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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
INTERMOUNTAIN GAS COMPANY FOR)
THE AUTHORITY TO CHANGE ITS RATES) Case No. INT-G-16-02
AND CHARGES FOR NATURAL GAS)
SERVICE TO NATURAL GAS CUSTOMERS)
IN THE STATE OF IDAHO)
_____)

DIRECT TESTIMONY OF NICOLE A. KIVISTO

FOR INTERMOUNTAIN GAS COMPANY

August 12, 2016

1 **Q. Please state your name and business address.**

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

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

5 A. I am the President and Chief Executive Officer (CEO) of Intermountain Gas
6 Company (“Intermountain” or “Company”) and Cascade Natural Gas Corporation
7 (Cascade), subsidiaries of MDU Resources Group, Inc. (“MDU Resources”). I
8 am also the President and CEO of Montana-Dakota Utilities Co. (Montana-
9 Dakota) and Great Plains Natural Gas Co., both divisions of MDU Resources.

10 **Q. Please describe your educational background and professional experiences.**

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

19 **Q. Please describe your duties and responsibilities with the Company.**

20 A. I have executive responsibility for the development, coordination, and
21 implementation of strategies and policies relative to operations of the above
22 mentioned companies that, in combination, serve over one million customers in
23 eight states.

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

1 A. I will provide an overview of Intermountain and will summarize the key drivers
2 behind the Company's need for rate relief. I will also provide an overview of the
3 MDU Resources organizational structure and operations that allows cost savings
4 to flow through to Intermountain and its customers in Idaho. I am also available
5 to answer questions of a general nature, and that relate to MDU Resources'
6 support provided to Intermountain. Scott Madison, who is the Executive Vice
7 President, Western Region Operations and Business Development, of
8 Intermountain and lives in Boise, reports directly to me. Mr. Madison will
9 introduce the other witnesses in this case and provide more detail on some of the
10 key drivers behind this rate case filing.

11 **Q. Would you briefly explain why the Company is seeking a rate increase at this**
12 **time?**

13 A. The rate increase of \$10.2 million being requested in this filing is necessary for
14 the Company to continue to provide quality service to its 339,000 customers in
15 Idaho and to improve service by investing in new and replacement infrastructure.
16 For these reasons, Intermountain continues to make capital investments in utility
17 plant. Intermountain has spent approximately \$551 million in capital additions,
18 primarily natural gas main lines and services, since its last general rate case. The
19 Company's rate base of approximately \$66.4 million as filed in its last rate
20 proceeding in 1985 has increased to about \$237 million, as filed in this
21 proceeding. Operating costs, excluding Cost of Gas and income taxes, have also
22 increased since the last rate filing from approximately \$26.8 million to
23 approximately \$71.7 million, or an increase of \$44.9 million. An increase in rates
24 is also necessary to attract sufficient capital dollars from investors, which will be

1 used to maintain and improve quality service to our customers, provide adequate
2 operating and maintenance coverage, and maintain a sound financial position.

3 **Q. What are some of the major areas of operating cost increases?**

4 A. Depreciation expense related to the capital investments made by the Company has
5 significantly increased since the Company's last general rate case. The Company
6 has also experienced significant operating cost increases associated with
7 information and customer support technology systems, medical expenses and the
8 cost of federal regulatory compliance, and pipeline safety. These and other
9 expenses are discussed more fully in the testimony and exhibits of Company
10 witnesses, Hart Gilchrist and Jacob Darrington.

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

13 A. Intermountain has a long history of mitigating increasing cost pressures in order
14 to avoid filing rate cases. This is evidenced primarily by the several decades
15 between this general rate case and the Company's last general rate case in 1985.
16 In addition, since the acquisition by MDU Resources, Intermountain has found
17 synergistic savings in the form of joint senior management, a unified customer
18 service center located in Meridian, Idaho, joint billing and payment processing,
19 also located in Idaho, and uniform accounting and customer information system
20 software. Intermountain has also significantly reduced its cost of debt.

