the various rate classes will  
17 maintain the rate design structure authorized in this rate case within the  
18 context of the System Safety and Integrity Program Adjustment  
19 Mechanism. This provides a consistency in the allocation, and recovery,  
20 of pipeline safety and integrity related costs between those projects the

1 Company is planning to undertake in 2018 (and be included in base rates)  
2 and those costs the Company is proposing to recover through the  
3 Mechanism.

4 Assessing the Mechanism as a fixed daily charge recognizes the  
5 system investments are fixed costs and will help lessen the under or over  
6 recovery of costs due to variances in volumes, both in the projected Dk  
7 used to develop a volumetric rate and in the recovery of costs through  
8 actual volumes. It further provides consistency for residential customers  
9 with their current gas service bill where customers pay a fixed daily rate  
10 for their gas service, excluding the Cost of Gas. The Mechanism will be  
11 shown as a separate line item on the customer's bill.

12 The proposed System Safety and Integrity Program Adjustment  
13 Mechanism provides a mechanism that allows the Company to proactively  
14 address pipeline integrity while potentially avoiding costly rate cases and  
15 providing customers with more gradual rate increases over time.

16 **Q. When would the first rate be anticipated to be effective under the**  
17 **proposed Rate 94 tariff?**

18 A. The Company is anticipating filing with the Commission its first  
19 System Safety and Integrity Program Adjustment Mechanism rate in  
20 Spring 2019 reflecting qualifying projected 2019 pipeline projects. To help

1 illustrate the proposed rate structure, I have included Exhibit No. \_\_\_\_ (SB-  
2 2) using the estimated 2019 revenue requirement discussed by Mr.  
3 Jacobson in his direct testimony. As shown, a residential customer would  
4 see an estimated increase of \$0.46 a month in their bill in 2019 for the  
5 System Safety and Integrity Program Adjustment Mechanism at a rate of  
6 \$0.015 per day.

7 **Q. The Company is also proposing a Firm General Contracted Demand**  
8 **Service Rate designated as Rate 74 and provided as Exhibit No.**  
9 **\_\_\_\_ (SB-3). Please describe the proposed tariff.**

10 A. As mentioned by Ms. Kivisto, Montana-Dakota is proposing to  
11 implement a Firm General Contracted Demand Service Rate 74. The rate  
12 is applicable to non-residential customers with standby natural gas  
13 generators or customers who qualify under the Company's interruptible  
14 service tariffs, but have requested, and received Company approval, for  
15 firm gas service under the proposed tariff.

16 The purpose of the tariff is to recover capacity related costs from (1)  
17 standby use customers whose gas consumption is intermittent and do not  
18 provide adequate recovery of these costs and (2) customers who  
19 otherwise qualify for service under the Company's interruptible service  
20 rates due to their natural gas requirements but who want the option of

1           reserving capacity for firm service. Qualifying customers requesting firm  
2           gas service under Rate 74 will need approval from the Company prior to  
3           the commencement of service under this rate in order to determine that  
4           adequate capacity is available for firm service for the requesting customer.

5                     The proposed rate consists of four components: a monthly Basic  
6           Service Charge, a Distribution Demand Charge, a Capacity Charge, and a  
7           Cost of Gas – Commodity Charge. The Basic Service Charge reflects the  
8           proposed Basic Service Charges under the customer’s otherwise  
9           applicable service rate. The Distribution Demand Charge is a new billing  
10          component for Montana-Dakota and is designed to recover the distribution  
11          demand-related costs from these customers. Qualifying customers will  
12          identify, in their contract with the Company, the connected load (or  
13          demand Dk) which the Distribution Demand Charge will then be applied to  
14          each month. The Cost of Gas will be reflected as two separate  
15          components: a Capacity Charge and a Cost of Gas - Commodity Charge,  
16          as discussed by Mr. Jacobson. The Capacity Charge will be applied to the  
17          contracted monthly billing demand Dk and the Cost of Gas - Commodity  
18          Charge will be applied to the customer’s actual measured Dk for the given  
19          month.

