

MONTANA-DAKOTA UTILITIES CO.

Before the North Dakota Public Service Commission  
Case No. PU-20-\_\_\_\_

Direct Testimony  
of

Tara R. Vesey

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

2 A. Yes. My name is Tara R. Vesey, 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).

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

9 A. I am responsible for the preparation of cost of service studies, fuel  
10 cost adjustments, purchased gas cost adjustments, and gas tracking  
11 adjustments in each of the jurisdictions in which Montana-Dakota  
12 operates.

1 **Q. Would you please describe your education and professional**  
2 **background?**

3 A. I graduated from North Dakota State University with a Bachelor of  
4 Science degree in Economics. I started my career with Montana-Dakota in  
5 2019 as a Regulatory Affairs Manager. Prior to that I was employed for 13  
6 years by a power cooperative. During that time, I held positions of  
7 increasing responsibility, including Contract Administrator, Sales Manager,  
8 Transportation Manager, and Manager of Market Operations & Logistics.

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

10 A. Yes. I have previously presented testimony before the Public  
11 Service Commissions of Montana and Wyoming.

12 **Q. Are you familiar with the books and records of Montana-Dakota and**  
13 **the manner in which they are kept?**

14 A. Yes. Montana-Dakota's books and records are kept in accordance  
15 with the Federal Energy Regulatory Commission (FERC) Uniform System  
16 of Accounts.

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

2 A. The purpose of my testimony is to present the North Dakota gas  
3 operations per books cost of service for the twelve months ended  
4 December 31, 2019 and the projected cost of service for 2020 and 2021.  
5 Based on the results, I have prepared the calculation of the revenue  
6 deficiency and the calculation of the interim request.

7 **Q. What statements, schedules, and exhibits are you sponsoring?**

8 A. I am sponsoring Statements A through D, Statement F, Schedule F-  
9 2, and Statements G through J, Exhibit No.\_\_(TRV-1), Interim  
10 Statements A through D, Statement F, Schedule F-2, and Statements G  
11 through J, the interim revenue requirement presented in Exhibit  
12 No.\_\_(TRV-2), and the proposed Rate 89 – Cost of Gas presented in  
13 Appendix B of the Application.

14 **Q. Were these statements and exhibits prepared by you or under your**  
15 **direct supervision?**

16 A. Yes, they were.

1 **Combining Montana-Dakota and Great Plains North Dakota Operations**

2 **Q. Why is this filing inclusive of both Montana-Dakota and Great Plains**  
3 **Natural Gas Company's (Great Plains) North Dakota Operations?**

4 A. As stated in Ms. Kivisto's testimony, the Company and Commission  
5 Staff agreed to begin combining all gas operations within North Dakota for  
6 reporting purposes in Case Nos. PU-17-490 and PU-17-075. This was  
7 seen as a first step to having one North Dakota gas utility operation. This  
8 singular operation has thus been reflected in the 2018 and 2019 Annual  
9 Report filings. The Company is proposing to phase in Great Plains' North  
10 Dakota customers to become Montana-Dakota customers as a part of this  
11 filing. Specific details related to the phases is covered in the testimony of  
12 Ms. Bosch.

13 **Q. How has the Montana-Dakota and Great Plains information been**  
14 **combined in the determination of the revenue requirement?**

15 A. The per books information in the cost of service study is the  
16 combination of data from Montana-Dakota and Great Plains. This

1 information was then used to project revenue, expense and rate base  
2 information that is inclusive of both companies.

3 **Gwinner Pipeline**

4 **Q. How has the Company accounted for the Gwinner pipeline?**

5 A. The Gwinner pipeline has been excluded from the Revenue as well  
6 as the Rate Base for 2020 and 2021. The revenue associated with this  
7 pipeline is collected under a separate, multiyear contract that is filed with  
8 this Commission. For this reason, the projected plant associated with the  
9 Gwinner pipeline is also excluded from the rate base.

