

**MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
FIRST DATA REQUEST ISSUED MAY 8, 2020
RESPONSES DUE MAY 22, 2020
DOCKET NO. GE20-002**

- 1-2. Provide any accounting standards the utility must follow regarding deferred accounting treatment and likelihood of future cost recovery. Confirm the Company must determine cost recovery is probable and the Commission need not make a determination at this time regarding probable recovery, especially in light of the uncertainty regarding magnitude of the costs. Confirm that the Company acknowledges that the deferral accounting method and the resulting creation of a regulatory asset does not speak to the likelihood of any future cost recovery to be approved by the Commission.

Response:

ASC 980-340-25 provides that “rate actions of a regulator can provide reasonable assurance of the existence of an asset.” A deferred accounting order approved by the Commission provides reasonable assurance of the existence of an asset and therefore allows the Company to defer those costs to a regulatory asset account until such time new rate actions are taken. If the deferred accounting order is denied, the deferred costs would be expensed immediately.

Montana-Dakota confirms that the Commission need not make a determination of probable recovery or method of future recovery, if the deferred accounting order is granted. It is the Company’s intent to request recovery of only those costs or lost revenues that are directly the result of the pandemic. The Company intends to make a good-faith effort to limit and prudently incur expenses, in order to support the probability of recovery of those costs deferred to the regulatory asset account.