1 **Q. Please explain the calculation of the proposed Distribution Demand**  
2 **Charge.**

3 A. The Company calculated the proposed Distribution Demand  
4 Charge rate of \$6.51 per monthly demand Dk utilizing the results of the  
5 Company's embedded class cost of service study. As identified in  
6 Statement M, the Company's total distribution demand-related costs,  
7 excluding the Air Force, is \$15,042,000. In dividing those costs by the  
8 Company's peak day deliveries of 192,668 Dk, an annual demand cost per  
9 Dk of \$78.07 is calculated. This equates to a monthly rate of \$6.51 per  
10 demand Dk.

11 **Q. Would you briefly describe any additional changes the Company is**  
12 **proposing to its gas tariffs?**

13 A. Yes. The Company is proposing the following changes to the gas  
14 tariffs as clearly identified in the legislative copy of the tariffs provided in  
15 Appendix B of the Application:

- 16 • The rates described by Mr. Hatzenbuhler have been incorporated  
17 into the proposed tariffs.
- 18 • Revise the Metering Requirements provisions under the Company's  
19 Interruptible Gas Rates 71 and 85 rate schedules to recognize that,  
20 while most customers are located within the Company's fixed

1 network system used for meter reading and therefore additional  
2 equipment is not needed for their meter data, select customers may  
3 still be required to install additional equipment for the transmission  
4 of such meter data if located outside the Company's fixed network  
5 communication system.

6 • Update the Temperature Sensitive Use per Customer identified on  
7 the Distribution Delivery Stabilization Mechanism Rate 87 tariff to  
8 reflect the daily base use per customer per day resulting from the  
9 corresponding rates' regression analyses performed for the  
10 normalization of firm general volumes in this case.

11 • Revise the following provisions included in the General Provisions  
12 Rate 100 tariff to:

13 o Revise the Service Availability provision included under  
14 Section III Customer Obligations to standardize the language  
15 across all communities within the Company's service territory  
16 to reflect delivery pressure standards of four to six ounces.

17 The Company is also proposing to identify the Company's  
18 local sales base pressures within Section V.9 Unit of Volume  
19 for Measurement of the General Terms and Conditions tariff.

- 1                   o   Revise the Metering and Measurement provision included  
2                                   under Section V General Terms and Conditions to inform  
3                                   customers that while a customer may install a meter for their  
4                                   own informational purposes, the customer meter may not  
5                                   interfere with the Company's delivery of gas to the service or  
6                                   interfere with the Company's meter.
- 7                   o   Outline the Company's policy regarding billing adjustments in  
8                                   the event a customer's gas service bill is found in error.
- 9                   o   Clarify the definition of unpaid balance included in the Late  
10                                  Payment provision.
- 11                  o   Increase the Returned Check Charge to \$40.
- 12                  o   Include Pilot Relights under Utility Customer Services  
13                                  performed at no charge if the interruption of service was the  
14                                  Company's responsibility.
- 15                  o   Identify the Company's normal business hours to better  
16                                  advise customers as to when they may be charged overtime  
17                                  rates. The Company is also proposing to include language  
18                                  that customers will be advised that if the call for service was  
19                                  received after 12:00 p.m. for same day reconnection service

- 1 that over time service rates will apply if the work cannot be  
2 completed during normal working hours.
- 3 o Introduce a provision to indicate that customers requesting  
4 the installation of temporary metering facilities or services  
5 will be responsible for the direct costs associated with such  
6 facilities.
  - 7 o Revise the Non-Residential Reconnection Fee for Seasonal  
8 or Temporary Customers to reduce the seasonal  
9 reconnection fee for distribution revenues collected while the  
10 customer was in-service for usage above the respective  
11 class' average annual authorized use.
  - 12 o Include a minimum \$30 charge in the event of unauthorized  
13 use of service by a customer.
  - 14 o Revise the Employee Discount to reflect the applicability to  
15 qualifying retirees of MDU Resources and its subsidiaries  
16 only.
  - 17 o There are other minor wording changes listed throughout the  
18 rate to improve the readability of the rate without modifying  
19 any conditions. These changes are clearly denoted on the  
20 tariff sheets in the legislative format.

1 **Q. Is the Company proposing any changes to the Company's Extension**  
2 **Policies Rates 119 and 120?**

3 A. Yes. The Company is proposing to update the Levelized Annual  
4 Revenue Requirement (LARR) identified on the tariff to reflect the costs  
5 and return included in this case.

6 The Company is also proposing to clarify that the cost of the  
7 extension shall include all costs from the main, if applicable, up to, and  
8 including the riser. All costs after the riser will not be included in the cost  
9 of the extension.