10 **Revenue Requirement**

11 **Q. Are any impacts of the COVID-19 pandemic in the projected test  
12 period?**

13 A. No, the Company has developed the 2021 test period revenues  
14 and expenses based on a 2019 base period. Montana-Dakota has  
15 identified several revenue and expense categories that have been  
16 impacted during 2020. Examples include, but are not limited to, PPE

1 related costs, computer related costs, vehicles, waived late fees, short  
2 term debt issuance, incremental short term debt interest expense, and bad  
3 debt expense, which may be somewhat offset by cost savings associated  
4 with employee travel and training. However, the rates resulting from this  
5 rate case are intended to be used for a number of years beginning in 2021  
6 and the Company expects that its revenues and expenses will be in line  
7 with those presented here and will be similar to pre-pandemic levels.

8 The Company has filed to request a deferred accounting order to  
9 account for the revenues and expenses noted above in Case No. Pu-20-  
10 219. In the event that the net costs are material, Montana-Dakota will  
11 determine the appropriate action at that time.

12 **Q. What were the results of North Dakota gas operations for 2019?**

13 A. Statement A, pages 2 and 3 show the per books income statement  
14 and rate base for the total Company and North Dakota gas operations for  
15 2019. As shown on page 2, North Dakota gas operations produced a  
16 return on rate base of 5.567 percent for the twelve months ended

1 December 31, 2019. The details for each line item, i.e. sales revenue,  
2 other revenue, etc., are included in the referenced Statements.

3 **Q. How was the per books cost of service allocated to North Dakota?**

4 A. The Company utilizes a jurisdictional accounting system that  
5 directly assigns and/or allocates every item of revenue, expense, and rate  
6 base to the jurisdictions as part of the regular accounting process on a  
7 monthly basis. The allocation methods and procedures are the same as  
8 those that have previously been used in Commission proceedings and are  
9 based on the principle of assigning and/or allocating costs to the cost  
10 causer.

11 **Q. What test period are you using to determine the revenue  
12 requirement?**

13 A. The revenue requirement is based on a projected average 2021  
14 test period. As stated by Ms. Kivisto, the primary reason for the increase  
15 in rates is the increased investment in distribution facilities to ensure  
16 system safety and reliability.

1 Montana-Dakota is using a future test year in accordance with  
2 North Dakota Century Code §49-05-04.1.

3 **Q. Would you describe the development of the projected cost of service**  
4 **for 2020 and 2021?**

5 A. The projected 2020 and 2021 cost of service is presented in  
6 Statement A, with schedules supporting the income statement in  
7 Statements F, G, H, I, and J. The revenues and expenses reflect the  
8 annual level that is projected for 2020 and 2021. Likewise, the rate base  
9 reflects average 2020 and 2021 plant and related balances.

10 **Income Statement**

11 **Q. Would you describe the development of the projected revenues and**  
12 **expenses?**

13 A. The projected revenues for 2020 and 2021 are summarized on  
14 Statement F. Mr. Shoemake discusses the development of the projected  
15 volumes in his testimony, and Ms. Bosch discusses the development of  
16 the sales and transportation revenues in her testimony.

1                   As noted earlier in my testimony, contract revenue related to the  
2                   Gwinner pipeline has been excluded in the 2020 and 2021 projections as  
3                   it is collected under a separate, multiyear contract that is filed with this  
4                   Commission. The associated rate base has also been removed from the  
5                   revenue requirement.

6                   Other operating revenues are projected to decrease form the 2019  
7                   level as shown on Statement F, Schedule F-2, page1, primarily due to the  
8                   2019 updated revenue requirement for the Heskett pipeline.

9                   Rent from Property was increased to reflect annualized actual  
10                  activity in 2020 through the month of May.

11                  Other Revenue was adjusted to reflect an updated revenue  
12                  requirement for the Heskett pipeline. Late payment and penalty revenues  
13                  were also adjusted. Late payment revenues were projected for 2020 and  
14                  2021 based on the 2019 ratio of late payment revenue to billed sales and  
15                  transportation revenue of 0.11 percent applied to projected 2020 and 2021  
16                  sales and transportation revenue. The 2020 and 2021 penalty revenues

1 were restated to a three-year average for 2017 to 2019 to smooth out year  
2 to year fluctuations.

3 **Q. Would you describe the development of the operation and**  
4 **maintenance expenses?**

5 A. Yes. The projected 2020 and 2021 operation and maintenance  
6 (O&M) expenses are summarized on Statement G, Schedule G-1, pages  
7 1 through 6, with the detail provided on pages 7 through 23.

