

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WUTC v. Cascade Natural Gas Corp.
Docket UG-170929
Public Counsel
UG-170929**

Request No. 86

Date prepared: 12/20/2017

Preparer: Chris Ryan

Contact: Michael Parvinen

Telephone: 509-734-4593

PC-86 Re: Expenses – Rent.

Refer to the response to PC-2, PC-13 and PC-26. The response to PC-2 shows that the rolling 12-month average expense in Account 931 – Rents as of October 2017 is \$1,075,545 as compared to the test year expense in Account 931 of \$1,238,179. The response to PC-13 shows that \$222,003 was charged to Washington Gas in June 2016 in Account 931 from MDU for “MDU Allocated Costs” as compared to \$75,471 per month for January through May 2016 and \$99,893 per month for July through December 2016.

- a. Please explain why the amount of rent expense in Account 931 declined in the 12-months ended October 31, 2017, as compared to the test year.
- b. With regard to the response to PC-26, please explain in detail why the MDU charges increased by \$437,736.
- c. Please provide a copy of the journal entry(ies) used to record the true-up made in June 2016.
- d. Explain, in detail, why the January 2016 to June 2016 rental expense charges to Washington Gas from MDU needed to be true-up (i.e., what caused the prior month charges to be understated.)
- e. Please identify what amount is included in the June 2016 true-up associated with period prior to the test year.
- f. Please provide a breakdown of the MDU rental costs that were charged to Washington Gas and recorded in Washington Gas Account 931 during 2015, 2016 and 2017 year to date by month by location and/or asset being rented. For each location or asset being rented that is included in the MDU rental charges to Washington Gas in Account 931, please also identify what the location/asset is used for and how that benefits Washington Gas.

Response:

- A. For the 12-months ended October 31, 2017, MDU Allocated Costs are lower than the test year by \$121,305 and IGC Allocated Costs are down

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\$42,200. The decreased costs can be attributed to decreased O&M costs and a change to the Utility Group's corporate factor.

- B. The dollar amount in PC-26, was incorrect and should read that MDU Allocated Costs increased \$268,829 for the test year compared to the 12-month period ended January 31, 2016. The Cost of Service calculation is performed annually during the third or fourth quarter of the year for the following year, based on information through June 30th of the current year. Typically, O&M expenses used as part of the calculation are based on 12-months ended June 30th (previous year July 1 through current year June 30). In January 2016, the Utility Group's corporate factor increased from 36.7% to 51.3%; thus, increasing the Utility Group's share of the corporate FutureSource expenses. Therefore, the Cost of Service calculation was revised in June 2016 in an effort to better match the revenue that MDU receives from CNG and IGC with the expenses that the Utility Group (MDU) is incurring for its share of FutureSource expenses. This revised calculation used actual YTD FutureSource O&M expenses as of May 31, 2016, and annualized that amount for the entire year of 2016. This revised calculation results in an annual increase to CNG 2016 cross charges to MDU in the amount of \$293,062.
- C. See attachment PC-86C.pdf
- D. See answer B above.
- E. Zero, as the true-up was for the months January 2016 – May 2016, along with the current month of June 2016 charges.
- F. See attachment PC-86F.xlsx

PC-86F

Ledger Type	AA	AA	AA
Year	2017	2016	2015
Format	YTD	YTD	YTD
Period	11	12	12
Currency	***	***	***
Company	00047	00047	00047
Business Unit	4766000	4766000	4766000

Washington jurisdiction amounts

Object Account	Sub Account	Ledger Type UW			
		Nov 17	Dec 16	Dec 15	
*	29310	Rent	694,153.79	902,273.52	628,682.40
		Monthly charges	63,104.89	75,189.46	52,390.20

The above Cost of Service charges from MDU in account 931 above, are for the below shared services from MDU. All are located in Bismarck, ND. They all benefit Washington Gas, as they house support personnel for Cascade.

