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

Before the South Dakota Public Utilities Commission

Docket No. NG15-____

Direct Testimony
of
Tamie A. Aberle

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

A. Yes. My name is Tamie A. Aberle, and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501.

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

A. I am the Director of Regulatory Affairs for Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

Q. What are your responsibilities as the Director of Regulatory Affairs?

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

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

A. I graduated from Moorhead State University, Moorhead, Minnesota in 1982 with a Bachelor of Science degree in Accounting. I began my career with Montana-Dakota in 1983 in the Regulatory Affairs Department,

holding several positions within the Department before attaining my current position in 2014.

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

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

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

A. The purpose of my testimony is to present the effect of the proposed revenue requirement, as identified by Mr. Jacobson in his direct testimony, on each of the Company's natural gas rates, including how the distribution of the revenue requirement was made among the various classes of customers served. In addition, my testimony will discuss the extent to which Montana-Dakota is proposing changes in rate design and/or tariff conditions including the introduction of a Targeted Infrastructure Rider.

Q. What statements and exhibits are you sponsoring in this proceeding?

A. I am sponsoring Statement O and Exhibit Nos. ____ (TAA-1) through Exhibit No. ____ (TAA-3). I also sponsor the proposed rate schedules appended to the Application in this proceeding.

Q. What is the total revenue effect of the proposed gas rate changes?

A. The final proposed rates will produce additional revenues of $1,532,319 or 3.1 percent annually based on pro forma throughput.

Exhibit No. __ (TAA-1) represents summaries by rate classification of the proposed revenue increase. The exhibit shows the rate classes and the revenues calculated under the present and proposed rates. The amount and percentage increase is also shown for the proposed revenue increase.

Q. Would you please explain Exhibit No. ____(TAA-2)?

A. Yes. Exhibit No. _____ (TAA-2) depicts bill comparisons based on typical monthly consumption levels for an annual period for Residential and Firm General Service customers. As shown on Exhibit No.___(TAA-2), pages 1-6, the proposed rate structure will result in an average increase, based on the proposed rates, of approximately $2.21 per month or 4.64 percent for the typical Residential customer using 72 dk on an annual basis. A Small Firm General Service customer (Rate 70 with a meter rated less than 500 cubic feet per hour) would see an increase of approximately $0.66 per month or 0.86 percent and a Large General Service customer (Rate 70 with a meter rated 500 cubic feet per hour or more) would see an increase of approximately $5.40 per month or 0.81 percent.

Distribution of the Revenue Increase

Q. What methodology did you use to apportion the proposed rate increase among the customer classes?

A. In designing the proposed rates to reflect the additional revenue requirements, I primarily used the embedded cost study as a guide. The

revenue increase necessary to bring each of the rate classes to the overall rate of return ranges from an increase of approximately 6.9 percent for the Residential class to a decrease of 22.5 percent for the Small Interruptible class. As shown on Schedule O-1, page 2, in allocating the revenue increase to each class I used an iterative process to mitigate the impact associated with the increase required to reach the overall return by rate class. I started by applying a one and a half times the system average percentage increase to the Residential class, then I applied the percentage increase to the Large Interruptible class that will bring that class to full cost of service. Lastly, I applied the remaining increase on an equal percentage basis to the Firm General Service class and the Small Interruptible class. This methodology reflects the fact that the Residential class is below the overall rate of return, the Large Interruptible class is close to the overall rate of return and the Large Firm General and Small Interruptible classes are producing above the overall rate of return.

Q. What is the percentage of the proposed final increase by class of customer?

A. The proposed final increase to each of the classes is shown in the table below:

Class	
Residential	4.62%
Firm General	0.81%
Small Interruptible	0.81%

Large Interruptible	3.27%
Overall	3.08%

Q. What were the objectives underlying the allocation of the increase and the rates proposed to recover the revenue requirement?

A. The embedded cost of service study and proposed revenue allocation embody several of the recognized objectives by their effectiveness in yielding the total revenue requirement under the fair-return standard, fairness of the specific rates in the apportionment of the total costs of service among the different consumers, and efficiency of the rate classes. The rate forms proposed also recognize a balanced and gradual move toward meeting the objectives noted above in order to be cognizant of the objective of rate stability. In order to capture that balance, the proposed rates reflect a move toward cost based rates but not the full step necessary to price each service to reflect the specific embedded cost components.

Q. How are you proposing to collect the allocated final increase from each of the rate classes?

A. First, I am proposing increases to the Basic Service Charges for each of the rate schedules. The Basic Service Charge under Residential Rate 60 is proposed at $0.48 per day which reflects an average monthly charge of $14.59, an increase of $6.08 per month from the currently effective charge. The Basic Service Charge applicable to Firm General Service customers with meters rated less than 500 cubic feet per hour is

proposed at $0.55 per day and $1.68 per day for customers requiring the larger meters capable of measuring gas flows of 500 cubic feet per hour or greater. The resulting average monthly charges will be $16.72 and $51.07 respectively representing an increase of $6.08 per month in the Basic Service Charge applicable to meters rated less than 500 cubic feet per hour and an increase of $18.54 per month in the Basic Service Charge for customers requiring meters rated at 500 cubic feet per hour or higher. The Basic Service Charges applicable to Small Interruptible Sales Rate 71 and Small Interruptible Transportation Service Rate 81 is proposed to increase by $30.00 per month resulting in a Basic Service Charge of $180.00. Large Interruptible Sales Rate 85 and Large Interruptible Transportation Service Rate 82 Basic Service Charges are proposed to increase to $275.00 per month representing an increase of $45.00 per month.