8 The cost of gas, shown on page 7, uses the projected sales  
9 volumes and the demand cost calculated in the July 2020 demand cost  
10 and a projected 2021 annual commodity cost of gas.

11 **Q. Would you describe the development of the projected other O&M**  
12 **expense?**

13 A. Yes. O&M expenses were reviewed and projected by resource or  
14 cost category, some on a North Dakota only basis and some on a total  
15 Company basis. Montana-Dakota developed the O&M expenses for 2020  
16 by reviewing current information, as well as discussions with operations

1 personnel to determine the best information for 2020. The projections for  
2 2021 were based on the projected 2020 data. Projected 2021 expenses  
3 are based on the Company's best estimate when changes are known or  
4 based on an inflation factor when appropriate. To establish an inflation  
5 factor, the Company based its factor on the indices published by the  
6 Organization for Economic Cooperation and Development, International  
7 Monetary Fund, PriceWaterhouseCoopers, and Statistica. The rates are  
8 represented in an average of 1.94 percent.

9 As described above, the Company did not include COVID-19  
10 related expenses in the 2021 test period.

11 **Q. Would you describe the development of the labor and benefits**  
12 **expense?**

13 A. Yes. Labor expense is shown on Schedule G-1, page 8, with actual  
14 labor expense for the twelve months ended December 31, 2019 used as  
15 the starting point. The overall projected increase of 1.73 percent in 2020  
16 includes an increase of 3.0 percent for bargaining unit employees

1           pursuant to a negotiated union contract and 4.0 percent for non-bargaining  
2           unit employees effective in 2020. Incentive compensation has been  
3           adjusted to reflect 11.41% of straight time and vacation. The overall  
4           increase for projected 2021 is 3.22 percent and includes an increase of  
5           3.0 percent for bargaining unit employees pursuant to a negotiated union  
6           contract and 3.5 percent for non-bargaining unit employees effective in  
7           2021.

8                       Benefits are shown on Schedule G-1, page 9. Benefits expense  
9           consists of medical/dental insurance, pension, post-retirement, 401K, and  
10          workers compensation. Each of these items was adjusted individually.  
11          Medical/dental expense for 2020 and 2021 reflect an increase of 9.0  
12          percent and 7.5 percent, respectively, based on premiums in effect for  
13          2020 and projected premiums for 2021. Pension and post-retirement  
14          expense for 2020 and 2021 is based on the 2020 Actuarial Estimate.  
15          Projected 401K, workers compensation, and other benefits expense  
16          reflected the straight time labor increase of 3.63 percent for 2020 and 3.31

1 percent for 2021.

2 **Q. Would you describe the other projected O&M expense items**

3 A. Yes. The projected subcontract labor expense (Statement G,  
4 Schedule G-1, page 10) for 2020 increased slightly to reflect additional  
5 meter expenses associated with the System Safety and Integrity Projects.  
6 Subcontract labor expense for 2021 was adjusted to reflect inflation at  
7 1.94 percent based on an average of the four indices described above.  
8 Materials expense (Statement G, Schedule G-1, page 11) for 2020 is  
9 expected to increase due to anticipated replacement projects in Bismarck,  
10 ND and the Dakota Heartland region. The increase projected for 2021 is  
11 reflective of the 1.94 percent inflation rate.

12 Vehicles and work equipment (Statement G, Schedule G-1, page  
13 12) reflects all expenses associated with the Company's vehicles and  
14 equipment, such as backhoes, skid steers and excavators, including the  
15 cost of fuel, insurance, maintenance and depreciation expense. The  
16 depreciation expense on these items is charged to a clearing account

1 (rather than to depreciation expense), where it is then recorded in O&M  
2 expense or capitalized as part of a project as the vehicle or work  
3 equipment is used. The projected expense has been updated based on  
4 the projected plant and deprecation rates approved in Case No. PU-17-  
5 295.

6 Company consumption (Statement G, Schedule G-1, page 13) is  
7 the expense for electric and natural gas consumption in Company  
8 buildings. The electric component reflects the volumes at rates reflecting  
9 the settlement in Case No. PU-18-089. Although volumes remain  
10 constant, the rates associated with 2020 decreased as they reflected the  
11 July 2020 Fuel and Purchased Power Adjustment. The 2020 rates and  
12 volumes are projected to remain at the same level for 2021. The natural  
13 gas component is also decreased to reflect normalized volumes and lower  
14 gas prices at current rates for 2020. It is projected to remain at that same  
15 level for 2021.

