

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

Direct Testimony of Donald R. Ball

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

2 A. My name is Donald R. Ball and my business address is 400 North Fourth
3 Street, Bismarck, ND 58501.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the Vice President – Regulatory Affairs for Montana-Dakota Utilities
6 Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. and
7 Great Plains Natural Gas Co. (Great Plains), a Division of MDU
8 Resources Group Inc. I am testifying in this proceeding on behalf of MDU
9 Resources Group, Inc. (MDU Resources).

10 **Q. Would you please describe your duties as Vice President -**

11 **Regulatory Affairs for Montana-Dakota and Great Plains?**

12 A. As Vice President - Regulatory Affairs, I have executive responsibility for
13 all activities falling under the jurisdiction of various regulatory agencies.
14 This includes, among other things, the areas of revenue requirements,
15 rate administration and rate design.

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

18 A. I graduated from Black Hills State College, Spearfish, South Dakota, in
19 1969 with a Bachelor of Science degree in Business Administration, with

1 emphasis on accounting. I began my career with Montana-Dakota in
2 September of 1969 at the Company's Rapid City, South Dakota office. I
3 have held various positions in the Company, mostly in the regulatory area.
4 I was named Assistant Vice President – Regulatory Affairs in February
5 2003 and was named Vice President - Regulatory Affairs in January 2006.

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

7 A. Yes, I have. On a number of occasions, I have presented testimony
8 before the Commissions in Montana, North Dakota, South Dakota and
9 Wyoming. I have also testified before the Federal Energy Regulatory
10 Commission (FERC) regarding Montana-Dakota's rates and purchased
11 gas cost adjustments.

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

13 A. The purpose of my testimony is to address the following:

- 14 • to explain why the proposed transaction is in the public interest,
- 15 • to list the commitments proposed by MDU Resources that will ensure
16 no harm to customers or the public generally,
- 17 • to describe the similarities between Cascade and MDU Resources'
18 existing utility operations at Montana-Dakota and Great Plains,
- 19 • to describe the experience of Montana-Dakota and Great Plains as
20 regulated utilities operated as divisions of MDU Resources, and
21 • to discuss the regulatory approval process associated with the
22 proposed acquisition.

1 **Q. Is MDU Resources' proposed acquisition of Cascade in the public**
2 **interest?**

3 A. Yes, it is.

4 **Q. Please explain why the proposed acquisition is in the public interest.**

5 A. As described in the testimony of other company witnesses and in the
6 Application, it is in the public interest as MDU Resources believes that the
7 proposed acquisition will bring benefits to Cascade's customers. Cascade
8 is currently providing very good customer service in a cost-effective
9 manner. MDU Resources plans to maintain continuity in Cascade's
10 operations while looking to enhance customer service and to increase
11 efficiencies through the sharing of "best practices" and the consolidation of
12 certain corporate and administrative functions. As described in Mr.
13 Imsdahl's testimony, MDU Resources plans to maintain the operational
14 headquarters of Cascade in Washington and, except for shared corporate
15 and administrative functions, the management of Cascade will remain
16 located in Washington and Washington personnel will be authorized to
17 represent and bind Cascade in its dealings with its regulators, customers
18 and suppliers. Cascade will also maintain a strong operational presence
19 in the communities it serves in Washington and Oregon.

20 MDU Resources is committed to Cascade's intention to focus on its
21 core operations and does not anticipate the sale of any operational assets
22 currently used by Cascade in its regulated utility business. Through its

1 divisions Montana-Dakota and Great Plains, MDU Resources has
2 extensive experience in operating both natural gas and electric utilities
3 and, like Cascade, has experience with operations that serve relatively
4 low-density population areas that are distributed over a wide geographic
5 area in multiple states.

6 **Q. Can MDU Resources provide assurances that the proposed**
7 **acquisition will not have any adverse effects on Cascade's**
8 **customers in Washington?**

9 A. Yes. From the perspective of Cascade's customers, the transaction will
10 be transparent. Cascade will retain its name, customers will still contact
11 Cascade in the same manner as today and pay their bills as they now do.

