

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF)
MONTANA-DAKOTA UTILITIES CO. FOR)
APPROVAL OF A GENERAL RATE INCREASE)
IN ITS RETAIL NATURAL GAS SERVICE)
UTILITY RATES OF 14.29 PERCENT)

Docket No. 30013-415-GR-24
(Record No. 17710)

JOINT EXHIBIT K

STIPULATION TESTIMONY OF

Justin J. Ballard

On Behalf of the Office of Consumer Advocate

Testimony Filed: 05/28/2025

Hearing Begins: 06/24/2025

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Justin J. Ballard, and my business address is 2515 Warren Avenue, Suite 304, Cheyenne, Wyoming 82002.

Q. WHAT IS YOUR OCCUPATION?

A. I am currently employed as the Deputy Administrator for the Wyoming Office of Consumer Advocate (OCA). The OCA is a separate and independent division within the Wyoming Public Service Commission (PSC or Commission) with no reporting or supervisory links to the Commission. In my position, I analyze regulated utility requests and provide recommendations to the Commission related to utility matters such as rates of return, revenue requirements, class cost of service, rate design, and other areas as needed.

Q. WHOM DO YOU REPRESENT IN THIS PROCEEDING?

A. Pursuant to W.S. § 37-2-401, I represent the interests of all Wyoming citizens and utility rate payers in public utility matters. In this case, my testimony considers the relevant facts presented and how they contribute to the delivery of safe, adequate, and reliable utility service at just and reasonable prices. During my analysis, I have not represented the interests of the subject utility company, any individual person, or specific class of customer above any other.

Q. ARE YOU THE SAME INDIVIDUAL THAT PREVIOUSLY FILED RESPONSIVE TESTIMONY IN THIS DOCKET?

A. Yes. I previously pre-filed direct testimony and accompanying exhibits on March 28, 2025.

PURPOSE AND ORGANIZATION

Q. WHAT IS THE PURPOSE OF YOUR STIPULATION TESTIMONY IN THIS PROCEEDING?

A. The purpose of my stipulation testimony is to provide explanation and support of the Stipulation and Agreement (Stipulation) entered into by Montana-Dakota Utilities Co. (MDU or the Company) and the OCA, collectively referred to as the Stipulating Parties, in this proceeding.

Q. WILL YOU BE SUBMITTING ANY EXHIBITS ALONG WITH YOUR SUPPORTIVE TESTIMONY IN THIS PROCEEDING?

A. Yes. OCA Exhibits K-1 and K-2 are being submitted along with this stipulation testimony. This is in addition to the Joint Stipulation and Stipulation Attachments previously filed on May 9, 2025.

Q. DOES THE STIPULATION RESOLVE EACH OF THE ISSUES IDENTIFIED BY THE OCA IN THIS DOCKET?

A. Yes. The Stipulation resolves all of the issues raised by the OCA, including those related to disputed operating revenues, plant in service, operating and administrative expenses, depreciation rates, and the return on equity (ROE). Through the various compromises and agreements reflected in the Stipulation, the parties recommend an overall rate increase of approximately \$2.12 million, or 11.68% annually. As shown in Table 1 below, this represents a reduction of about 18% from the Company's originally proposed increase of \$2.59 million.

1

Table 1: Revenue Requirement and Rate Increase Comparison			
	MDU Filed	OCA Proposed	Stipulation
Net Pro Forma Rate Base	\$29,983,208	\$30,729,117	\$30,792,618
Overall Rate of Return	7.823%	7.146%	7.246%
Calculated Return on Rate Base	\$2,345,586	\$2,195,903	\$2,231,233
Total Pro Forma Operating Revenues	\$17,878,135	\$17,685,479	\$17,710,534
Total Pro Forma Revenue Requirement	\$20,223,721	\$19,881,382	\$19,941,767
(less) Total Pro Forma Revenue Estimate	\$18,202,821	\$18,394,352	\$18,284,739
Unadjusted Revenue Increase Estimate	\$2,020,900	\$1,487,030	\$1,657,028
Gross Up Factor	1.280725	1.280669	1.280702
Total Revenue Requirement Increase	\$2,588,218	\$1,904,393	\$2,122,159
Average Rate Increase	14.29%	10.35%	11.68%

2

3

4

STIPULATION DETAILS

5

6 **Q. WHAT IS THE OVERALL RATE OF RETURN THAT THE STIPULATING**
7 **PARTIES AGREED TO AND INCORPORATED IN THE PROPOSED RATE**
8 **INCREASE?**

9 A. The Stipulating Parties have agreed to an overall rate of return of 7.246% in this
10 proceeding. This is based on a capital structure consisting of 44.735% long-term debt,
11 5.088% short-term debt, and 50.177% equity. The weighted cost components include a
12 4.728% cost of long-term debt, 5.681% cost of short-term debt, and a 9.65% return on
13 equity, as reference in Joint Exhibit A, page 9, paragraph G.