16 Uncollectible accounts expense (Statement G, Schedule G-1, page

1 14) is based on the ratio of the three-year average of net write-offs to  
2 sales and transportation revenue. This ratio was then applied to the  
3 projected 2020 and 2021 sales and transportation revenues, which results  
4 in an increase in uncollectible accounts.

5 Projected postage expense (Statement G, Schedule G-1, page 15)  
6 for 2020 reflects the number of customers receiving their monthly billing  
7 via electronic format as of the December 2019 level adjusting for the  
8 additional postage savings for the entire year. Postage expense for 2021  
9 is projected to increase by the 1.94 percent inflation rate.

10 Software maintenance (Statement G, Schedule G-1, page 16) was  
11 adjusted to reflect the current levels for 2020 and the projected expenses  
12 for 2021.

13 Projected building rental expense (Statement G, Schedule G-1,  
14 page 17) for 2020 has been adjusted to reflect the annualized current level  
15 of expense. The projected 2021 building rental expense reflects an  
16 inflation rate of 1.94 percent based on the average of the four indices.

1                   Advertising expense is shown on Statement G, Schedule G-1, page  
2                   18. Promotional advertising expense has been eliminated from the  
3                   projected time periods and informational and institutional advertising are  
4                   adjusted to exclude advertising that is not applicable to North Dakota gas  
5                   operations. Additionally, 2021 reflects an inflation rate of 1.94 percent  
6                   based on the average of the four indices.

7                   Industry dues, (Statement G, Schedule G-1, pages 19 and 20)  
8                   reflect the projected levels of industry dues. The dues not specifically  
9                   applicable to North Dakota natural gas operations have been eliminated.

10                  Insurance expense reflects the current insurance level for 2020 and  
11                  an increase of 3.0 percent for 2021 based on recent trends.

12                  Regulatory commission expense, as shown on page 22 of  
13                  Statement G, Schedule G-1, reflects the expenses to be incurred in this  
14                  filing, amortized over a three-year period, and a three-year average of  
15                  ongoing regulatory commission expense. In addition, it includes the

1 expenses related to the Common and Gas depreciation studies amortized  
2 over five years.

3 The items adjusted individually above represent approximately 97.5  
4 percent of total North Dakota gas O&M expenses, as shown on Statement  
5 G, Schedule G-1, pages 5 and 6. The remaining items, which make up  
6 approximately 2.5 percent of other O&M expense, were adjusted by 1.94  
7 percent to reflect the effects of inflation for 2020 and 2021.

8 **Q. Would you describe the calculation of depreciation expense?**

9 A. Yes. Projected depreciation expense is summarized on Statement  
10 H, page 1. The calculation of depreciation expense and associated  
11 accumulated reserve for depreciation is shown on Schedule H-2, pages 1  
12 and 2. The depreciation rates in this filing are consistent with depreciation  
13 rates approved in the most recent gas rate case in Case No. PU-17-295.  
14 The summary of composite depreciation rates is shown on Statement H,  
15 Schedule H-1, page 1.

16

1 **Q. How were taxes other than income projected?**

2 A. Projected taxes other than income are shown in Statement I. Ad  
3 valorem taxes were calculated using the projected 2020 and 2021  
4 average plant in service balances and applying the effective tax rate  
5 based on the ratio of 2019 ad valorem taxes to average plant balances as  
6 of December 31, 2019 by function.

7 Projected payroll taxes were based on the ratio of payroll taxes to  
8 labor expense for 2019 and applied to the projected 2020 and 2021 labor  
9 expense to determine the projected payroll taxes.

10 All other taxes other than income were projected to remain at the  
11 2019 level.

12 **Q. Would you describe the calculation of federal and state income**  
13 **taxes?**

14 A. The projected income tax calculation for North Dakota gas  
15 operations is shown in Statement J. Interest is deductible for tax purposes  
16 and the projected interest expense, shown on Schedule J-1, page 1, is

1 calculated on the projected rate base using the projected debt ratio and  
2 weighted cost of debt from Statement E, page 1.

3 Excess deferred income taxes are also factored into the projected  
4 income taxes for 2020 and 2021 (see Statement J, Schedule J-2, page 1).

