

Montana-Dakota Utilities Co.  
South Dakota Gas O&M Analysis

Responsibility	Change seen	Response	Action
<u>Credit &amp; Collections – 129</u>			
5211 subcontract labor	Increase of 80% (28K)	Initiate use of Televox to make automated outbound calls. Low cost alternative to postage and phone calls.	Do not adjust as would also need corresponding decrease in expenses and do not have the information to do so.
<u>Black Hills – 130</u>			
5211 subcontract labor	Increase of 40% (116K)	2014 was lower than normal – 2015 is expected to be more normal. Look at combined with Northern Hills district	Use 2015 budget.
5300 Materials	Increase of 39% (49K)	Cost anticipated to be slightly higher in 2015	No change for 2015
5610 Telephone	Increase of 20% (3K)	Costs anticipated to remain steady	No change for 2015
5611 Cell Phone	Increase of 44% (4K)	Costs anticipated to be up slightly	
5630 Office Expense	Increase of 33% (1K)	Costs anticipated to be up slightly	No change for 2015
<u>Mobridge District – 210</u>			
5211 subcontract labor	Decrease of 19% (67K)	Related to decrease in tree trimming - electric	No change for 2015
5300 Materials	Increase of 16% (17K)	2014 was exceptionally low	Use 2015 budget
5610 Telephone	Decrease of 37% (13K)	2014 included expense that appears to be recorded incorrectly	Use 12 mos ending Feb 2015 to derive change
5611 Cell Phone	Increase of 7% (1K)	2014 was lower than normal	Use 2015 budget

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<u>Northern Hills – 300</u>			
5211 subcontract labor	Decrease of 32% (21K)	Budget is understated but when combined with Black Hills subcontract labor the overall budget should be used. Increase is due to line locating, partially offset by doing leak survey in-house.	Use 2015 budget
5300 Materials	Increase of 29% (10K)	2014 expenses were limited – 2015 should be higher	Use 2015 budget after reviewing history
5610 Telephone	Increase of 51% (2K)	Additional phones and increase in cost	Use 2015 budget
<u>Customer Services - 711</u>			
5610 Telephone	Decrease of 16% (28K)	May be due to coding of resource on invoices	No change for 2015
5612 Network Circuits	Increase of 112% (22K)	May be due to coding of resources on invoices	No change for 2015
<u>Customer development - 713</u>			
5211 subcontract labor	Increase of 9% (11K)	JD Power customer survey and fees for walk-in payments. Walk-in payments are now decreasing due to ebill	No change for 2015
<u>IT Risk Management - 721</u>			
5211 subcontract labor	Decrease of 64% (42K)	Will decrease as add new systems. Reviewed through March 2015 – little change	No change for 2015
5610 Telephone	Decrease of 9% (34K)		No change – offset in 5611
5611 Cell Phone	Increase of 55% (51K)	Increased requirement for	No change – offset in 5610

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Responsibility	Change seen	Response	Action
5612 Network Circuits	Increase of 63% (139K)	cell/smart phones Data bandwidth – as everything becomes IP enabled, need to increase capacity	No change – no increase yet in 2015 and will add as needed
5911 Software maintenance	Increase of 23% (88K)	May decrease as add new systems	No change for 2015
<u>Information Technology- 723</u>			
5931 Rents	Decrease of 7% (10K)	No reason for decrease. Up year to date March 2015	No change
<u>Treasury Services - 752</u>			
5630 Office Expense	Increase of 5% (24K)	Inflation	No change in 2015
5931 Rents	Decrease of 18% (70K)	2015 is under budgeted. Review of 2015 does not show decrease.	No change in 2015.
<u>Director of Dist. Eng. - 887</u>			
5211 subcontract labor	Increase of 100% (223K)	Relates to electric	No change in 2015
5630 Office Expense	Decrease of 55% (13K)	Items in 2014 were recorded in 5630 that would have been recorded in different resource in budget	No change in 2015
<u>Communications - 888</u>			
5211 subcontract labor	Increase of 318% (118K)	Increase due to radio tower maintenance, AMR collectors, UPS, and maintenance on Mandan office. Reviewed 2015 through March- no change	No change in 2015
5300 Materials	Increase of 18% (19K)	2014 was lower than normal due	No change in 2015

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5612 Network Circuits	Increase of 28% (25K)	to capitalization that is now expense. Expenses are primarily electric. New contracts in 2014 that had better pricing – now believe budget is high	No change in 2015
5614 Other Circuit charges	Increase of 135% (66K)	Includes all other circuit related items and may be reflected in other resources also. No specific reason for change. Cleaned up circuits not being used in 2014.	No change in 2015
<u>Office Services - 920</u>			
5211 subcontract labor	Increase of 15% (27K)	Document imaging costs planned for 2014 but delayed due to GIS imaging.	Increase of \$10,000
5620 Photocopier	Increase of 29% (41K)	Increase in customers and related processing costs Color copier added in 2014	No change in 2015 Increase of \$22,600
5630 Office Expense	Increase of 13% (117K)	Increase in cost of paper stock, lease of postage meter and mail supplies. Reviewed through March 2015.	Paper stock and mail supplies do not meet known and measurable. Postage meter is small. No change in 2015.
5931 Rents	Increase of 1523% (220K)	Rent of additional office space	Base on actual 2015
<u>Regulatory Affairs - 925</u>			
5211 subcontract labor			No change in 2015
5630 Office Expense	Decrease of 35% (10K)	Most is WY legal adds	No change in 2015

