

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Montana-Dakota Utilities Co.
2023 Natural Gas Rate Increase
Application**

Case No. PU-23-341

AFFIDAVIT OF SERVICE BY ELECTRONIC MAIL

**STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH**

Pamela J Thompson deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **16th day of September 2024**, she sent an electronic message to **fourteen** addresses, each including an electronic copy in portable document format of:

- **Prefiled Direct Testimony of Robert Frank**

The electronic mail was addressed as follows:

Travis Jacobson
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
travis.jacobson@mdu.com

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Attorney
MDU Resources Group, Inc.
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Hope Hogan
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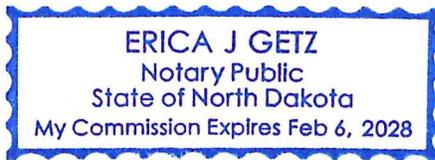
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The addresses shown are the respective addressee's last reasonably ascertainable electronic mail addresses.

Subscribed and sworn to before me
this 16th day of September 2024.







Notary Public

SEAL



Public Service Commission

Sheri Haugen-Hoffart

Randy Christmann

Julie Fedorchak

600 East Boulevard Ave
Dept. 408
Bismarck, ND 58505-0480
701-328-2400
ndpsc@nd.gov

September 16, 2024

Public Service Commission
Attention: Steve Kahl
600 East Boulevard Avenue, Dept 408
Bismarck, ND 58505-0480

In re: Montana-Dakota Utilities Co.
2023 Natural Gas Rate Increase
Application
Case No. PU-23-341

Dear Mr. Kahl,

Enclosed for filing in the above referenced matter please find the original copy of the following public document:

1. Prefiled Direct Testimony of Robert Frank in Support of Settlement; and
2. Affidavit of Service by Electronic Mail

Respectfully,

A handwritten signature in black ink, appearing to read "Brian Johnson".

Brian Johnson
Special Assistant Attorney General Bar ID 07937
North Dakota Public Service Commission
600 East Boulevard Avenue Dept. 408
Bismarck ND, 58505
701-328-2407

BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.

*2023 Natural Gas Rate Increase, Application, Case No.
PU-23-341*

DIRECT
TESTIMONY OF
ROBERT FRANK

ON BEHALF OF THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION
ADVOCACY STAFF

September 16, 2024

1 Q: Provide your name and qualifications.

2 A: My name is Robert Frank. I am a Public Utility Analyst for the North Dakota
3 Public Service Commission (commission). I have 9 years of utility resource
4 planning experience and over two years of utility regulatory experience.

5 I received a Bachelor of Business Administration in Business Economics as
6 well as a Master of Science in Applied Economics from the University of North
7 Dakota in 2010. Prior to my work with the commission, I completed Long-Term
8 Load Forecasts on an annual basis for planning purposes for Basin Electric
9 Power Cooperative.

10 Q: What is the purpose of your testimony?

11 A: The commission has appointed me to North Dakota Public Service Commission
12 Advocacy Staff (staff) in this proceeding. As such, I will provide the commission
13 with an analysis and recommendation concerning the settlement agreement
14 submitted by Montana-Dakota Utilities Co. (MDU), Federal Executive Agencies
15 (FEA), AARP, and staff.

16

17 Q: Please summarize the settlement.

18 A: The settlement provides for a 2024 test year revenue requirement of \$165
19 Million (M), a return on equity (ROE) of 9.9%, an average rate base of
20 \$215.4M, and reductions to various operations and maintenance expenses
21 (O&M).

22

23 Q: What is the total agreed revenue requirement for the test year?

24 A: All parties have agreed to a test year revenue requirement of \$165.662M, an
25 increase of \$9.45M over present rates, or a 6.05% increase. This is a reduction
26 of \$2.189M over MDU's original request for an increase of \$11.635M.

27

28 Q: What are the components of the Cost of Capital?

1 A: The settlement cost of capital includes a capital structure of 50.185% common
2 equity at a cost of 9.9%, 45.296% long term debt at a cost of 4.569%, and
3 4.519% short term debt at a cost of 4.954%. This structure nets a weighted
4 average cost of capital of 7.262%. I would like to note that the debt and equity
5 ratio is comparable to the previous rate case and that it is reasonably balanced.
6

7 Q: What revenue requirement adjustments are specified in the settlement
8 agreement?

9 A: The revenue requirement adjustments include the ROE reduction as well as
10 reductions from the removal of canceled or delayed capital projects, incentive
11 compensation, and postage and material expense. In addition, a minor
12 adjustment has been made to increase the revenue requirement due to the
13 Portal, ND, project delay.
14

15 Q: What impact did the ROE reduction have on MDU's test year revenue
16 requirement?

17 A: The ROE reduction from MDU's requested 10.5% to the settlement of 9.9%
18 reduces the test year revenue requirement by \$864,000.
19

20 Q: What adjustment was made for Incentive Compensation?

21 A: MDU's initial proposal for incentive compensation was approximately
22 \$1,538,643 for short-term and \$447,990 for long- term for a total of \$1,986,634.
23 This amount has been reduced by \$993,317, a reduction of approximately 50%.
24 This reduces the revenue requirement by \$1,060,000. I believe this reduction
25 appropriately balances the cost of incentive compensation between
26 shareholders and ratepayers.
27

28 Q: Please explain the removal of canceled and delayed capital projects?

29 A: MDU agreed to remove capital projects that were either delayed or cancelled
30 during the test year. The combined total for these projects is approximately

1 \$3,088,553. Their removal from the rate base reduces the revenue requirement
2 by \$171,000. In addition, the City of Portal, North Dakota, distribution system
3 capital project has been delayed. The capital expenses associated with this
4 project have been removed as well as associated revenue generated by Portal
5 customers. This results in a minor increase to the revenue requirement of
6 \$1,000.

7

8 Q: Please explain the adjustment to postage and materials?

9 A: The reduction of \$95,000 to MDU's revenue requirement from removal of
10 postage and material expense reflects a compromise between the parties
11 obtained during settlement negotiations.

12

13 Q: Is the revenue allocation just and reasonable?

14 A: Yes, staff agrees with the customer class cost of service study and finds the
15 revenue allocation to be just and reasonable without undue discrimination.

16

17 Q: Does this conclude your testimony?

18 A: Yes, it does.

19