5 Non plant excess deferred taxes utilized a 3-year amortization schedule  
6 from 2018 to 2020. Therefore, the test period of 2021 no longer reflects  
7 non plant excess deferred taxes. Plant related excess deferred taxes are  
8 amortized using the average rate assumption method (ARAM) and is  
9 reflected in 2020 and 2021. Finally, the amortization of excess deferred  
10 income taxes created by the Tax Act of 1986 will be fully amortized in  
11 2021.

12 North Dakota federal and state income taxes are fully normalized,  
13 so the calculation of income taxes is made on the taxable income after  
14 interest, since any tax deductions would be fully offset by deferred income  
15 taxes.

16

1 **Rate Base**

2 **Q. Would you describe the development of the projected rate base for**  
3 **2020 and 2021?**

4 A. The rate base is summarized on Statement A, page 3 and shows  
5 the 2019 actual and projected 2020 and 2021 rate base for North Dakota  
6 gas operations. Statements B, C, D, and J are the supporting  
7 components of the projected rate base.

8 Statement B, page 1 shows the projected plant in service for 2020  
9 and 2021. The projected plant was developed by adding the capital  
10 budget items for 2020 to the 2019 plant in service balances, excluding the  
11 balance associated with the Gwinner pipeline. The projected plant is  
12 detailed in Statement B, Schedule B-1, page 1. Retirements, based on a  
13 three-year average of retirements by function, were deducted and the  
14 average 2020 balance was calculated. The process was repeated for  
15 2021. Statement B, Schedule B-1, pages 2 through 4 detail the average

1 Plant in Service associated with the North Dakota gas operations and the  
2 Gwinner pipeline. The revenue requirement for the Gwinner  
3 pipeline is met via a contract that is filed with this Commission and thus  
4 has been excluded from the rate base.

5 The detailed capital additions by project for 2020 and 2021 are  
6 shown on Schedule B-2, pages 1 through 8.

7 The projected accumulated reserve for depreciation is summarized  
8 in Statement C. The projected reserve balances were calculated using  
9 the reserve balances at December 31, 2019 (exclusive of the Gwinner  
10 pipeline), adding the calculated depreciation expense and deducting  
11 retirements based on a three-year average of retirements, as shown on  
12 Statement H, Schedule H-2, pages 1 and 2. The average 2020 balances  
13 were then calculated and the process was repeated for 2021.

14 **Q. How were the working capital items derived?**

15 A. The projected working capital summary is shown on Statement D,  
16 page 1. Detailed information is shown on Schedule D-1, pages 1 through

1 11. Materials and supplies and fuel stocks were restated to a thirteen-  
2 month average on pages 1 and 2, reflecting actual balances through May  
3 2020 with June through December remaining at the 2019 levels.

4 Prepayments, which are made up of prepaid insurance, are shown  
5 on Schedule D-1 page 3. Prepayments are restated to a thirteen-month  
6 average balance, reflecting balances through May 2020. The June 2020  
7 through December 2021 balances are based on the projected 2020 and  
8 2021 insurance expense.

9 The Company is proposing that the Great Plains charges  
10 associated with gas in underground storage and prepaid commodity be  
11 recovered through a new Montana-Dakota Cost of Gas (COG) – Natural  
12 Gas Rate 89 tariff, similar to Montana-Dakota’s COG process. The  
13 proposed tariff language is included in Appendix B.

14 Great Plains will continue to be part of the same gas systems that  
15 serves Great Plains’ Minnesota operations. Wahpeton's cost of gas will  
16 remain consistent with the current process with the exception of removing

1 the gas in underground storage and prepaid commodity from rate base  
 2 and including it as a component of the cost of gas similar to Montana-  
 3 Dakota's process. The projected impact on the COG is reflected in the  
 4 following table:

	Gas in Underground	Prepaid Commodity	Total
June	\$10,918	\$2,365	\$13,283
July	21,044	4,717	25,761
August	31,317	7,078	38,395
Septembe	46,872	9,736	56,608
October	50,420	11,734	62,154
November	50,420	11,734	62,154
December	38,256	8,814	47,070
January	26,449	5,926	32,375
February	11,798	2,488	14,286
March	2,612	551	3,163
April	-	-	-
May	-	-	-
June	10,918	2,365	13,283

13 Month	\$28,349
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Rate of Return	7.304 %
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Return	\$2,071
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Return Requirement	\$2,540
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Projected	1,085,411
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Per dk Charge	\$0.002
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1                   The unamortized loss on debt was calculated using the balances as  
2                   of December 31, 2019 and adding the calculated change for 2020, which  
3                   reflects a reallocation of the balance and the annual amortization, to arrive  
4                   at a balance for 2020. The 2019 and 2020 balances were then averaged  
5                   to reflect the 2020 average. The process was repeated to calculate the  
6                   2021 average, as shown on Schedule D-1, page 6. The associated  
7                   accumulated deferred income taxes were also included.