14

15

1 **Q. DOES THE STIPULATION RELLECT A CHANGE TO THE COMPANY'S**
 2 **PROPOSED ROE?**

3 A. Yes. In its application, the Company requested a return on equity (ROE) of 10.80%. In
 4 contrast, the OCA recommended an ROE of 9.50%, based on its comprehensive review
 5 and analysis of the application. As part of the negotiated settlement, the Stipulating Parties
 6 agreed to an authorized ROE of 9.65%.

7
 8 **Q. PLEASE EXPLAIN THE RATIONALE FOR THE OCA'S SUPPORT OF A 9.65%**
 9 **ROE AS REASONABLE IN THE CONTEXT OF THE STIPULATION.**

10 A. As described in the pre-filed direct testimony of OCA witness Mr. Christopher Walters,
 11 the stipulated ROE of 9.65% falls within the fair market range for MDU of 9.00% to
 12 9.90%.¹ The stipulated ROE is also slightly below the average and median authorized
 13 ROEs of 9.70% for natural gas utilities in 2024 and 2025, positioning MDU's ROE in line
 14 with similarly situated companies.² This outcome reflects a fair compromise that supports
 15 the utility's ability to attract capital while protecting customers from excessive rates and is
 16 therefore in the public interest. Additionally, the stipulated ROE reflects current market
 17 conditions and is consistent with recent ROEs approved by the Commission, including the
 18 9.50% authorized for Rocky Mountain Power in its 2024 general rate case.³

19
 20 **Q. HOW DOES THE STIPULATION ADDRESS THE OCA'S PROPOSED**
 21 **DEPRECIATION RATES?**

22 A. The Parties have agreed to implement the OCA's recommended depreciation rates for
 23 FERC Account 376 – Mains (Distribution Plant) and FERC Account 380 – Services
 24 (Distribution Plant). For all other plant in service accounts the rates proposed in the
 25 Company's application will be adopted. These adjustments are detailed in Joint Exhibit A,
 26 page 7, paragraph F, subsection (i) and in Table 2 below:
 27

¹ Docket 30013-415-GR-24, Pre-Filed Direct Testimony of Christopher C. Walters, OCA Exhibit No. 202, page 5.

² *Id.* at page 8.

³ Docket No. 20000-671-ER-24, page 4, Settlement Terms and Conditions No. 3.

Table 2 - Stipulated Depreciation Rates			
Account	MDU Filed Rate	OCA Recommended Rate	Stipulated Rate
FERC 376 - Mains	2.80%	2.13%	2.13%
FERC 380 - Services	3.03%	2.70%	2.70%
*All other depreciation rates are proposed to remain as filed by MDU			

Q. PLEASE EXPLAIN WHY THE STIPULATED AGREEMENT ON DEPRECIATION RATES IS IN THE PUBLIC INTEREST.

A. Mains and Services represent approximately 68% of MDU's total gas plant in service. As explained by OCA witness Mr. David J. Garrett, Mains are more appropriately depreciated over 68 years, rather than the 55 years proposed by MDU.⁴ Similarly, Services should be depreciated over 59 years, compared to the Company's proposed 50 years.⁵ The stipulated depreciation rates are also consistent with those the Company recently utilized in its 2024 Montana rate case.⁶ While uniform depreciation rates across jurisdictions are not required, consistency can improve regulatory efficiency and planning.

Q. HOW DOES THE STIPULATION ADDRESS THE OCA'S RECOMMENDATION TO ACCOUNT FOR SYSTEM GROWTH IN THE COMPANY'S PLANT IN SERVICE?

A. In its initial application, the Company did not include any growth-related capital projects, citing historically minimal and predictable levels of customer additions. However, in its pre-filed direct testimony, the OCA emphasized the importance of incorporating system growth into the revenue requirement. The OCA highlighted specific evidence—such as the replacement of a Town Border Station in the Sheridan area driven by anticipated customer growth—as justification for its recommendation.⁷ To reflect this growth, the OCA proposed increasing gas plant in service by \$665,843.

