Q. Would you please state your name

4-5 10?12

My name is Gregory A. Rislov, I'm representing the Commission Staff.

Q. Is what I have placed before you a copy of your prefiled testimony and exhibits?

Yes

Q. Are there any changes you wish to make to your testimony and exhibits?

I have one correction I wish to make to my testimony. On page 9, line 22, the word rate should be inserted after the word levelized.

I would also like to note that SDIPC has on rebuttal and subsequent revisions sponsored what i would term as material changes to their case for volumes, plant, and rate design. Given that I have had two or fewer days to evaluate all of the changes, no such evaluation exists. However, I have prepared supplemental exhibits GAR-7,8,9,10 which incorporate the changes to plant ($1 million), property taxes ($17,500), and labor ($25,000) to match the changes in sales. While we have not yet corroborated the sales input, it is my understanding that Glenham, Mobridge, and Fort Pierre are included in Walter's sales. I should note that The investment to reach Fort Pierre may not be reflected in SDIPC's estimate. I have also, because of the importance of the issue, brought with me the documents from a prior Commission case, Montana-Dakota Utilities Co. F-3445, which were relied upon for establishment of my depreciation rates. Those documents were enumerated then as Statement J, pages 4, 7 and 8 of 12. I would offer them as exhibits for this matter.

Q. With the above changes, if you today were asked the same questions which were asked in your prefiled testimony, would your answers be the same?

Yes.

Q. Is it critical that the investment necessary to reach these new towns be reflected in the cost of service?

It is if we wish to match costs with revenues. The reason Staff's original filing did not reflect Mobridge, Glenham, and Fort Pierre sales is that SDIPC had not included the investment to reach those towns in the cost of service calculation. We had included Selby in our prefiled case estimate of sales even though the investment to reach Selby was not in the SDIPC filing. We did this in order to develop, in our view, a conservative sales estimate. However, if one includes sales without reflecting corresponding costs, as SDIPC did, undoubtedly the results will inaccurately portray too low a rate which will normally be subject to correction later on.

Correction in this sense would mean a higher rate than what was expected.

Q. What have you done with regard to rate design?

We simply haven't had time to review the new rate design proposal advocated by SDIPC. I do know that SDIPC has now requested a Demand/Commodity rate format which is certainly different from their initially proposed commodity only rate charge. Although I haven't had time to evaluate the changes, I do believe that the proposed change will have a risk shifting effect, i.e., the distribution companies will bear a greater degree of risk of financial loss under this proposal as compared to the originally filed proposal. Given this potentially dramatic effect on the distributors, I think it is only fair to hear the rate design issues at some future date.

Q. Have any other changes appeared in SDIPC's rebuttal case which you wish to comment on?

Yes. SDIPC in it's second revised rebuttal has asked for the distributors to pay for the interest costs on short term borrowings used to cover early operating losses. Distributors would either have to eat these costs or pass them on to ratepayers. This interest would total $450,000 over the first five years of operation.

Q. Is this sort of cost inclusion appropriate?

Although I haven't had time to thoroughly review the proposal, at first blush it appears to be, in my experience, a unique request in that it places what it normally considered to be an ownership cost upon the customer. The general theory is that the owners must accept the risk of loss along with the probability of reaping a gain. Owners don't generally pay dividends to nonowner customers, nor should they expect customers to pay more than the cost of service. I frankly don't understand what SDIPC is attempting to do with this adjustment, nor do I understand what impact or relationship it has with the levelized rate theory.

Q. Have you anything further?

It may be appropriate to note the changes reflected in SDIPC's filing which have have been made in the past few days.

The case began with SDIPC's original cost of service filing which included an estimate of sales volumes. These volumes appear on mu Exhibit (GAR-10), line 2.

Staff then filed its case which used SDIPC's filed volumes and Staff's cost of service. Staff also offered an independent calculation of estimated volumes, and computed a rate based upon

those volumes. These volumes also appear on Exhibit (GAR-10), on line 5.