8                   The unamortized redemption of preferred stock cost was calculated  
9                   using the balances as of December 31, 2019 and adding the calculated  
10                  change for 2020 to arrive at a balance for 2020. The 2019 and 2020  
11                  balances were then averaged to reflect the 2020 average. The process  
12                  was repeated to calculate the 2021 average, as shown on Schedule D-1,  
13                  page 7.

14                  The loss on the sale of buildings is reflected on Schedule D-1, page  
15                  8. The loss is being amortized over a 20-year period. The projected  
16                  activity for 2020 is reflected and the 2019 and 2020 balances were then

1 averaged to reflect the 2020 average balance. The process was repeated  
2 to calculate the 2021 average balance. The associated accumulated  
3 deferred income taxes are also included on page 8.

4 The Company is proposing to include the provision for post  
5 retirement & provision for pensions and benefits in the revenue  
6 requirement for the 2021 test period as discussed in the testimony of Ms.  
7 Kivisto and Mr. Jacobson.

8 Customer advances for construction are shown on Schedule D-1,  
9 page 11 and have been restated to a thirteen-month average balance for  
10 2020 and 2021, with actuals through May 2020. The associated  
11 accumulated deferred income taxes are also included on page 11.

12 **Q. Would you describe how the accumulated deferred income tax**  
13 **balances were developed?**

14 A. The accumulated deferred income tax balances are summarized on  
15 Statement J, Schedule J-2, page 1. The projected balances were derived

1 by adding the changes to the deferred income taxes for 2020 and 2021 to  
2 the 2019 balances and calculating the average balance.

3 The changes associated with book/tax depreciation differences  
4 (liberalized depreciation, excess plant deferred income taxes, full  
5 normalization, and excess deferred taxes – non-plant) are on Schedule J-  
6 2, page 1 and display the projected changes due to the plant additions as  
7 well as existing plant. The Company is required to use the Proration  
8 Method of computing deferred taxes for all test period filings in which a  
9 forecast has been used to develop the revenue requirement to comply  
10 with IRS normalization rules. As previously mentioned, non plant excess  
11 deferred taxes utilized a 3-year amortization schedule from 2018 to 2020  
12 and are no longer in the test period of 2021. Plant related excess deferred  
13 taxes are amortized using the average rate assumption method (ARAM)  
14 and is reflected in 2020 and 2021, and the amortization of excess deferred  
15 income taxes created by the Tax Act of 1986 will be fully amortized in  
16 2021.

1                   The accumulated deferred income taxes associated with the  
2                   unamortized loss on debt, the loss the sale of buildings, the provision for  
3                   pensions & benefits, the provision for post retirement and customer  
4                   advances are shown on Statement D, Schedule D-1, pages 6, 8, 9, 10 and  
5                   11, respectively. The change in accumulated deferred income taxes  
6                   associated with the acquisition adjustment are the same as experienced in  
7                   2019.

8   **Q.    What is the additional revenue requirement calculated on Exhibit**  
9   **No.\_\_\_\_(TRV-1)?**

10   A.           Exhibit No.\_\_\_\_(TRV-1), which is identical to Statement A, page 1,  
11               shows the calculation of the revenue deficiency of \$8,972,424 based on  
12               the projected 2021 income and rate base and using the overall rate of  
13               return of 7.304 percent from Statement E, page 1 and supported by Ms.  
14               Nygard.

15

16

1 **Interim Revenue Requirement**

2 **Q. Is Montana-Dakota seeking an interim increase in this case?**

3 A. Yes, it is. As stated by Ms. Kivisto, Montana-Dakota is seeking an  
4 interim rate relief in this case pursuant to North Dakota §49-05-06.

