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Attorneys for Intermountain Gas Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. INT-G-22-07
OF INTERMOUNTAIN GAS COMPANY)
FOR AUTHORITY TO INCREASE ITS)
RATES AND CHARGES FOR NATURAL)
GAS SERVICE IN THE STATE OF IDAHO)
_____)
)

UPDATED DIRECT TESTIMONY OF NICOLE A. KIVISTO

FOR INTERMOUNTAIN GAS COMPANY

March 9, 2023

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Nicole A. Kivisto. My business address is 400 North Fourth Street,
4 Bismarck, North Dakota 58501.

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

6 A. I am the President and Chief Executive Officer (“CEO”) of Intermountain Gas Company
7 (“Intermountain” or “Company”), Cascade Natural Gas Corporation (“Cascade”), and
8 Montana-Dakota Utilities Co. (“Montana-Dakota”), all subsidiaries of MDU Resources
9 Group, Inc. (“MDU Resources”), as well as Great Plains Natural Gas Co. (a division of
10 Montana-Dakota) collectively the MDU Utilities Group.

11 Q. Please describe your duties and responsibilities.

12 A. I have executive responsibility for the development, coordination, and implementation of
13 strategies and policies related to operations of the MDU Utilities Group companies
14 which, in combination, serve over 1.1 million customers in eight states.

15 Q. Please describe your educational background and professional experiences.

16 A. I hold a bachelor’s degree in accounting from Minnesota State University Moorhead. I
17 have worked for MDU Resources/Montana-Dakota for twenty-seven years and have been
18 in my current capacity since January 2015. I was Vice President Operations of Montana-
19 Dakota and Great Plains Natural Gas Co., divisions of MDU Resources, from January
20 2014, until assuming my present position. Prior to that, I was the Vice President,
21 Controller and Chief Accounting Officer for MDU Resources for nearly four years and
22 held other finance-related positions prior to that.

1 **Q. Have you previously written or presented testimony on behalf of Intermountain**
2 **before the Idaho Public Utilities Commission (“Commission”)?**

3 A. Yes, I have previously testified before this Commission in Intermountain’s most recent
4 Idaho rate case, Case No. INT-G-16-02.

5 **Q. What is the purpose of your testimony?**

6 A. My testimony provides an overview of Intermountain and the strategies the Company is
7 pursuing to provide exceptional customer service while continuing to supply the
8 important energy required to fuel the growth seen throughout southern Idaho in the
9 residential, commercial, and large volume sectors. I next summarize Intermountain’s rate
10 request, including the Company’s continuing capital investment, commitment to a safe
11 and reliable natural gas delivery system, and inflationary pressures which are the drivers
12 behind this general rate case. In addition, I will discuss our focus on cost management,
13 efficiencies, and the Company’s recent depreciation case that are mitigating the overall
14 rate request. Finally, I introduce the other Company witnesses who will present direct
15 testimony in support of Intermountain’s rate request.

16 **Q. Please provide a brief overview of the Company.**

17 A. Intermountain provides safe, reliable, economical natural gas distribution services to 74
18 communities in Idaho. As of December 2022, Intermountain served approximately
19 409,883 retail customers and 110 transportation customers. Intermountain was
20 incorporated in Idaho in 1950, and in 2008 became a wholly owned subsidiary company
21 of MDU Resources. Intermountain’s headquarters are located in Boise, Idaho. A map
22 illustrating Intermountain’s distribution system is included as Exhibit No. 1.

23 **Q. Describe Intermountain’s business strategy.**

1 A. The Company is focused on operating with integrity, Building a Strong America, and
2 being a great and safe place to work. The Company believes community support –
3 beyond providing safe, reliable, clean, and affordable energy – is essential to building a
4 strong America. The Company has a long history of encouraging and supporting its
5 employees as they engage with community-based organizations and non-profits. The
6 Company also provides financial support to the important work of these organizations.¹

7 **Q. What are some of the ways the Company supports the communities it serves?**