12 **Q. Can MDU Resources provide assurances that the proposed**
13 **acquisition will not affect the Commission's ability to regulate**
14 **Cascade?**

15 A. Yes. From the perspective of the regulator, the transaction should be
16 seamless. Cascade will retain its operational headquarters in Washington
17 and Cascade personnel will be authorized to represent and bind Cascade
18 in its dealings with its regulators. In addition, Cascade will maintain its
19 own accounting documentation and financial data will continue to be
20 available to the Commission at Cascade's offices in Washington in
21 accordance with current practice.

1 **Q. Is MDU Resources willing to make commitments to ensure that its**
2 **proposed acquisition of Cascade will not expose Cascade’s**
3 **customers to any risk of harm?**

4 A. Yes. In order to formalize the assurances provided in my testimony
5 above, MDU Resources is offering a list of commitments that the
6 Commission may include as conditions in approving the proposed
7 acquisition. These commitments are included in Exhibit No.____(DRB-2)
8 attached to this testimony.

9 **Q. Would you please generally describe those commitments?**

10 A. Yes. Although all of the commitments are presented in
11 Exhibit No.____(DRB-2) for ease of reference, many of the commitments
12 are discussed in the testimony of Mr. Imsdahl and Mr. Renner. In total,
13 the commitments are designed to ensure that MDU Resources’ proposed
14 acquisition of Cascade will not expose Cascade’s customers to any risk of
15 harm. In general, the commitments can be characterized in three broad
16 categories: operations, financial and regulatory.

17 **Q. What is the purpose of the operational commitments?**

18 A. From the operations perspective, MDU Resources intends to operate
19 Cascade in much the same way as it is currently being operated. As I
20 described above, we intend that the transaction be transparent to
21 Cascade’s customers. The retention of the Cascade name, its operational
22 headquarters and local key personnel with decision making authority will

1 ensure that outcome. Also, the commitment to maintain adequate staffing
2 and presence in each state, consistent with the provision of safe, reliable
3 service and cost-effective operations, will help in assuring that the
4 transition is transparent for Cascade's customers.

5 **Q. What is the purpose of the financial commitments?**

6 A. Financial commitments, which are discussed in the testimony of Mr.
7 Renner, are designed to ensure that Cascade's customers are not
8 exposed to financial risk or harm from MDU Resources' other businesses.
9 The financial commitments include, among others, a commitment to
10 maintain separate debt and credit ratings for Cascade, a commitment not
11 to cross subsidize between regulated and non-regulated businesses, a
12 commitment that MDU Resources will not pledge the assets of Cascade
13 except in support of Cascade's own debt, a commitment that Cascade will
14 not loan money to or invest in MDU Resources or its other subsidiaries
15 and commitments to not propose rate recovery of the acquisition premium
16 or the transaction costs related to the proposed acquisition.

17 **Q. What is the purpose of the regulatory commitments?**

18 A. With respect to the regulatory area, MDU Resources is making a number
19 of commitments to assure that the Commission is able to exercise the
20 same degree of regulatory oversight of Cascade as it does today and will
21 continue to have access to Cascade's books, records and employees.
22 The Commission's continued regulatory oversight of Cascade, and its

1 ability to regulate transactions between Cascade and its affiliates, ensures
2 that Cascade's customers will suffer no harm from the proposed
3 acquisition.

4 **Q. Please describe some of the key commitments that ensure that the**
5 **Commission will continue to exercise the same degree of regulatory**
6 **oversight of Cascade as it does today.**

7 A. Referring to Exhibit No.____(DRB-2), Commitment No. 1 establishes that
8 Cascade's operational headquarters will remain in Washington.

9 Commitment No. 2, which is discussed in Mr. Renner's testimony,
10 provides that Cascade will maintain its own accounting documentation and
11 financial data will be accessible in Washington. It further provides that
12 Cascade's financial documentation and state and federal regulatory filings
13 will continue to be accessible to the Commission at Cascade's
14 Washington office in accordance with current practice.

