

MONTANA-DAKOTA UTILITIES CO.



Before the Public Service Commission of North Dakota

Case No. PU-22-371

Direct Testimony  
of  
Travis R. Jacobson

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

2 A. Yes. My name is Travis R. Jacobson, and my business address is  
3 400 North Fourth Street, Bismarck, North Dakota 58501.

4 **Q. What is your position with Montana-Dakota Utilities Co.?**

5 A. I am the Director of Regulatory Affairs for Montana-Dakota Utilities  
6 Co. (Montana-Dakota or Company).

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

9 A. I am responsible for the development and implementation of  
10 Company objectives and policies with respect to rate structure, pricing  
11 policies, cost of service studies, fuel cost adjustments, purchased gas cost  
12 adjustments and gas tracking adjustments in each of the jurisdictions in  
13 which Montana-Dakota operates.

14 **Q. Would you please describe your education and professional  
15 background?**

16 A. I graduated from Minot State University with a Bachelor of Science  
17 degree in accounting and I am a Certified Public Accountant (CPA). In

1 June 2019, I completed the Utility Executive Course at the University of  
2 Idaho in Moscow, Idaho. I started my career with Montana-Dakota in  
3 1999 as a financial analyst in the Financial Reporting area and during my  
4 tenure with the Company have held positions of increasing responsibility,  
5 including Supervisor, Financial Reporting & Planning and Manager,  
6 Financial Reporting & Planning and Manager, Regulatory Affairs before  
7 attaining my current position.

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

9 A. Yes. I have previously presented testimony before this  
10 Commission, the Public Service Commissions of Montana and Wyoming,  
11 and the Public Utilities Commissions of Minnesota and South Dakota.

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

13 A. The purpose of my testimony is to provide support for the April 17,  
14 2023 Settlement Agreement (April 17 Agreement) which establishes a  
15 sharing of the Applied Digital margin. I also sponsor CONFIDENTIAL  
16 Exhibit No.\_\_(TRJ-1)

17 **Q. Please describe the Application.**

18 A. Montana-Dakota filed an electric service agreement (ESA) between  
19 the Company and Applied Digital (formerly known as Applied Blockchain)  
20 (Applied) on September 21, 2022 in this proceeding. The ESA outlines  
21 the negotiated terms of the agreement between Applied and Montana-  
22 Dakota and is fully described in the testimonies of Messrs. Neigum and  
23 Oswald.

■ The ESA includes [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]

14 [REDACTED]

■ **Q.** Please continue with the [REDACTED]

16 [REDACTED]

■ **A.** Montana-Dakota [REDACTED]

■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]

22 [REDACTED]

█ [REDACTED]  
█ [REDACTED]  
█ [REDACTED]  
4 [REDACTED]

5 Q. Please discuss summarize the expected impact on Montana-Dakota's  
6 integrated system customers and North Dakota customers and  
7 discuss each of the charges noted above.

█ A. The following table provides [REDACTED]  
█ [REDACTED]  
█ [REDACTED]  
█ [REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Total Customer Benefit \$15,775,776  
North Dakota Customers \$13,239,852

12

Residential Rate Impact	Monthly Impact	Annual Impact
Average Monthly Kwh	894	
TCA Credit	\$2.93	\$35.16
Margin Sharing Credit	3.54	42.48
	\$6.47	\$77.64

13

■ As shown in the tables above, Montana-Dakota [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]  
■ [REDACTED]

12 [REDACTED] In that filing, the Settling Parties agreed to establish a  
13 sharing that considers 1) customers; 2) impacted parties; and 3) the  
14 Company.

15 **Q. How does the Margin Sharing achieve a balance?**

16 A. [REDACTED]  
■ [REDACTED] Rate 45 customers are much different than all other customers.  
18 For example, every other customer's load is considered in the  
19 determination of the cost of its respective extension agreement. Rate 45  
20 customers must pay 100% of the cost of the extension. The reason that is  
21 an important distinction is that every other customer has an associated  
22 investment upon which Montana-Dakota includes in rate base and  
23 includes the associated costs in retail rates whereas Rate 45 customers

1 do not create a financial burden which would be recovered through retail  
2 rates.