8 A. Intermountain is committed to living its tagline of “In the Community to Serve.” Each
9 year, employees spend many hours volunteering with various organizations across the
10 service territory. Intermountain has a long history of supporting the United Way in the
11 communities served across southern Idaho. Many employees choose to allocate a portion
12 of their paychecks directly to United Way. In addition to financial support, many
13 Intermountain employees serve within the United Way organizations in various
14 capacities. The Company fields teams annually for Paint the Town and Rake Up Boise. In
15 the Pocatello area, employees participate in Paintfest, Pocatello Spring Clean-up, and
16 Brooklyn’s Playground Clean-Up. Many employees serve through the Salvation Army
17 and their events that benefit our communities. For over 40 years, Intermountain has
18 annually sponsored a telephone bank of volunteers to take pledges and contributes as a
19 programming sponsor on PBS through Idaho Public Television. Over the past 26 years,
20 Intermountain has supported the Keep Kids Warm program which has been supplying

¹ Intermountain does not recover charitable contributions in rates. In some instances, Intermountain does partner with community-based organizations and non-profits to promote its 811 safety campaigns or its Energy Efficiency programs. In these two specific instances, those promotional-related dollars are recovered in rates or through the Energy Efficiency tariff.

1 Treasure Valley children in need with warmth. To date, over \$1.3 million has been raised,
2 along with thousands of coats to achieve the mission of keeping children warm through
3 the winter.

4 Further, the MDU Resources Foundation (“Foundation”) also provides support to
5 the communities served by Intermountain. The goal of the Foundation is to help our
6 neighbors make our communities better places to live and work. The Foundation provides
7 an annual \$1,000 scholarship to each of the nine Idaho colleges and universities. In
8 addition to the employee support of United Way, the Foundation also provides annual
9 donations to the four United Way organizations located within our service territory, for a
10 total donation in 2022 of \$26,500. Beyond United Way, the Foundation provides one-
11 time grants to non-profit organizations throughout Intermountain’s service territory.
12 Organizations receiving a \$3,000 to \$5,000 donation in 2022 included Family Advocacy
13 Center, Genesis World Mission, Giraffe Laugh, Life’s Kitchen, Museum of Idaho,
14 NeighborWorks Boise, Pocatello Neighborhood Housing Services, The Jesse Tree of
15 Idaho, and Wyakin Warrior Foundation. Finally, the Foundation also supports selected
16 multi-year projects. As an example, it is currently providing \$10,000 annually for five
17 years to support construction of a new events center for the Idaho Falls Auditorium
18 District. Intermountain’s culture of employee volunteerism and the financial support of
19 the Foundation demonstrate the Company’s commitment to be “In the Community to
20 Serve.”

21 **Q. Please summarize Intermountain’s requested increase in this filing.**

22 A. With this application, Intermountain is seeking to increase revenues by \$6.8 million. This
23 request represents a margin revenue increase of 6.09%, or an overall revenue increase of

1 1.9%. The rate increase requested in this filing is necessary for the Company to continue
2 to provide quality service to its Idaho customers through investments in new and
3 replacement infrastructure, as well as through keeping pace with inflationary pressures.
4 As described more fully in the testimony of Ms. Nygard, Intermountain is requesting a
5 10.3% return on common equity and a proposed capital structure comprised of 50% debt
6 and 50% equity. The Company is projecting it will need to issue \$25 million in long-term
7 debt during 2023. Because an application to issue debt would likely be filed during the
8 course of this case, Intermountain has included the projected debt issuance in the
9 development of the proposed capital structure. This results in an overall rate of return
10 request of 7.37%.