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Responsibility	Change seen	Response	Action
<u>Information Systems - 926</u>			
5211 subcontract labor	Increase of 141% (84K)	2014 is low, reviewed history	Use 2015 budget
5630 Office Expense	Increase of 110% (30K)	Varies by year, can be monitors, or other type expense	2014 low, use 3 year average
5911 software maintenance	Increase of 7% (42K)	Software fees increasing on all software, i.e. JDE	Use 2015 budget
<u>GIS - 951</u>			
5211 subcontract labor	New in 2015	Estimated to assist with GIS project – will use as needed	No change in 2015
5911 software maintenance	Increase of 41% (73K)	Maintenance increase of 5%, additional licenses, software that was previously capitalized will be going to O&M and now Montana-Dakota is using utility group SCADA system. Reviewed 2015 through March – no noticeable change.	Most licenses are through Sept. – Dec. 2015. Do not adjust.
<u>Buildings &amp; Grounds - 962</u>			
5211 subcontract labor	Increase of 124% (202K)	Relates to specific items	Calculate using 2015 budget and eliminate non-recurring items
5300 materials	Decrease of 27% (10K)	Purchased compressor in 2014 – nonrecurring	Use 2015 budget
<u>Human Resources - 963</u>			
5630 Office expense	Decrease of 52% (10K)	Safety moved to its own responsibility	No change in 2015

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<u>Mobile Services - 964</u>			
5911 software maintenance	Increase of 28% (25K)	Upgrade of fixed network \$18K. Also upgrade of field deployment manager maintenance and maintenance on mapping application which may not happen.	Use increase of \$18,000
<u>Corporate Airplane</u>			
5211 subcontract labor	Decrease of 15% (41K)	2014 seemed abnormally high so 2015 budget was adjusted downward.	No change in 2015 as Jan-Feb actuals are higher than Jan-Feb 2014. No decrease seen at this time.
<u>MDUR</u>			
5211 subcontract labor	Decrease of 18% (44K)	Budget for 2015 is too low. Reviewed prior years and it does look low.	No change in 2015.
5911 Software maintenance	Increase of 13% (24K)	Increase at MDUR, largely Tax department. Actuals in 2015 are higher than 2014.	Use 2015 budget.

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## North Dakota gas rate case O&M Analysis

### **Subcontract Labor (5211)**

#### Badlands

Line locating was higher in 2014 than 2013 due to increase in line locates and increase in cost. New contract for 2015 is higher rate than 2014.

In Dickinson, Midco did a fiber project beginning in July-August 2014 that resulted in a large amount of line locates and project is expected to be complete in January 2015.

#### Dakota Heartland – Bismarck

Increase in 2014 is due to increase in line locates and price and tree trimming. Line locates in 2015 should be around the same as 2014 as the Company was able to negotiate a contract.

#### Jamestown District

2014 is up due to line locates and hired contractor to do work. Plan on not using contractor for work in 2015, so use 2015 budget.

#### Minot District

2014 is up due to increase in line locates, line locate costs and increased use of subcontract labor. 2015 will see an increase in line locate costs and anticipated decrease in use of subcontract labor, so 2014 is a good estimate for 2015.

#### Buildings & Grounds

Records scanning is increasing in 2015

Painting that was not done in 2014 will be done in 2015. \$68,710. Will continue in the future.

Duct cleaning in the general office will be done in 2015. Will not be done again for 7-10 years. \$85,632

Elevator rails in 2015 - \$9,450

#### Distribution Engineering

Budget for 2015 is up significantly from 2013-2014. Increase is due to electric side – ground line inspection and underground line inspection. 2014 gas will be up slightly but the large increase is for electric operations.

#### Treasury Services

Budget for 2015 significantly lower than 2014. Discovered that \$88,000 (\$38,216 gas) was recorded with the incorrect object code (resource) in October 2014.

Communications

Increase in budget of due to radio tower maintenance, AMR collectors, UPS, maintenance on Mandan office. Allocated to both gas and electric.

Information systems

Use 2015 budget as September 2013 was lower than normal.

**Software Maintenance (5911)**

IT-Risk Management

Included in Resp. 888 in 2013. Use 2014 and increase by 3 percent for 2015 due to increase in contracts.

Cust. Svc Center

Use 2014 as amount recorded in 5911 in 2013 is recorded in 5610 in 2014.

Communications

Most reassigned in 2014 to Resp. 721. Use 2014 amount.

Information Systems

Use 2015 budget as will see increase over 2014 levels.

Gas Supply

Use 2014 as 2013 included nonrecurring credit.

Mobile services, MDUR, GIS

Use 2014