

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

Before the Public Service Commission of North Dakota

Case No. PU-17-295

Rebuttal 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. Are you the same Stephanie Bosch who filed direct testimony in this**
8 **proceeding?**

9 A. Yes, I am.

10 **Q. What is the purpose of your rebuttal testimony?**

11 A. The purpose of this rebuttal testimony is to address the
12 recommendations made by Ms. Sara Cardwell, testifying on behalf of the
13 North Dakota Public Service Commission Advocacy Staff, specifically
14 items 2 and 4 through 10 summarized on pages 10 and 11 of her direct
15 testimony and to address select testimony and/or recommendations made
16 by Mr. Scott J. Rubin, testifying on behalf of the AARP regarding the

1 proposed System Safety and Integrity Program Adjustment Mechanism
2 (SSIP).

3 **Q. On page 6 of Ms. Cardwell's testimony starting on line 23, Ms.**
4 **Cardwell explains her recommendation that the Company should**
5 **track late payment revenues as an early indicator of a customer's**
6 **inability to pay. Do you agree with that recommendation?**

7 A. No, I do not. The application of a late payment charge (LPC) to a
8 customer's account is an indicator only that a customer's bill was not paid
9 by the due date identified on the customer's bill as the Company does not
10 have any additional information available as to why the customer's bill was
11 not paid by the date due. The Company cannot, and should not assume,
12 the payment is late because of a customer's inability to pay. Other
13 reasons for a payment made after the due date could include the
14 customer's payment is in the mail and therefore not yet applied to a
15 customer's account by the date due, a customer simply forgot to pay their
16 bill by the due date, or a customer pays according to a customer-defined
17 payment schedule or amount regardless of due date, amount due or the
18 application of a LPC.

19 Montana-Dakota currently considers a number of factors within its
20 credit and collection process that assist the Company in assessing the
21 potential risk of a past due customer. Some of these factors include the
22 length of time at a customer's current address, the amount of time that has

1 passed since the last payment and the amount of the payment. Gaps in
2 payments, missed payments or even partial payments have shown to be
3 more of an indicator to the Company of a customer at risk than the
4 application of a LPC. For example, the Company would consider a
5 customer that has not made a payment in 70 days a higher risk than the
6 customer who pays 10 days late every month. In each case, a LPC would
7 be assessed and show on the recommended report, but only the 70-day
8 delinquency would appear at risk for nonpayment. Therefore, the
9 Company does not believe, due to the reasons mentioned, that the results
10 yielded from tracking late payment revenues provides any explanation
11 beyond the numbers being reported.

12 **Q. Ms. Cardwell also recommends a number of tariff wording**
13 **clarifications starting on page 8 of her testimony. Does the Company**
14 **agree with the tariff changes noted by Ms. Cardwell in her**
15 **testimony?**

16 A. Yes. The Company agrees with the recommended changes noted
17 below and will revise the provisions accordingly in its compliance filing
18 upon approval by the Commission.

- 19 • Rate 74 paragraphs 2 and 3 under Metering Requirements.
- 20 • Rate 100 Section III paragraph 4 - Access to Customer's Premises,
- 21 • Rate 100 Section IV paragraph 2 - Customer's Equipment, and
- 22 • Rate 100 Section V paragraph 10(c) and (d) - Billing Adjustments.

1 **Q. Would you please address Ms. Cardwell’s recommendation**
2 **regarding General Provisions Rate 100 Section V paragraph 16**
3 **regarding the charging of materials for utility services?**

4 A. Yes. Upon further review of the provision in question (Utility
5 Services Performed after Normal Hours outlined on page 15 of the
6 General Provisions Rate 100 tariff), the Company believes the tariff should
7 be updated to remove the words “and materials at retail prices.” This
8 provision is specific to utility services performed after normal business
9 hours, such as those services noted in the immediately preceding
10 provision of the tariff, Utility Customer Services, including cut ins and cut
11 outs or high bill complaints. Typically, these services involve a service
12 technician visiting a customer’s premise to resolve the customer’s request
13 with no material needed. Any work performed downstream of the meter is
14 the responsibility of the customer and not performed by Montana-Dakota.

15 **Q. Both Ms. Cardwell and Mr. Rubin oppose the proposed increase to**
16 **the Company’s Returned Check Charge. Ms. Cardwell states the fee**
17 **should be consistent with the other two investor owned utilities in**
18 **the state. Mr. Rubin states utilities should not be in the business of**
19 **attempting to penalize customers for behavior the utility thinks is**
20 **improper unless it affects the utility’s business and should not be**
21 **receiving penalty payments from customers that are wholly**

1 **unrelated to the utility's cost of providing services. Do you have a**
2 **response to Ms. Cardwell's and Mr. Rubin's comments?**

3 A. Yes. First regarding Ms. Cardwell's comment, while the proposed
4 fee is different than that currently assessed by Otter Tail Power Company
5 and Northern States Power Company, the proposed fee is consistent with
6 the returned check charge currently assessed the Company's electric
7 customers in North Dakota as recently authorized in Case No. PU-16-666.

8 Montana-Dakota also disagrees with the reasons noted by Mr.
9 Rubin for increasing the returned check charge to \$40. The issuance of a
10 check as payment for which there are insufficient funds in a customer's
11 account does have an affect on a utility's business and its other customers
12 in time if the account remains unpaid and eventually becomes a bad debt
13 expense which in turn is a cost paid by all customers through a utility's
14 rates.