10 **Q. Please summarize the proposed changes to the Company's Rate 124.**

11 A. The Company is proposing to limit Rate 124's applicability to the  
12 replacement, relocation, and repair of gas service lines as changes to  
13 existing service line installations will be reviewed in accordance with the  
14 Company's Firm Extension Policy Rate 120.

15 **Q. Did the Company incorporate the changes proposed to the**  
16 **Company's Transportation Service Rates 81 and 82 tariff in Case No.**  
17 **PU-17-194 pending before this Commission in this case?**

18 A. No the Company did not. Montana-Dakota will incorporate any  
19 changes to the Transportation Service Rates 81 and 82 tariff ultimately

1 authorized by this Commission in Case No. PU-17-194 in subsequent tariff  
2 submissions in this case.

3 **Q. Does this conclude your testimony?**

4 A. Yes.



# Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

Case No. PU-17-\_\_\_\_  
Exhibit No. \_\_\_\_\_ (SB-1)  
Page 1 of 2

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 37

### SYSTEM SAFETY AND INTEGRITY PROGRAM ADJUSTMENT MECHANISM Rate 94

Page 1 of 2

#### Applicability:

This rate schedule provides for a System Safety and Integrity Program Adjustment (SIA) and specifies the procedure utilized to recover the revenue requirement associated with the Company's additions and/or replacement of natural gas distribution facilities in compliance with operational, state, or federal pipeline safety programs deemed prudent by the Commission and not currently recovered through the Company's retail rates.

#### System Safety and Integrity Program Adjustment:

1. Costs to be recovered under the System Safety and Integrity Program Adjustment Mechanism may include operation and maintenance expenditures, depreciation, taxes, and a current return on project costs during construction. The return component of the revenue requirement calculation will include the authorized rate of return on equity from the Company's most recent general rate case and the current capital structure.
2. The System Safety and Integrity Program Adjustment Mechanism will be adjusted annually (or other period as authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this rate schedule.
3. A true-up will reflect any over or under collection of revenue under the System Safety and Integrity Program Adjustment Mechanism based on actual program expenditures from the preceding recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.
4. The projected revenue requirement and true-up balance shall be allocated to each rate class, excluding transmission level customers, based on the respective rate class' percentage of distribution (or non-gas) revenues authorized in the Company's last general rate case. Each rate classes' allocated costs will then be further divided by the projected customers to determine an annual cost per customer.

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Director - Regulatory Affairs

**Case No.:**



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Case No. PU-17-\_\_\_\_  
Exhibit No. \_\_\_\_\_ (SB-1)  
Page 2 of 2

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
Original Sheet No. 37.1

### SYSTEM SAFETY AND INTEGRITY PROGRAM ADJUSTMENT MECHANISM Rate 94

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Page 2 of 2

5. The annual cost per customer by rate class will be divided by 365 days to derive the System Safety and Integrity Program Adjustment Mechanism rate per day. Customers being assessed a daily Basic Service Charge will be assessed the System Safety and Integrity Program Mechanism on a daily rate basis. Customers being assessed a monthly Basic Service Charge will be assessed the System Safety and Integrity Program Mechanism on a monthly rate basis.

#### **System Safety and Integrity Program Adjustment Mechanism:**

\$x.xxx per day (applicable to Rates 60, 90, 70, 72, and 92)

\$x.xx per month (applicable to Rates 71, 81, 82, and 85, excluding transmission level customers)

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Director - Regulatory Affairs

**Case No.:**

**Montana-Dakota Utilities Co.  
Gas Utility - North Dakota  
System Safety & Integrity Program Mechanism  
Proposed Rate Structure  
Estimated 2019 Rider**