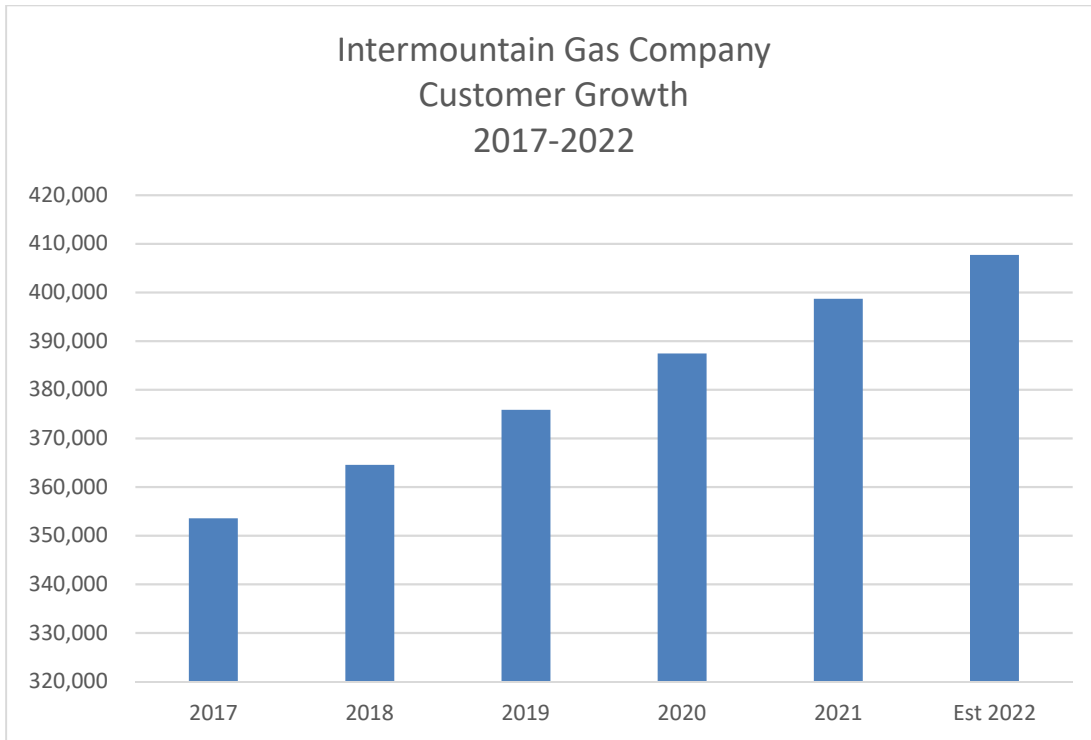
11 **Q. What is the test year in this case?**

12 A. Intermountain has proposed a 2022 twelve month actual test year in this proceeding.

13 **Q. What are the primary drivers behind the Company's need for a base rate increase?**

14 A. The primary factors driving the Company's revenue requirement are increases in net
15 plant investments and operations and maintenance expenses ("O&M"). In addition, the
16 need to embed the offsetting reduction in depreciation and amortization rates authorized
17 in the Company's most recent depreciation case is also contributing to the need for the
18 adjustment to revenues at this time.

19 As seen in the chart below, the five years following the effective date of
20 Intermountain's last general rate case have been a time of significant growth across the
21 Company's service territory.



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Although the Company’s new line extension policy ensures that growth is paying for itself, the growth is also requiring investments in backbone infrastructure to ensure Intermountain can continue to provide reliable service to all customers. In addition, the Company’s Achieving Continuous Excellence (“ACE”) initiative is bringing strategic direction to Intermountain’s safety and reliability efforts. In today’s world, a safe and reliable natural gas distribution system also requires important investments in cybersecurity and other software systems. All this activity has grown the Company’s rate base from \$235.5 million as filed in its last rate proceeding in 2016 to \$385.6 million in this proceeding. Most of the \$150 million of rate base growth is related to net plant in service which has grown by approximately \$148.5 million, with the majority of the increase related to natural gas transmission and distribution mains, service lines, and meters.

1 Unfortunately, the economy-wide inflation is impacting customers and the
2 Company alike. O&M costs have increased by approximately \$13.9 million, from \$43.8
3 million in the last rate filing to \$57.7 million at the end of 2022. The \$13.9 million in
4 increased O&M costs reflects an annual average increase of 5.3% per year over the six
5 years since the last case was filed.

6 The timing of this case is also necessitated by the agreement included in the
7 Settlement of Intermountain's 2021 depreciation filing, Case No. INT-G-21-01. In the
8 Settlement, Intermountain agreed to defer the reduction in depreciation accruals
9 "beginning July 1, 2023, unless previously reflected in customer base rates."²

10 Finally, an increase in rates is necessary to attract sufficient capital dollars from
11 investors, which will be used to maintain service to its customers, provide adequate
12 operating and maintenance coverage, and maintain a sound financial position.

