MONTANA-DAKOTA UTILITIES CO.

Before the North Dakota Public Service Commission

Case No. PU-20-379

Rebuttal Testimony
of
Patrick C. Darras

Q. Please state your name and business address.

A. My name is Patrick C. Darras, and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

Q. By whom are you employed and in what capacity?

A. I am the Vice President – Engineering & Operations Services for Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company"), Great Plains Natural Gas Co. ("Great Plains"), Cascade Natural Gas Corporation ("Cascade"), and Intermountain Gas Company ("Intermountain").

Q. Are you the same Patrick C. Darras who filed direct testimony earlier in this proceeding?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address certain comments in the testimony of Mr. James Heidell, PA Consulting on behalf of North Dakota Public Service Commission Advocacy Staff.

Q. Please summarize your understanding of the position of the Advocacy Staff regarding the treatment of the distribution pipeline investment under Montana-Dakota's safety and reliability enhancement programs.

A. Advocacy Staff witness, Mr. Heidell, concludes from recent and expected investments by the Company to enhance safety and reliability of the distribution system that a large driver of the proposed rate increase is the Company's substantial capital investment in replacing gas mains as part of the Distribution Integrity Management Program (DIMP) and System Safety and Integrity Program (SSIP). Mr. Heidell states that:

> "The Company's peak design day is decreasing, yet safety related distribution investments are a significant component of capital investment spend. Ms. Kivisto notes that the primary driver for increased rates is for the safety and reliability investment of the distribution system. The Company also stated that when considering safety related projects, the cost per customer as well as the number of customers served is not a consideration on whether a safety-related project will be pursued."[1]

Based on this conclusion, Mr. Heidell recommends that the Company apply a projected throughput allocation factor for the distribution mains investments that are related to safety.[2]

[1] Heidell Direct, 10:214 – 219.
[2] Ibid, 10:220 – 222.

Q. Do you concur with Mr. Heidell's conclusion?

A. No. In my opinion, Mr. Heidell confuses the risk factors that influence the need to replace a specific segment of pipeline for safety reasons, with engineering standards and criteria that will determine the actual design and construction of the replacement pipeline. In my Direct Testimony, I discuss the areas of risk on the distribution system that are identified by the DIMP process as well as by the expertise of Company engineers and field management personnel and the development of safety related projects to remediate those risks. The prioritization and selection of the appropriate remediation projects depends on the type of threat assessed, whether it is current or potential, and the feasibility of the remedial action in managing the relevant risk factors. Pipeline replacement is primarily the most viable option to remediate risks associated with risks related to material deterioration, joint and weld failure, corrosion, natural forces, and equipment malfunction. The SSIP process prioritizes for replacement of early vintage steel and plastic pipelines prone to bare or poor coating, industry documented Aldyl-a plastic defects, unknown attributes, missing data, mechanical fittings, inside gas meters, and non-reported third party damages. The assessment of these risk factors that determine the prioritization and replacement of high-risk pipelines within the Company's distribution system are separate from the design standards and criteria, localized peak capacity requirements of the distribution grid, customer density, rural

versus urban location, adjacent infrastructure, and other factors that drive the specific pipeline construction costs.

Q. Is annual throughput on the distribution system an influencing factor in the in the risk assessment process under DIMP or SSIP or a consideration in the design and construction of a replacement pipeline project?

A. No. Annual throughput is not one of the categories of risk in the DIMP model.

Q. Would you consider annual throughput a basis for allocation of pipeline investment under the DIMP or SSIP programs to the various customer groups served by the Montana Dakota distribution system?

A. I will refer questions related to cost allocation methods to Montana-Dakota's cost of service witness, Mr. Amen.

Q. Does this complete your rebuttal testimony?

A. Yes, it does.