Revenue Requirement	Rate Class	Customers	Distribution Revenues	Projected 2018 1/ 2/		Allocation of Costs using Proposed Rate Design				Monthly Rate	Monthly Bill
				Proposed Increase	Total Dist Rev	% of Total	Allocated Costs	Cost per Customer	Daily Rate		
\$856,289	Residential	96,792	\$22,762,526	\$3,458,717	\$26,221,243	61.910%	\$530,129	\$5.48	\$0.0150	\$0.46	
	Firm General - Small	10,850	4,140,259	634,129	4,774,388	11.273%	96,529	\$8.90	\$0.0244	\$0.74	
	Firm General - Large	4,710	7,645,528	1,775,575	9,421,103	22.244%	190,473	\$40.44	\$0.1108	\$3.37	
	Small Interruptible	155	1,700,349	(171)	1,700,178	4.014%	34,371	\$221.75		\$18.48	
	Large Interruptible 3/	5	236,703	139	236,842	0.559%	4,787	\$957.40		\$79.78	
		112,512	\$36,485,365	\$5,868,389	\$42,353,754	100.000%	\$856,289				
		3	119,891	Air Force							
		1	1,091,078	Transmission Level Customer							
		112,516	37,696,334								

1/ Statement N, Page 2 Billing Determinants and Page 3 Rate Design Results.

2/ Excludes Air Force.

3/ Excludes transmission level customer.



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Case No. PU-17-\_\_\_\_  
Exhibit No. \_\_\_\_\_ (SB-3)  
Page 1 of 2

## State of North Dakota Gas Rate Schedule

NDPSC Volume 7  
Original Sheet No. 16

### FIRM GENERAL CONTRACTED DEMAND SERVICE Rate 74

Page 1 of 2

#### Availability:

In all communities served applicable to non-residential customers with standby natural gas generators and, available on an optional basis to, customers qualifying for service under the interruptible service tariffs that have requested, and received approval from the Company, for gas service under this rate.

#### Rate:

##### Basic Service Charge:

Customers otherwise qualifying for Rate 70

For customers with meters rated under  
500 cubic feet per hour \$0.70 per day

For customers with meters rated under  
500 cubic feet per hour \$2.05 per day

Customers otherwise qualifying for Rates 71 or 81 \$190.00 per month

Customers otherwise qualifying for Rates 85 or 82 \$1,500.00 per month

Distribution Demand Charge: \$6.51 per Dk per month of billing demand

Capacity Charge per  
Monthly Demand Dk: Determined Monthly – See Rate Summary  
Sheet for Current Rate

Cost of Gas –  
Commodity per Dk: Determined Monthly – See Rate Summary  
Sheet for Current Rate

#### Minimum Bill:

Basic Service Charge, Distribution Demand Charge, and Capacity Charge.

#### Payment:

Billed amounts will be considered past due if not paid by the due date shown on the bill. Past due bills are subject to a late payment charge in accordance with the provisions of Rate 100, §V.12, or any amendments or alterations thereto.

#### Determination of Monthly Billing Demand:

As specified in customer's contract. Customer's actual demand will be reviewed annually and, if warranted, a new monthly billing demand established.

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Case No. PU-17-\_\_\_\_  
Exhibit No. \_\_\_\_\_ (SB-3)  
Page 2 of 2

## State of North Dakota Gas Rate Schedule

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NDPSC Volume 7  
Original Sheet No. 16.1

### **FIRM GENERAL CONTRACTED DEMAND SERVICE Rate 74**

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Page 2 of 2

#### **Cost of Gas:**

The cost of gas includes all applicable cost of gas items as defined in Cost of Gas – Natural Gas Rate 88 or any amendments or alterations thereto. The Cost of Gas component is subject to change on a monthly basis.

#### **System Safety and Integrity Program Adjustment Mechanism – Metering Requirements:**

1. Service provided for under tariff must be separately metered from customer's other gas services.
2. Remote data acquisition equipment (telemetry equipment) required by the Company for a single customer installation for daily measurement will be purchased and installed by the Company prior to the initiation of service hereunder.
3. Customer may be required, upon consultation with the Company, to contribute towards an additional metering equipment necessary for daily measurement by the Company, depending on the location of the customer to the Company's network facilities. Enhancements and/or modifications to these services may be required to ensure equipment functionality. Such enhancements or modifications shall be completed at the direction of the Company with all associated costs the Customer's responsibility. Any interruption in such services must be promptly remedied or service under this tariff will be suspended until satisfactory corrections have been made.
4. Consultation between the customer and the Company regarding telemetry requirements shall occur prior to execution of the required service agreement.

#### **General Terms and Conditions:**

1. The customer agrees to contract for service under the Firm General Demand Rate 74 for a minimum period of one year.
2. The foregoing schedule is subject to Rates 100 through 124 and any amendments or alterations therefore or additional rules and regulations promulgated by the Company under the laws of the state.

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