15 Commitment No. 3, also discussed in Mr. Renner's testimony,
16 provides the Commission with access to all books of account, documents,
17 data and records of affiliated interests which pertain to transactions
18 between Cascade and its affiliated interests or which are otherwise
19 relevant to the business of Cascade.

20 Commitment No. 4 makes the employees and officers of MDU
21 Resources, Cascade and its affiliates available to testify before the

1 Commission to provide information relevant to matters within the
2 jurisdiction of the Commission.

3 Mr. Renner's testimony discusses Commitment Nos. 5 through 16.
4 Commitment No. 5 states that the Commission or its agents may audit the
5 accounting records of MDU Resources and its subsidiaries or divisions
6 that are the basis for charges to Cascade and to determine the
7 reasonableness of allocation factors used by MDU Resources to allocate
8 costs to Cascade and the reasonableness of the amounts subject to
9 allocation or direct charge. It also contains an agreement by MDU
10 Resources to cooperate fully with such audits.

11 Commitment No. 6 is an agreement to comply with all applicable
12 Commission statutes and regulations regarding affiliated interest
13 transactions including timely filing of applications and reports.

14 Commitment No. 7 deals with the filing of any required affiliated interest
15 reports, including an organization chart of Cascade and its affiliated
16 interests and subsidiaries. In Commitment No. 8, Cascade and MDU
17 Resources commit not to cross-subsidize between regulated and non-
18 regulated businesses, or between regulated businesses.

19 Commitment Nos. 9 and 10 concern the measures proposed by
20 MDU Resources to protect Cascade's customers from any impacts
21 associated with diversified holdings or investments, or with MDU
22 Resources' other business activities.

1 Commitment No. 11 indicates that Cascade or MDU Resources will
2 notify the Commission subsequent to MDU Resources' board approval of
3 any acquisition of a regulated or unregulated business representing five
4 percent or more of the capitalization of MDU Resources or the change in
5 effective control or acquisition of any material part or all of Cascade by
6 any other firm.

7 Commitment No. 12 provides that MDU Resources and Cascade
8 will file an Inter-company Administrative Services Agreement with the
9 Commission after closing of the proposed transaction and request
10 approval of the agreement, if required, and any amendments will be filed
11 with the Commission. The approval request will not encompass the
12 ratemaking treatment of these costs. MDU Resources makes certain
13 commitments regarding the level of allocated shared corporate costs in
14 Commitment No. 13. Commitment No. 14 identifies the cost allocation
15 principles that will be used in developing the Inter-Company Administrative
16 Services Agreement.

17 Commitment No. 15 provides that Cascade will maintain separate
18 debt and separate credit ratings.

19 Commitment No. 16 concerns the treatment of the costs of the
20 transaction.

1 Commitment No. 17 provides the Commission, upon request,
2 access to all written information provided by or to credit rating agencies
3 that pertains to Cascade or MDU Resources.

4 Commitment No. 18, discussed in Mr. Imsdahl's testimony,
5 concerns the priority to be given by MDU Resources to the capital
6 requirements of Cascade.

7 Commitment No. 19, discussed in Mr. Renner's testimony,
8 addresses financial transactions between Cascade (and its subsidiaries)
9 and MDU Resources (and its subsidiaries).

10 Commitment No. 20, also discussed by Mr. Renner, indicates that
11 MDU Resources and Cascade will not advocate for a higher cost of debt
12 or equity capital as compared to what Cascade's cost of such capital
13 would have been absent MDU Resources' ownership.

14 Commitment No. 21 concerns Cascade's and MDU Resources'
15 rights to request confidential treatment for information provided pursuant
16 to the commitments.

17 Commitment No. 22 sets forth our proposal for enforcement of the
18 commitments, and provides for written notice and an opportunity to cure
19 any violations.