MDU Utility Group Cost of Service

- G.O. Complex - support areas
- Utility shared assets
- FutureSource

MDUR Cost of Service

- G.O. Complex - support areas
- Office Services
- PowerPlan Budget & Tax modules

Ledger Type	AA	AA	AA
Year	2017	2016	2015
Format	YTD	YTD	YTD
Period	11	12	12
Currency	***	***	***
Company	00047	00047	00047
Business Unit	4766000	4766000	4766000

Object Account	Sub Account		Nov 17	Dec 16	Dec 15
*	29310	Rent	#NAME?	#NAME?	#NAME?
		Monthly charges	#NAME?	#NAME?	#NAME?

Washington jurisdiction

Ledger Type	UW	UW	UW
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Object Account	Sub Account		Nov 17	Dec 16	Dec 15
*	29310	Rent	#NAME?	#NAME?	#NAME?
		Monthly charges	#NAME?	#NAME?	#NAME?

MONTANA DAKOTA UTILITIES
COST OF SERVICE
2016

06/24/16
3:44 PM
REVISED

F:\FINRPT\YOUCHER\NO_48\2016\16COS.xlsx\Cost of Service (2)

	KRC	FIDELITY	FIDELITY	WBIPCO (2)	WBIPCO (3)	WBIES	CSG	IGC	CASCADE	TOTAL	ELECTRIC (1)	GAS (1)
	1.1460.0621	1.1460.0631 OE	1.1460.0631 RE	1.1460.0601 OE	1.1460.0601 RE	1.1460.0641	67300.8311	48515.5931 29310	4766000.5931 29310		90.4540.0011	90.4930.0011
JANUARY	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
FEBRUARY	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
MARCH	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
APRIL	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
MAY	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
JUNE	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
JULY	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
AUGUST	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
SEPTEMBER	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
OCTOBER	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
NOVEMBER	59,814.00	0.00	0.00	1,149.00	5,137.00	6,916.00	19,554.00	50,023.00	75,471.00	218,064.00	(129,312.00)	(88,752.00)
DECEMBER	59,814.00	0.00	0.00	1,143.00	5,141.00	6,921.00	19,550.00	66,180.00	99,893.00	258,642.00	(153,375.00)	(105,267.00)
TOTAL REQUIRED	717,768.00	0.00	0.00	13,782.00	61,648.00	82,997.00	234,644.00	794,160.00	1,198,716.00	3,103,715.00	(1,840,502.00)	(1,263,213.00)

CHECK

- (1) SPLIT ON CORPORATE OVERHEAD FACTORS (JAN-DEC E-.593,G-.407).
- (2) RESPONSIBILITY 920, RESOURCE CODE 5630 (office supplies) - \$13,782
- (3) TOTAL WBIPCO, REQUIREMENT \$75,430 - OE AS NOTED ABOVE \$13,782 = \$61,648

Johnson, Stephanie:
Includes prior months
true-up Jan-May
\$80,785

Johnson, Stephanie:
Includes prior months
true-up Jan-May
\$122,110

Cost of Service Revision
June 30, 2016

The Cost of Service calculation is performed annually during the third or fourth quarter of the year for the following year, based on information through June 30th of the current year. Typically, O&M expenses used as part of the calculation are based on 12-months ended June 30th (previous year July 1 through current year June 30).

In January 2016, the Utility Group's corporate factor increased from 36.7% to 51.3%; thus, increasing in the Utility Group's share of the corporate FutureSource expenses. Therefore, the Cost of Service calculation was revised in June 2016 in an effort to better match the revenue that MDU receives from CNG and IGC with the expenses that the Utility Group (MDU) is incurring for its share of FutureSource expenses. This revised calculation used actual YTD FutureSource O&M expenses as of May 31, 2016, and annualized that amount for the entire year of 2016. This revised calculation results in an annual increase to CNG and IGC 2016 cross charges to MDU in the amounts of \$293,062 and \$193,890, respectively.

M. B. Balle
6/24/16

Adrian
6/24/16