13 **Q. What are the major components of the increased net plant investment?**

14 A. Overall, the Company's rate base increased by \$150 million since its most recent general
15 rate case. The largest driver of the increase is due to increases in plant related to
16 transmission and distribution mains, service lines, and meters. These components are
17 related to the Company's overall customer growth since the last rate case. The direct
18 testimony of Mr. Darras will address major plant investments made since the previous
19 rate proceeding. Mr. Gilchrist will address investments related to safety and reliability.

20 **Q. What are the major components of the increased O&M expenses?**

21 A. The increase in O&M expenses is due primarily to increases in labor and benefit costs,
22 subcontractor payments, and software maintenance and hosting services. The direct

² Order No. 35134, pages 3-4.

1 testimony of Ms. Hourigan will address the increases in labor and benefits; Mr. Darras
2 will address increases in subcontractor payments; and Mr. Boese will address increases in
3 software maintenance and hosting services.

4 **Q. Please provide an overview of the Company's efforts to maintain a safe and reliable**
5 **system through a high-quality, skilled workforce.**

6 A. Put simply, to ensure safe and reliable service, Intermountain must provide fair
7 compensation to attract and retain a high-quality workforce. The Company employs a
8 Total Rewards Philosophy that is designed to minimize costs while allowing the
9 Company to attract and retain qualified employees. Like many other organizations across
10 the country, Intermountain has struggled to recruit, train, and retain personnel in the
11 current competitive job market. The Company has successfully implemented various
12 programs to attract and maintain a high-quality workforce, including a retirement plan, an
13 employee incentive compensation plan, and competitive wages.

14 **Q. Please describe the impact of Intermountain's 2021 depreciation case on rates?**

15 A. In the Settlement approved in Case No. INT-G-21-01, the parties agreed to a decrease in
16 depreciation and amortization rates of approximately \$3.8 million from the previously
17 approved rates. Order No. 35134, which approved the Settlement, allowed Intermountain
18 to begin using the lower rates effective January 1, 2021. This decrease in expense has
19 allowed Intermountain to continue to earn a return near its allowed rate of return since
20 2021. However, Order No. 35134 also requires Intermountain to begin deferring the
21 depreciation and amortization reduction beginning July 1, 2023. The resulting increase in
22 depreciation expense, combined with the other cost pressures faced by the Company,

1 necessitates this filing to embed the lower depreciation and amortization rates into the
2 base rates the Company charges its customers.

3 **Q. Please discuss how Intermountain is managing costs and the Company's effort to**
4 **mitigate the impact of increased costs on its customers.**

5 A. Intermountain has a long history of mitigating increasing cost pressures to keep customer
6 base rates low. Prior to the 2016 general rate case, Intermountain had not filed for an
7 increase in base rates since 1985. With continued focus on cost management and
8 efficiencies gained by being part of a larger organization, Intermountain has been able to
9 again keep base rates flat for the past five years. Since the acquisition of Intermountain
10 by MDU Resources, the Company has been part of a One Vision, One Utility process that
11 has resulted in synergistic savings in the form of joint senior management, a unified
12 customer service center, joint billing and payment processing, uniform accounting
13 systems, combined engineering support, and shared information technology resources.

14 **Q. What are the average residential and commercial customer bill impacts and percent**
15 **increase resulting from the proposed rate increase?**

16 A. The following table shows the bill impact and percent change of the proposed rate
17 increase for the Company's residential and commercial customers.

Customer Class	Current Bill	Proposed Bill	Monthly Increase	Percent Change
Residential	\$49.54	\$50.94	\$1.40	2.83%
Commercial	\$233.46	\$235.56	\$2.10	0.90%

18
19 **Q. Please provide a high-level summary of the Company's rate design proposals.**

20 A. The Company's proposed rate design includes (1) increases in the fixed monthly
21 customer charges for Residential and Commercial classes, (2) increases in demand rates
22 for the Large Volume and Firm Transport classes, (3) introduction of fixed monthly

1 customer charges to Large Volume, Interruptible Transport, and Firm Transport classes,
2 and (4) modification of the block rates for the Large Volume class. The direct testimony
3 of Mr. Amen provides further details on these proposed pricing matters.