21 **Q. Do you have an exhibit that shows how Intermountain fits within the MDU
22 Resources' corporate structure?**

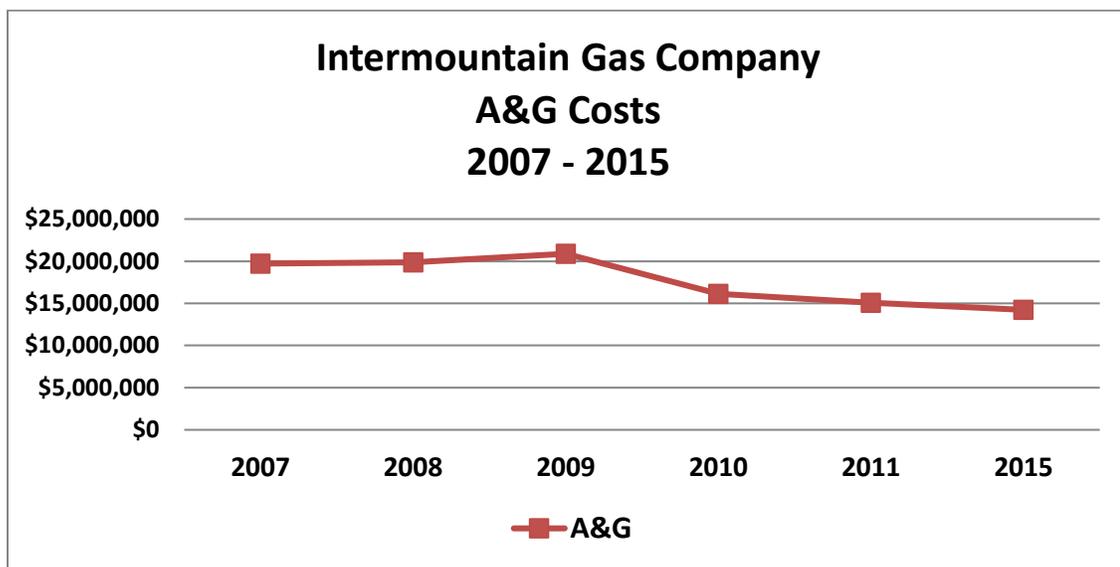
23 A. Yes. Page 1 of Exhibit No. 1 shows an organizational chart of MDU Resources
24 and its affiliated operating utilities and support companies, including

1 Intermountain. As shown on this page, there are a number of operating subsidiary
2 companies that are not part of what I will refer to as the “MDU Utilities” that are
3 regulated operating companies and share common administrative and general
4 (A&G) costs. Page 2 of Exhibit No. 1 shows all of MDU Utilities operations and
5 those utilities’ respective service territories and the states in which they operate.
6 As you can see from the map, Intermountain is the franchised gas utility serving
7 southern Idaho.

8 **Q. What cost savings have resulted from the MDU Utilities affiliation?**

9 A. There has been meaningful cost savings that have flowed through to
10 Intermountain as a result of MDU Resources’ acquisition of Intermountain. Table
11 1 below is chart showing Intermountain’s A&G costs for 2015 and for the pre-
12 acquisition year of 2005

13 **Table K.1**
14



15
16 As you can see from Table K.1, A&G costs for the Company have decreased by
17 19% since 2007, due in large part to the greater scale efficiencies brought by
18 MDU Resources.

1 **Q. What has been the impact on Intermountain's customers related to this A&G**
2 **cost savings?**

3 A. These A&G cost savings did not come at the expense of the Company's
4 commitment to quality customer service. Rather, Intermountain was able to do
5 both at the same time; increase its customer service quality while reducing A&G
6 costs.

7 **Q. How does Intermountain's customer satisfaction compare to other similarly**
8 **situated utilities?**

9 A. J.D. Power conducts annual surveys of customer satisfaction for residential gas
10 utilities. In 2013 Intermountain tied for first place in J.D. Power's customer
11 service ranking for midsized gas utilities operating in the west. In 2014 and 2015
12 Intermountain ranked third and second, respectively, in overall customer
13 satisfaction according to J.D. Power.

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

15 A. Yes. Thank you.