3 During the December 19, 2022 Public Convenience and Necessity  
4 hearing in Case Nos. PU-22-366 and PU-22-370, the Commission urged  
5 the parties (Montana-Dakota and Dakota Valley) to consider all those  
6 involved and be good neighbors and work together throughout this  
7 process. After considerable collaboration, Montana-Dakota and Dakota  
8 Valley agreed to service territory boundaries and a sharing of any margin  
9 retained by the Company. Montana-Dakota asserts that providing Dakota  
10 Valley a share of the Company transaction charge along with certain  
11 territorial concessions adequately addresses the Commission's concerns.

12 **Q. You have covered customer and impacted parties. Will you now**  
13 **discuss the Company?**

14 A. Yes. As noted above, Montana-Dakota established Rate 45 such  
15 that the investment to serve these unique customers will not add to rate  
base. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

23 [REDACTED]

1           The Company's Rate 45 tariff was purposely established to result in  
2           no rate base, which is the Company's traditional vehicle for earning a  
3           profit. In the absence of the inclusion of rate base, the Margin Sharing  
4           proposal provides a portion of the margin to allow the Company to earn a  
5           profit. Potentially more importantly, the ability to retain a portion of the  
6           margin will serve as an incentive to work diligently to find creative  
7           opportunities to attract and retain high value customers, such as Applied,  
8           that provide very important direct benefits to Montana-Dakota's  
9           customers. When coupled with the associated benefits that these high  
10          value customers bring to the wind generators in the Ellendale area, the  
11          local communities and the State of North Dakota; the proposed Company  
12          transaction margin retained by Montana-Dakota becomes a small but very  
13          important part of the process.

14 **Q. How do you propose the margin sharing will work in practice?**

15 A.           Under the proposed Margin Sharing Credit (MSC) mechanism,  
16           Montana-Dakota would file annually, no later than February 1, an annual  
17           Rate 45 margin sharing report. Within the report, the total margin collected  
18           under Rate 45 would be reported, along with the amount to be shared with  
19           the Company's North Dakota electric customers. The total margin sharing  
20           amount would then be allocated to the Company's various rate classes  
21           based on the transmission allocation factor from Montana-Dakota's most  
22           recent North Dakota general electric rate case. A per unit credit would  
23           then be determined by dividing each rate class's margin sharing amount

1 by the twelve month forecasted volumes for each rate class. The MSC  
2 would be reflected as a separate line item on each customer's bill based  
3 on the usage for that month. Upon Commission approval, Montana-  
4 Dakota would provide the credit based on each customer's usage for the  
5 following twelve months.

6 The margin sharing amount payable to Dakota Valley would be  
7 made within 30 days of Commission approval.

8 Following the first year of the MSC, the annual report would also  
9 include any prior period over or under collected balances.

10 If approved, the first MSC would require at least 30 days from the  
11 date of Commission approval to implement the separate line item on  
12 customers' bills. Starting with the second MSC report, the new per unit  
13 credit could be implemented the first day of the month following  
14 Commission approval.

15 **Q. You mentioned the margin would not be credited to customers until**  
16 **the following year. Will you add interest to the funds held balance?**

17 A. Yes. Montana-Dakota proposes to calculate interest on the  
18 unrefunded balance on a monthly basis based on the prior month's ending  
19 balance. Similar to other similar refunding mechanisms used by the  
20 Company, the Three Month Treasury Rate, as updated each month,  
21 reflects a reasonable interest rate and closely matches the interest rate  
22 that customers would be able to earn if they had received the funds rather  
23 than waiting.

1 **Q. Please describe your sponsored exhibit.**

2 ■ A. CONFIDENTIAL Exhibit No.\_\_\_\_(TRJ-1) summarizes [REDACTED]  
3 [REDACTED]

4 **Q. Please summarize your testimony.**

5 A. Montana-Dakota has very deliberately prepared its Rate 45 tariff  
6 and actively supported this tariff through the approval process with the  
7 North Dakota Commission. Similarly, an ESA was negotiated in good faith  
8 that provides significant benefits to the Company and its customers while  
9 allowing Applied to build and operate its facilities and create economic  
10 development in a rural area of North Dakota that would not otherwise see  
11 such an opportunity.

12 The ESA was crafted in such a way as to insulate North Dakota  
13 electric customers from potential financial risks and reward them  
14 generously. The Margin Sharing proposal extends the reward to  
15 customers, Dakota Valley and provides an economic incentive to the  
16 Company.

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

18 A. Yes, it does.