After taking into account the revenue increase associated with the changes in the Basic Service Charge, the remaining increase in revenues is proposed to be collected through the applicable Distribution Delivery Charge components. The Distribution Delivery Charges assessed on a volumetric basis reflect a decrease from current rates, with the exception of Rate 82 and Rate 85, because of the dollars collected through the increased Basic Service Charge rates. For example, the Residential customers will see a decrease of $.646 per dk as a result of increasing the Basic Service Charge by $6.08 per month.

I am proposing to institute separate Distribution Delivery Charge components for the Firm General Service customers under Rate 70 based on the meter size determination i.e., meters rated at 500 cubic feet per hour or less and meters rated at greater than 500 cubic feet per hour to recognize the difference in cost to serve these groupings identified in the embedded class cost of service study.

The rate design calculations supporting the proposed rate levels are included in Rule 20:10:13:99, Statement O, Schedule O-1 Pages 1-8.

Q. Would you please explain the rationale for the increase in the Residential Basic Service Charge?

A. Yes. Moving more of the fixed cost recovery to the Basic Service Charge and away from the usage charge will first minimize subsidies within the class and secondly minimize the under-recovery of fixed costs when customers take measures to conserve energy and more efficiently utilize natural gas. Today, the Company, other customers and Company shareholders are harmed when conservation results in lower use. This inequity may be addressed through tracking mechanisms or more simply by adjusting the rate components to more closely match costs.

Higher Basic Service Charges also address the issue of seasonality. Residential customers use significantly more gas in the winter than in the summer. And, if a customer only uses natural gas for space heating, the system is still there for the customer's use in the summertime but is unused. Having a higher fixed charge, reflects the fact

that even if a customer is not using any natural gas, the system is still there and available for the customer. Moving more of the fixed costs to the Basic Service Charge will also provide a decrease in the winter bills because of the corresponding decrease in the volumetric charge.

Q. What are the benefits to Montana-Dakota and to its customers of moving more of the identified fixed cost recovery to the Basic Service Charge component?

A. There are several significant benefits including:

1. Customers' bills will be more stable as approximately 29 percent of the total bill will be fixed each month and not dependent on changes in weather.
2. Customers will continue to have incentive to conserve as the Cost of Gas and Distribution Delivery Charge, representing approximately 71 percent of a typical customer's bill, will continue to be billed on a volumetric basis.
3. Provides a better match of revenues to the investment made to serve each residential customer with a typical service line, meter and regulator at the same average cost. Under a volumetric distribution rate structure, customers using less than average use are being subsidized by customers using more than average use. If fixed costs are not recovered from fixed charges, high use customers subsidize low use customers

regardless of the reason a customer uses less natural gas than average.

4. The proposal will also mitigate the inequities caused by customers using natural gas as a backup energy source during peak periods.

Q. Would you please describe the Targeted Infrastructure Rider designated as Rate 89 and also provided as Exhibit No. ____(TAA-3)?

A. Yes. As discussed by Ms. Kivisto, the Company is proposing to implement a Targeted Infrastructure Rider (Infrastructure Rider) applicable to its South Dakota natural gas operations. The purpose of the Infrastructure Rider is to provide a means to recover the costs associated with specified operational and safety-related infrastructure replacement and upgrade projects to the distribution system that are deemed prudent to be recovered through the Infrastructure Rider by the Commission and not already included in rates. Under the proposed Infrastructure Rider, Montana-Dakota would provide an annual budget of investments and operating expenses to be recovered for identified projects meeting the qualifications of the Infrastructure Rider. Based on the required revenue requirement for the approved projects, using the Commission authorized return in the last rate case, a recovery rate will be determined based on forecasted sales. A true-up filing will be submitted on an annual basis to reflect any over or under recovery of revenues based on actual expenditures from the preceding twelve month recovery period plus

carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate. At the time of the true-up filing, the Company may propose the inclusion of additional projects to be recovered under the Infrastructure Rider. This mechanism would provide the opportunity to proactively address pipeline integrity, potentially avoid costly rate cases and reduce cost impacts to customers due to the more gradual increases over time.

Q. Would you please briefly describe other changes made to the Company's gas tariff?

A. Yes, following is a description of changes the Company is proposing to make to Rate 100:

- The Company proposes to add a description of gas pressures to Section III, Customer Obligations, to ensure that customers are mindful of the standard operating pressures when adding or changing equipment.
- The Company proposes to elaborate on the customer responsibility for equipment in the Liability Section IV to remind customers of their responsibilities to maintain their gas equipment.
- The Company is also adding to its definition of business hours in the General Terms and Conditions, Section 5 to better advise customers as to when they may be charged overtime rates for reconnection of service.

- The Company is also proposing to increase its reconnection charge for customers needing a reconnection after being disconnected for non-payment. The Company proposes to make this charge the same as that for customers that reconnect for other reasons. This would move the charge from $25.00 to $30.00.
- The Company is also proposing to add a new Section 6 entitled Miscellaneous Charges which lists the charges for services discussed elsewhere in the rate in the same section in order that the charges can be more easily located.
- Customer forms provided in Section 6 have been updated to reflect the current versions of forms primarily related to the conversion to the customer care and billing system implemented in 2013.
- There are other minor wording changes listed throughout the rate to improve the readability of the rate without modifying any conditions. These changes are clearly denoted on the tariff sheets reflecting the legislative format.

Q. Does this conclude your direct testimony?

A. Yes, it does.