SDIPC then filed its rebuttal which reflected a revision to their originally filed volumes. SDIPC also changed their cost of service to reflect additional investment to serve additional communities. STaff's 10 year levelized rate, after incorporating the revised volumes, is $2.1502/Mcf. At this point SDIPC also offered a new rate design, a demand /commodity rate which place the bulk of the cost of service on the demand portion of the rate.
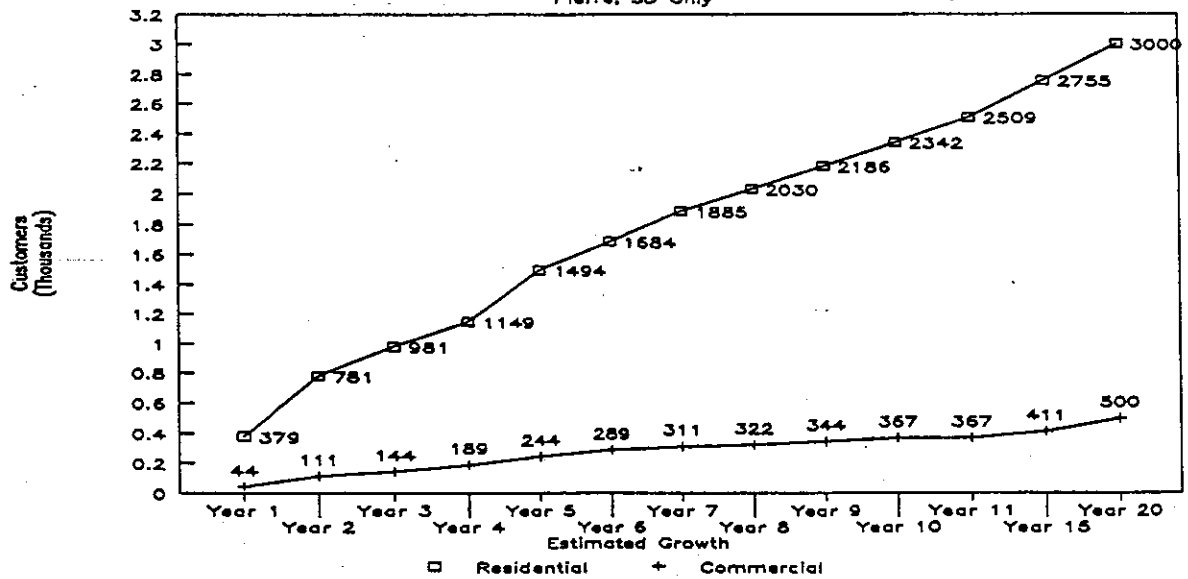
SDIPC then filed a further revision to the cost of service to incorporate short-term debt interest into the cost of service calculation.

Central Dakota Project
20 Year Estimated Growth

Growth Period	Residential Customers	Commercial Customers	Residential Sales dk	Commercial Sales dk	Total Sales dk
Year 1	379 10%	44	40,932 523	23,016	63,948
Year 2	781	111	84,348	58,064	142,412
Year 3	981	144	105,948	75,326	181,274
Year 4	1149	189	124,092	98,866	222,958
Year 5	1494	244	161,352	127,636	288,988
Year 6	1684	289	181,872	151,176	333,048
Year 7	1885	311	203,580	162,684	366,264
Year 8	2030	322	219,240	168,438	387,678
Year 9	2186	344	236,088	179,946	416,034
Year 10	2342	367	252,936	191,978	444,914
Year 11	2509	367	270,972	191,978	462,950
Year 15	2755	411	297,540	214,994	512,534
Year 20	3000	500	324,000	261,550	585,550

Central Dakota Project
Pierre, SD Only

Customers (Thousands) vs Estimated Growth

Residential: 379, 781, 981, 1149, 1494, 1684, 1885, 2030, 2186, 2342, 2509, 2755, 3000
Commercial: 44, 111, 144, 189, 244, 289, 311, 322, 344, 367, 367, 411, 500

□ Residential   + Commercial

Pierre, SD Only

Annual dk (Thousands) vs Estimated Sales

□ Residential   + Commercial   ◇ Total