⁴ Docket No. 30013-415-GR-24, Pre-filed Direct Testimony of David J. Garrett, OCA Exhibit 203, page 12.

⁵ *Id.* at page 18.

⁶ Public Service Commission of Montana, Docket No. 2024.05.061

⁷ Docket No. 30013-415-GR-24, Pre-filed Direct Testimony of Justin J. Ballard, OCA Exhibit 203, page 13.

Consistent with the OCA's recommendation, and as outlined in Joint Exhibit A, page 6, paragraph D, subsection (i), the Parties agreed in the Stipulation to include the \$665,843 in growth-related capital investments. The impact of this inclusion on the Company's rate base, including adjustments to accumulated reserve and accumulated deferred income taxes, shown in Joint Exhibit C, pages 1 and 2.

Q. DOES THE STIPULATION ALSO REFLECT CUSTOMER GROWTH?

A. Yes. However, to a lesser extent than what was originally recommended in my pre-filed direct testimony that was based on the best available data at the time. The OCA believed it was essential to account for incremental customers and associated volumes given the evidence of system growth.

Q. HOW WAS CUSTOMER GROWTH ULTIMATELY ADDRESSED WITHIN THE STIPULATION?

A. The Parties agreed to utilize the Company's actual 2024 customer growth data, as provided in response to OCA Data Request 6.4. At the time the OCA prepared its direct testimony, this data was not yet available, and the OCA relied on its own forecast. In the context of the settlement, the OCA agreed to adopt the Company's actual 2024 customer growth data. A comparison of customer growth estimates can be seen in Table 3 below.

TABLE 3 - CUSTOMER GROWTH NUMBERS			
	MDU Filed Growth	OCA Proposed Growth	Stipulation Growth
Residential Customers	0	312	119
Small General Customers	0	11	6
Large General Customers	0	9	3
Total	0	332	128

1 **Q. WHAT WAS THE EFFECT ON THE COMPANY'S REVENUES UTILIZING THE**
2 **STIPULATED CUSTOMER GROWTH VALUES?**

3 A. As shown in Joint Exhibit D, pages 1 and 2, applying the Company's actual 2024 customer
4 growth to normalized usage per customer class results in total sales of \$17,714,797. This
5 represents an \$81,801 increase over the Company's original filed position. For
6 comparison, the OCA's proposed customer growth would have resulted in total sales of
7 \$17,824,253, or an increase of \$191,257 over the original filed position.
8

9 **Q. WHY DID THE OCA AGREE TO INCLUDE THE LOWER CUSTOMER**
10 **GROWTH NUMBERS PRESENTED BY THE COMPANY IN RESPONSE TO**
11 **OCA DATA REQUEST 6.4?**

12 A. The OCA initially proposed its own customer growth estimate because actual 2024 data
13 was not yet available. Once the Company provided actual customer growth figures in
14 response to OCA Data Request 6.4, the OCA agreed to use those figures, as this data more
15 accurately reflected MDU's operating conditions during the test period. Using verified,
16 known data ensured a more reliable and supportable basis for revenue adjustments and
17 establishes rate that reflect known and measurable changes to growth in plant, customer,
18 usage and revenue.
19

20 **Q. PLEASE DESCRIBE THE OPERATING AND MAINTENANCE EXPENSE**
21 **ADJUSTMENTS RECOMMENDED BY THE OCA THAT WERE INCLUDED IN**
22 **THE STIPULATION.**

23 A. As shown in Table 4 below and addressed in Joint Exhibit A, Section F (pages 7–9), the
24 Parties agreed to incorporate the OCA's recommended adjustments to MDU's proposed
25 pension expense, Board of Directors' liability insurance expense, and industry dues. With
26 respect to the OCA's recommended adjustments to the Company's rate case expense and
27 corporate aircraft allocated expense, the Parties agreed to include reductions; however, the
28 final amounts reflected in the Stipulation differ from the levels originally proposed by the
29 OCA. These agreed-upon amounts are detailed in Table 5 below.
30