4 **Q. How does Intermountain’s customer satisfaction compare to other similarly situated**
5 **utilities?**

6 **A.** Intermountain has a consistent track record of high rankings within the J.D. Power Gas
7 Utility Residential Customer Satisfaction Study. Through 2021, Intermountain has been
8 ranked first or second in overall customer satisfaction for West Midsize utilities ten out of
9 the previous eleven years, including finishing first overall in both 2020 and 2021.

10 Six factors influence a utility’s ranking within the study: Safety & Reliability,
11 Billing & Payment, Price, Corporate Citizenship, Communications, and Customer Care.
12 Intermountain has ranked in the top five for each factor for the past five years.
13 Intermountain’s success within the J.D. Power study is a testament to the commitment of
14 each employee, from the top down, to serve our communities.

15 **Q. What are some of the ways the Company’s Customer Experience Team (“CXT”)**
16 **continues to provide excellent customer service?**

17 **A.** Customers have toll-free access to the CXT and the Credit Center to place routine utility
18 service requests and inquiries from 7:30 a.m. to 6:30 p.m. local time, Monday through
19 Friday. The Company is also staffed to handle emergency calls 24 hours a day, seven
20 days a week. A scheduling center, which is part of the CXT, transmits electronic service
21 orders to the mobile terminals placed in our fleet of service and construction vehicles.
22 This network allows the Company to respond quickly to customer requests and
23 emergency situations. Electronic service is also available to all customers. The

1 Company's Customer Support team monitors email and responds to customers' requests
2 during regular business hours. Additionally, the CXT provides online chat assistance
3 through our Online Customer Portal from 10:00 a.m. to 3:00 p.m., Monday through
4 Friday, as well as 24/7/365 messaging through Facebook and Instagram Messenger. The
5 CXT has also continued to increase and improve online self-service options on its
6 website. Customers can easily enroll and manage their utility accounts on our Online
7 Account Services at intgas.com. Making a payment, requesting to start or stop service,
8 setting up electronic billing, and reviewing usage and payment history are just a few of
9 the many features offered by the Company.

10 **Q. Would you please introduce and provide a brief description of each of the witnesses**
11 **filing testimony on behalf of Intermountain in this proceeding?**

12 A. Yes. The following additional witnesses are presenting direct testimony on behalf of
13 Intermountain:

14 Ms. Tammy Nygard, Controller, will review the Company's capital structure and
15 address the Company's cost of debt and the overall rate of return.

16 Ms. Ann Bulkley, Principal at The Brattle Group, will present evidence and
17 provide a recommendation regarding the appropriate return on equity for the Company
18 and assess the reasonableness of its proposed capital structure for ratemaking purposes.

19 Mr. Patrick Darras, Vice President – Engineering & Operations Services, will
20 support the Company's major capital expenses since the last rate case and will discuss the
21 Company's public awareness and damage prevention efforts.

1 Mr. Hart Gilchrist, Vice President – Safety, Process Improvement & Operations
2 Systems, will discuss the Company’s Achieving Continuous Excellence (“ACE”)
3 initiative and the Company’s work and asset management system.

4 Mr. Dyke Boese, Director of Enterprise Infrastructure & Operations, will discuss
5 capital additions and operating expense increases related to information technology
6 improvements and cybersecurity enhancements.

7 Ms. Kirsti Hourigan, Director of Human Resources, will discuss the Company’s
8 Total Rewards Philosophy for retaining a high quality, well-trained workforce, increases
9 in wages and benefits, and the Company’s proposed wage adjustments.

10 Mr. Jacob Darrington, Manager of Regulatory Affairs, will discuss the
11 Company’s proposed revenue requirement and supporting calculations.

12 Mr. Ron Amen, Atrium, will present the Company’s Cost of Service study and
13 proposed changes to the rate design of the Company’s tariffs.

14 Ms. Lori Blattner, Director of Regulatory Affairs, will address the unresolved
15 issues identified in the Company’s last general rate case, weather normalization, and
16 proposed changes to the Company’s non-utility endeavors. Ms. Blattner will also present
17 the proposed tariff changes.

18 **Q. Does this conclude your pre-filed direct testimony?**

19 **A.** Yes.