20 Commitment No. 23 states that MDU Resources and Cascade
21 commit to an annual review to identify any incremental DSM and energy
22 efficiency opportunities in Cascade's service area. MDU Resources and

1 Cascade will work with the appropriate agencies to implement any such
2 incremental opportunities identified and, if appropriate, file for Commission
3 approval of any such incremental opportunities.

4 Commitment No. 24 states that MDU Resources and Cascade will
5 commit to maintaining adequate staffing and presence in each state
6 consistent with the provision of safe and reliable service and cost-effective
7 operations. MDU Resources recognizes and values the positive
8 relationships that Cascade has built with its Washington regulators and is
9 committed to maintaining them by having adequate regulatory staff in
10 Washington to maintain such relationships and interface with the
11 Commission and its staff. In addition, Cascade's executive and regulatory
12 personnel in Washington will be authorized to represent and bind Cascade
13 in its dealings with the Commission.

14 Commitment No. 25 provides for annual reporting regarding our
15 progress in implementing the commitments.

16 Commitment No. 26, which is discussed by Mr. Renner, concerns
17 the recovery of any acquisition premium in rates.

18 Commitment No. 27 pertains to maintenance of Cascade's current
19 level of charitable contributions, and is discussed in Mr. Imsdahl's
20 testimony.

1 **Q. Please describe the similarities between Cascade and MDU**
2 **Resources' existing utility operations at Montana-Dakota and Great**
3 **Plains.**

4 A. The natural gas distribution operations of Montana-Dakota and Great
5 Plains resemble those of Cascade in many respects, which provides
6 further assurance that Cascade will continue to operate in relatively the
7 same manner as it does today. Montana-Dakota, Great Plains and
8 Cascade serve a mixture of residential, commercial, industrial and
9 transportation customers in primarily mid- and small-size communities in
10 multiple states in areas of relatively low population density. Despite the
11 relatively low population density of their service areas, the companies
12 have a history of providing safe and reliable service at reasonable and
13 stable prices. In terms of number of customers served, Cascade is
14 approximately the same size as MDU Resources' natural gas distribution
15 operations conducted by Montana-Dakota and Great Plains.

16 **Q. Would you please generally describe the experience of MDU**
17 **Resources in operating regulated utilities?**

18 A. Yes. Montana-Dakota has operated electric and gas distribution utilities
19 for over 80 years. These operations are subject to regulation in Montana,
20 North Dakota, South Dakota and Wyoming. Montana-Dakota's electric
21 operations are also subject to FERC oversight with respect to electric
22 transmission and wholesale sales. Throughout its history, Montana-

1 Dakota has provided safe, reliable and reasonably priced service to its
2 customers.

3 Great Plains, which was acquired by MDU Resources in 2000,
4 serves 18 communities in western Minnesota and one community in
5 eastern North Dakota. Just as in the case of Cascade, the Great Plains
6 operation is not contiguous to Montana-Dakota's operation. Great Plains
7 is subject to regulation in Minnesota and North Dakota.

8 MDU Resources, through its utility divisions Montana-Dakota and
9 Great Plains, has extensive experience in successfully operating regulated
10 utilities and has the required expertise in all areas of operations,
11 administration and management to continue to provide the service to
12 Cascade's customers that they have come to expect. MDU Resources is
13 poised to continue the successful operation of Cascade for the benefit of
14 Cascade's customers.

15 **Q. Please discuss the regulatory approval process related to this**
16 **proposed transaction.**

17 A. Approval of the proposed transaction is required from this Commission
18 and the Public Utility Commission of Oregon. In addition, MDU Resources
19 will seek approval of the proposed acquisition from the commissions in
20 two of the states in which it already operates public utilities: the North
21 Dakota Public Service Commission and the Minnesota Public Utilities

1 Commission. Clearance under the federal Hart-Scott-Rodino Antitrust
2 Improvements Act of 1976 is also required.

3 **Q. Does this conclude your direct testimony?**

4 A. Yes, It does.