Table 4: Summary of OCA Expense Adjustments Accepted in Stipulation

OCA Proposed Adjustment	OCA Proposed Adjustment	Stipulated Adjustment
Pension Expense	-\$15,425	-\$15,425
Board and Director's Liability Insurance	-\$6,681	-\$6,681
Industry Dues	-\$1,818	-\$1,818

Table 5: Summary of OCA Expense Adjustments Amended in Stipulation

Description	MDU Filed	OCA Proposed	Stipulation Amount
Rate Case Expense	\$234,318	\$81,408	\$49,904
Rate Case Amortization Period	3	4	4
Corporate Aircraft Allocated Expense	\$1,111	\$167	\$975

Q. CAN YOU PLEASE DESCRIBE THE LEVEL OF RATE CASE EXPENSE AGREED TO IN THE STIPULATION?

A. Certainly. As detailed in Table 5, the OCA's pre-filed direct testimony recommended a total rate case expense of \$81,408, to be amortized over four years rather than the three-year period proposed by MDU in its application and supporting testimony. This recommendation represented a significant reduction from the Company's original filed amount of \$234,318 and was based on actual rate case expenses incurred through January 2025, revised cost estimates for consultants under the assumption of a fully contested case, and an estimate of over-collection of rate case expense from the Company's 2019 rate case through June of 2025.

During settlement negotiations, the OCA further updated its cost projections to reflect reduced consultant involvement and lower travel expenses associated with a shortened hearing schedule as a result of the settlement. In light of these revised expectations and as part of the overall settlement package, the Parties agreed to adopt a rate case expense of \$49,904, to be amortized over four years at \$12,476 annually. These updated estimates are detailed in OCA Exhibit K-1

Q. HOW DID THE STIPULATION ADDRESS THE OCA'S RECOMMENDATIONS REGARDING CORPORATE AIRCRAFT-RELATED PLANT AND EXPENSES?

A. In its pre-filed direct testimony, the OCA recommended excluding \$984 of the \$1,111 in Wyoming-allocated corporate aircraft expenses due to insufficient documentation supporting the purpose and need for certain flights allocated to Wyoming.⁸ As part of the Stipulation the Parties agreed to exclude \$136 in expenses associated with flights not related to Wyoming gas operations. As shown in OCA Exhibit K-2, the excluded flights included trips to the Montana and Idaho Governor's Cup events and activities associated with the Company's non-regulated affiliate, Knife River. The remaining \$975, while lacking complete documentation, was tied to Wyoming operations and therefore included as part of the overall settlement compromise.

Regarding aircraft-related plant, including the aircraft itself and associated facilities such as hangars, the OCA recommended in its pre-filed direct testimony excluding all such items, totaling approximately \$173,000 due to the absence of adequate supporting documentation justifying the cost of using corporate aircraft.⁹ Under the Stipulation, the Parties agreed to include these assets in rate base for this proceeding. However, in recognition of the OCA's concerns about the lack of justification compared to potentially more economical alternatives, the Company committed that it will provide detailed documentation demonstrating both the cost-effectiveness of corporate aircraft and the specific benefits to Wyoming customers in its next rate case filing. Absent such justification, the Company agrees it will not seek recovery of corporate aircraft-related plant or expenses in its next rate case, as outlined in Joint Exhibit A, page 7, paragraph F, subsection (vi).

⁸ Docket No. 30013-415-GR-24, Pre-filed Direct Testimony of Justin J. Ballard, OCA Exhibit 203, page 23.

⁹ *Id.* at page 14.

1 **Q. PLEASE DESCRIBE HOW THE STIPULATION ADDRESSED THE**
2 **COMPANY'S PROPOSED CLASS COST OF SERVICE STUDY AND RATE**
3 **DESIGN.**

4 A. The Parties agreed to utilize the Company's class cost of service study and rate design as
5 proposed in its application. This results in an average rate increase of approximately
6 15.46% for residential customers, 10.55% for small firm customers, and 3.87% for large
7 firm customers. For both small and large interruptible customers, the rate impact is
8 dominions at 0%, and 0.10% respectively.¹⁰
9