15 The charge is not cost-based, but proposed at such a level to serve
16 as a deterrent to not write that check and instead serve as an impetus to
17 the customer to pursue alternatives means of payment on the customer's
18 account, such as contacting the Company regarding a payment plan,
19 inquiring into the Company's Balanced Billing program or reaching out to
20 outside agencies for assistance such as the Low-Income Energy
21 Assistance Program. The Company believes that a returned check charge
22 set at cost would not provide that deterrent.

1 **Q. Mr. Rubin attached two of the Company's data responses to his**
2 **testimony as Exhibit No. SJR-13 that note changes to proposed Rate**
3 **94. Does the Company agree with the changes to Rate 94 noted in**
4 **Mr. Rubin's exhibit and referenced on page 38 of Mr. Rubin's**
5 **testimony?**

6 A. Yes. The first change, as noted in the Company's response to
7 AARP Data Request 1.2, the Company agrees is appropriate is to revise
8 the first sentence of paragraph four of the proposed Rate 94 tariff to read
9 "The projected revenue requirement and true-up balance shall be
10 allocated to each rate class, *excluding* transmission level customers,
11 based on the respective rate class' percentage of distribution (or non-gas)
12 revenues authorized in the Company's last general rate case."

13 The second change, as noted in the Company's response to AARP
14 Data Request 1.3(d), is to revise paragraph 1 of the proposed Rate 94
15 tariff to read "...return on project costs included in rate base."

16 **Q. Would you please respond to Mr. Rubin's discussion on the**
17 **proposed allocation, and recovery, of the SSIP costs under Rate 94?**

18 A. Yes. On pages 41 and 42 of Mr. Rubin's direct testimony, he
19 indicates that the Company is proposing to recover any SSIP costs as an
20 equal amount per customer with the residential class being allocated 86
21 percent of any SSIP costs.

1 First, I'll address the recovery of any SSIP costs under the
2 proposed Rate 94 tariff. The Company is not proposing an equal amount
3 per customer, but rather a per day or per month rate applicable for each
4 rate class as demonstrated in Exhibit No. SB-2 page 1 of my direct
5 testimony. As shown the referenced exhibit, the estimated 2019 SSIP
6 rates would be as follows:

<u>Rate Class</u>	<u>Rate</u>
Residential	\$0.0150 per day
Firm General – Small	\$0.0244 per day
Firm General – Large	\$0.1108 per day
Small Interruptible	\$18.48 per month
Large Interruptible	\$79.78 per month

7 Upon approval of the Rate 94 tariff, and at the time actual SSIP rates are
8 to be included on the tariff, the SSIP Adjustment Mechanism provision on
9 page 2 of the tariff will further delineate the different SSIP rates applicable
10 to each rate schedule such as shown in the above table.

11 As the Company is only requesting approval of the Rate 94 tariff at
12 this time and actual SSIP rates are not available, the Company only
13 included the rate application mechanism (daily versus monthly) and the
14 applicable rate schedules on the proposed tariff.

15 The second point of clarification is regarding the allocation of any
16 SSIP costs to the rate classes. The Company is not proposing to allocate
17 86 percent of SSIP costs to the residential class. Rather the Company is
18 proposing to allocate any SSIP costs based on each respective rate class'

1 percentage of distribution (or non-gas) revenues authorized in this rate
2 case and as updated upon the conclusion of future rate cases. If
3 approved as filed in this rate case, the residential customer class would be
4 allocated 61.91 percent of any SSIP costs, as demonstrated in Exhibit No.
5 SB-2.

6 **Q. Mr. Rubin offers an alternative SIA rate design if the Commission**
7 **were to ultimately authorize a safety-related surcharge. Is the**
8 **Company opposed to Mr. Rubin's alternative?**

9 A. No, the Company would not be opposed to Mr. Rubin's alternative
10 of a percentage adder to be applicable to the non-gas components of
11 each customer's bill. This rate application would be very similar to how
12 the Company is applying the gas interim rate increase today on
13 customer's bills in North Dakota. Assuming the same 2019 revenue
14 requirement and revenue distribution as that included in Exhibit No. SB-2
15 of my direct testimony, I prepared Rebuttal Exhibit No. SB-1 using Mr.
16 Rubin's percentage adder alternative. As shown on page 1 of the
17 attached exhibit, the estimated 2019 SSIP rate would be 2.0218%
18 applicable to all rate classes and residential customers would see an
19 increase in their bill of \$0.46 per month, the same increase as that of the
20 rate application proposed by the Company.

21 **Q. Does this conclude your rebuttal testimony?**

22 A. Yes, it does.

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

Revenue Requirement \$856,289
 % Increase (excl Air Force & Transmission Level) 2.0218%

Rate Class	Projected 2018 1/ 2/				% Adder	
	Customers	Distribution Revenues	Proposed Increase	Total Dist Rev	% Adder	Allocated Costs
Residential	96,792	\$22,762,526	\$3,458,717	\$26,221,243	2.0218%	\$530,141
Firm General - Small	10,850	4,140,259	634,129	4,774,388	2.0218%	96,529
Firm General - Large	4,710	7,645,528	1,775,575	9,421,103	2.0218%	190,476
Small Interruptible	155	1,700,349	(171)	1,700,178	2.0218%	34,374
Large Interruptible 3/	5	236,703	139	236,842	2.0218%	4,788
	<u>112,512</u>	<u>\$36,485,365</u>	<u>\$5,868,389</u>	<u>\$42,353,754</u>		<u>\$856,308</u>
	3	119,891	Air Force			
	1	1,091,078	Transmission Level Customer			
	<u>112,516</u>	<u>37,696,334</u>				

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

2/ Excludes Air Force.

3/ Excludes transmission level customer.