

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.

Before the Public Utilities Commission of South Dakota

Docket No. NG05-__

Direct Testimony
of
Garret Senger

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

2 A. Yes. My name is Garret Senger and my business address is 400
3 North Fourth Street, Bismarck, North Dakota 58501. I am the Director of
4 Accounting for Montana-Dakota Utilities Co. (Montana-Dakota), a Division
5 of MDU Resources Group, Inc.

6 Q. Would you please describe your duties?

7 A. As Director of Accounting, I am responsible for providing the
8 direction and management of the accounting and the financial
9 forecasting/planning functions, including the analysis and reporting of all
10 financial transactions for Montana-Dakota.

11 Q. Would you please outline your educational and professional background?

12 A. I graduated from the University Mary with a Bachelor of Science
13 degree in Accounting. I started my career with Montana-Dakota in 1985
14 as a financial analyst in the Financial Reporting area and during my
15 tenure with the company have held positions of Supervisor of Financial
16 Reporting, Manager of Financial Forecasting and Manager of Financial
17 Reporting & Planning.

18 Q. Are you familiar with the territory served by Montana-Dakota and

1 the facilities of the Company utilized in providing gas service?

2 A. Yes, I am.

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

4 A. I am responsible for presenting Statement A, Statement B,
5 Statement C and Statement G.

6 Q. Would you describe Statement A, Statement B, Statement C and
7 Statement G?

8 A. Statement A, pages 1 and 2 show Montana-Dakota's balance
9 sheet as of December 31, 2003 and 2004. Statement B consists of
10 Montana-Dakota's income statement for the twelve months ended
11 December 31, 2004. Statement C reports Montana-Dakota's retained
12 earnings statement as of December 31, 2004. These statements have
13 been prepared from the Company's books and records that are
14 maintained in accordance with the Federal Energy Regulatory
15 Commission (FERC) Uniform System of Accounts.

16 Statement G shows the average utility capital structure of Montana-
17 Dakota for 2004 and the projected average capital structure for 2005.
18 Statement G also includes the associated costs of debt, preferred stock
19 and common equity. This capital structure and the associated costs serve
20 as the basis for the overall rate of return requested by Montana-Dakota in
21 this filing of 9.921%.

22 Q. Were these statements and the data contained therein prepared by you,
23 or under your supervision?

1 A. Yes, they were.

2 Q. Are they true to the best of your knowledge and belief?

3 A. Yes, they are.

4 Q. Would you please explain Rule 20:10:13:72, Statement G?

5 A. Pages 1 and 2 of Rule 20:10:13:72, Statement G summarizes the
6 actual average utility capital structure for 2004 and the projected average
7 capital structure and the related utility costs of capital for 2005. As shown
8 on page 2, the components of the 2005 projected overall annual rate of
9 return, which are used by Ms. Mulkern to calculate the revenue
10 requirement, are:

| | <u>Weighted Cost of Capital</u> |
|-------------------------|-------------------------------------|
| Long Term Debt | 3.364% |
| Short Term Debt | 0.197% |
| Preferred Stock | 0.199% |
| Common Equity | 6.161% |
| Required Rate of Return | <u>9.921%</u> |

11 The debt costs reflected on Rule 20:10:13:73 Statement G, pages
12 1 and 2 represent the actual weighted embedded costs of the long-term
13 debt at December 31, 2004 and that projected to be outstanding at
14 December 31, 2005 as well as the short-term debt average balance
15 outstanding and average rates for the same periods and are supported by
16 Rule 20:10:13:73 Statement G, pages 3 through 8. In calculating the
17 long-term debt costs the "Yield-to-Maturity" method (also referred to as

1 the Internal Rate of Return ("IRR") method) is used to determine the total
2 cost for each respective debt issue as presented on Rule 20:10:13:73
3 Schedule G, pages 3 and 4. The yield-to-maturity calculation of each debt
4 issue outstanding gives consideration to the stated rates of interest being
5 paid on such debt, the timing of the interest payments, related issuance
6 expenses, underwriters' commissions and indenture revision costs, the
7 discount or premium realized upon issuance and the amortization of
8 losses on bond redemption transactions.

9 Rule 20:10:13:74, Statement G, pages 1 through 3, supports the
10 cost of Montana-Dakota's preferred stock capital, representing the
11 weighted cost of the issues at December 31, 2004 and projected to be
12 outstanding at December 31, 2005.

13 Rule 20:10:13:75, Statement G, pages 1 through 4, supports the
14 Company's average utility common equity balance for 2004, and the
15 projected average balance for 2005.

16 Q. What does Rule 20:10:13:73, Statement G, pages 1 through 4 support?

17 A. Page 1 is a summary showing the Company's average long-term
18 debt for 2004 and average cost of debt. Page 2 shows the projected
19 average long-term debt and costs for 2005. Page 3 shows the cost and
20 the debt balance by issue at December 31, 2004. Page 4 shows the
21 projected December 2005 balance by issue. As previously noted, the cost
22 of long-term debt for 2004 and 2005 is based on the yield to maturity of
23 each debt issue outstanding.

1 Q. Would you please describe Statement G, Rule 20:10:13:73, pages 5 and
2 6 and explain the amortization method utilized?

3 A. Pages 5 and 6 show the detail by issue of the annual amortization
4 of net discounts (losses) on advance purchases of debt that are
5 necessary to meet sinking fund requirements. For this proceeding, the
6 amortization has been computed on a straight-line basis over the
7 remaining life of the issues, the same calculation as is used by the
8 Company for accounting purposes.

9 Q. Would you please describe Statement G, Rule 20:10:13:73, pages 7 and
10 8?

11 A. Pages 7 and 8 present the average short term debt balances for
12 2004 and the projected average balances for 2005 as well as the average
13 interest rate for both periods.

14 Q. What does Rule 20:10:13:74, Statement G show?

15 A. Pages 1 and 2 present the average preferred stock balances for
16 2004 and the projected average balances for December 2005. The
17 anticipated weighted average cost of preferred stock is also shown. Page
18 3 sets forth the various preferred stock issues outstanding at December
19 31, 2004.

20 Q. What does Rule 20:10:13:75, Statement G, pages 1 through 4 support?

21 A. Pages 1 and 2 present the average common equity balances for
22 2004 and the projected average balances for 2005 including the projected
23 changes in the balance. Pages 3 and 4 depict the monthly issuance of

1 common stock and associated costs from January 2000 through
2 December 2004.

3 Q. What does Rule 20:10:13:76, Statement G, Schedule G-1, page 1 show?

4 A. Page 1 indicates that during the five-year period preceding
5 December 31, 2004, MDU Resources Group, Inc. issued 37.9 million
6 additional shares of common stock in connection with a three-for-two
7 stock split at a par value of \$1.00.

8 Q. Would you please describe Rule 20:10:13:77, Statement G, Schedule
9 G-2?

10 A. This schedule presents various financial and market data relative to
11 the Company's common stock for the years 2000 through 2004 and for
12 each month of the twelve month period ended December 31, 2004.

13 Q. Would you please describe Rule 20:10:13:78, Statement G, Schedule
14 G-3?

15 A. This schedule shows the reacquisition activity for bonds and a
16 summary of scheduled retirements of preferred stock for the 5 years
17 ended December 31, 2004.

18 Q. Does this conclude your direct testimony?

19 A. Yes, it does.