10 **Q. DID THE PARTIES AGREE TO ANY OTHER PROVISIONS RELATED TO**
11 **RATE DESIGN AS PART OF THE STIPULATION?**

12 A. Yes. As part of the overall settlement, the Company agreed to explore a path toward
13 implementing a full fixed/variable rate design, under which fixed costs would be recovered
14 through a fixed monthly charge on customers' bills. This rate design approach aims to
15 reduce cross-subsidization between high- and low-usage customers by aligning each
16 customer's bill more closely with the fixed costs they impose on the system. The goal is
17 to ensure that all customers pay an equitable share of the costs of providing natural gas
18 service. The Company has committed to presenting a proposal to move toward this rate
19 design in its next general rate case, which provides an appropriate opportunity to evaluate
20 the potential for this transition in light of factors such as implementation timing, customer
21 impact, and principles of gradualism.
22

23 **Q. CAN YOU PLEASE DESCRIBE ANY AGREEMENTS RELATED TO TARIFF**
24 **CHANGES THAT ARE INCLUDED IN THE STIPULATION?**

25 A. Yes. As part of the Stipulation, the Company agreed to update the charges listed in Section
26 VI "Miscellaneous Charges for Conditions of Service" under Rate 100 in its next general
27 rate case. This update will ensure that these charges reflect current operating conditions
28 and more accurately align with the actual cost of providing the associated services.

¹⁰ Stipulation and Agreement Settlement. Joint Exhibit A, page 10 - 11.

1 **Q. WHY IS THE STIPULATION REACHED BETWEEN THE PARTIES JUST,**
2 **REASONABLE, AND IN THE PUBLIC INTEREST?**

3 A. The Stipulation represents a fair and balanced resolution of the contested issues in this
4 proceeding. It is the product of extensive negotiations and reflects a good faith compromise
5 that balances the Company's need to recover its prudently incurred costs and earn a
6 reasonable return on investment and the need to ensure just and reasonable rates for
7 Wyoming customers.

8
9 The Stipulation allows for the recovery of investments necessary to maintain and improve
10 the reliability, safety, and integrity of the natural gas distribution system, while also
11 incorporating key consumer protections. These include adjustments to proposed operating
12 and maintenance expenses, exclusion or reduction of costs not adequately justified—such
13 as certain corporate aircraft expenses—and incorporation of growth-related capital projects
14 and customer revenues that more accurately reflect the Company's current operations.

15
16 Importantly, the settlement includes a return on equity of 9.65%, which is consistent with
17 recent Commission decisions and market conditions, and falls within the range supported
18 by the OCA's testimony. It also provides for improved transparency and accountability in
19 future rate cases, including commitments by the Company to provide enhanced
20 documentation for corporate aircraft-related usage.

21
22 Because of the reasons, the Stipulation results in just and reasonable rates, and is in the
23 public interest. The OCA respectfully requests the Commission approve the Stipulation,
24 without material modification, with new rates effective August 1, 2025.

25
26 **Q. DOES THIS CONCLUDE YOUR STIPULATION TESTIMONY?**

27 A. Yes, it does.

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ITS RETAIL NATURAL GAS SERVICE OF 14.29%)

Docket No. 30013-415-GR-24
(Record No. 17710)

AFFIDAVIT, OATH AND VERIFICATION

Justin J. Ballard (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

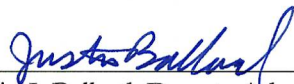
Affiant is Deputy Administrator of the Wyoming Office of Consumer Advocate, which is a party intervener in this matter pursuant to its *Notice of Intervention* filed on December 2, 2024.

Affiant prepared and caused to be filed the foregoing stipulation testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony and all of its attached schedules are true and complete and constitute the recommendations of the Affiant in his official capacity as Deputy Administrator for the Wyoming Office of Consumer Advocate.

Further Affiant Sayeth Not.

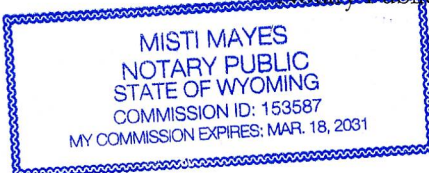
Dated this 28th day of May 2025.


Justin J. Ballard, Deputy Administrator
Wyoming Office of Consumer Advocate
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Cheyenne, WY 82002
(307)777-5743

STATE OF WYOMING)
) SS:
COUNTY OF LARAMIE)

The foregoing was acknowledged before me by Justin J. Ballard on this 28th day of May 2025. Witness my hand and official seal.

My Commission Expires:



CERTIFICATE OF SERVICE

I hereby certify that on May 28, 2025, I served the foregoing *Joint Exhibit K with Sub-exhibits* by delivering copies thereof to the following individuals/entities below, by E-mail:

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