5 However, the Company is requested a January 1, 2021 implementation  
6 date due to COVID-19

7 **Q. What amount of interim rate relief is the Company seeking?**

8 A. The Company has identified an interim revenue requirement,  
9 presented in Exhibit No. \_\_\_\_ (TRV-2) of \$6,893,176 and Statement A of  
10 the Interim Application based on the 2021 projected cost of service.

11 **Q. Would you please describe the variances of the interim increases  
12 from the case?**

13 A. The following items are the primary changes from the Company's  
14 general rate case filing:

- 15 • The Return on Equity (ROE) was modified to reflect the 9.4 percent  
16 authorized in Cases No. PU-17-295 and PU-17-490;
- 17 • The balance in the Pension & Benefits and Post Retirement regulatory  
18 asset was excluded; and

1 • Regulatory Commission Expense was adjusted to reflect the rate case  
2 expense approved in the Case No. PU-17-295.

3 **Q. Does this complete your direct testimony?**

4 A. Yes, it does.

**MONTANA-DAKOTA UTILITIES CO. & GREAT PLAINS NATURAL GAS CO.  
 PROJECTED OPERATING INCOME AND RATE OF RETURN  
 REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
 PROJECTED 2021**

	Before Additional Revenue Requirements 1/	<b>Additional Revenue Requirements</b>	Reflecting Additional Revenue Requirements
<b>Operating Revenues</b>			
Sales	\$112,506,332	<b>\$8,972,424</b>	\$121,478,756
Transportation	2,242,323		2,242,323
Other	3,472,064		3,472,064
Total Revenues	<u>118,220,719</u>	<u>8,972,424</u>	<u>127,193,143</u>
<b>Operating Expenses</b>			
Operation and Maintenance			
Cost of Gas	73,319,285		73,319,285
Other O&M	23,968,702		23,968,702
Total O&M	<u>97,287,987</u>		<u>97,287,987</u>
Depreciation	11,543,996		11,543,996
Taxes Other Than Income	2,710,719		2,710,719
Income Taxes	(27,247)	2,189,711 2/	2,162,464
Total Expenses	<u>111,515,455</u>	<u>2,189,711</u>	<u>113,705,166</u>
Operating Income	<u>\$6,705,264</u>	<u>\$6,782,713</u>	<u>\$13,487,977</u>
Rate Base	<u>\$184,665,625</u>		<u>\$184,665,625</u>
<b>Rate of Return</b>	<b>3.631%</b>		<b>7.304%</b>

1/ Statement A, Page 2.

2/ Reflects state and federal taxes at 24.4049%.

**MONTANA-DAKOTA UTILITIES CO. & GREAT PLAINS NATURAL GAS CO.  
 PROJECTED OPERATING INCOME AND RATE OF RETURN  
 REFLECTING ADDITIONAL REVENUE REQUIREMENTS - INTERIM  
 PROJECTED 2021**

	<u>Before Additional Revenue Requirements 1/</u>	<b>Additional Revenue Requirements</b>	<u>Reflecting Additional Revenue Requirements</u>
<b>Operating Revenues</b>			
Sales	\$112,506,332	<b>\$6,893,176</b>	\$119,399,508
Transportation	2,242,323		2,242,323
Other	3,472,064		3,472,064
Total Revenues	<u>118,220,719</u>	<u>6,893,176</u>	<u>125,113,895</u>
<b>Operating Expenses</b>			
Operation and Maintenance			
Cost of Gas	73,319,285		73,319,285
Other O&M	23,916,665		23,916,665
Total O&M	<u>97,235,950</u>		<u>97,235,950</u>
Depreciation	11,543,996		11,543,996
Taxes Other Than Income	2,710,719		2,710,719
Income Taxes	51,215	1,682,273 2/	1,733,488
Total Expenses	<u>111,541,880</u>	<u>1,682,273</u>	<u>113,224,153</u>
Operating Income	<u>\$6,678,839</u>	<u>\$5,210,903</u>	<u>\$11,889,742</u>
Rate Base	<u>\$172,265,168</u>		<u>\$172,265,168</u>
<b>Rate of Return</b>			
	<u>3.877%</u>		<u>6.902%</u>

1/ Statement A, Page 2.

2/ Reflects state and federal taxes at 24.4049%.