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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 )**  
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DIRECT TESTIMONY OF NICOLE A. KIVISTO

FOR INTERMOUNTAIN GAS COMPANY

December 1, 2022

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 September 2022, Intermountain served approximately  
19 404,770 retail customers and 109 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.<sup>1</sup>

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

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<sup>1</sup> 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 \$11.3 million.  
23 This request represents a margin revenue increase of 10.3%, or an overall revenue

1 increase of 3.2%. The rate increase requested in this filing is necessary for the Company  
2 to continue to provide quality service to its Idaho customers through investments in new  
3 and replacement infrastructure, as well as through keeping pace with inflationary  
4 pressures. As described more fully in the testimony of Ms. Nygard, Intermountain is  
5 requesting a 10.3% return on common equity and a proposed capital structure comprised  
6 of 50% debt and 50% equity. The Company is projecting it will need to issue \$25 million  
7 in long-term debt during 2023. Because an application to issue debt would likely be filed  
8 during the course of this case, Intermountain has included the projected debt issuance in  
9 the development of the proposed capital structure. This results in an overall rate of return  
10 request of 7.37%.

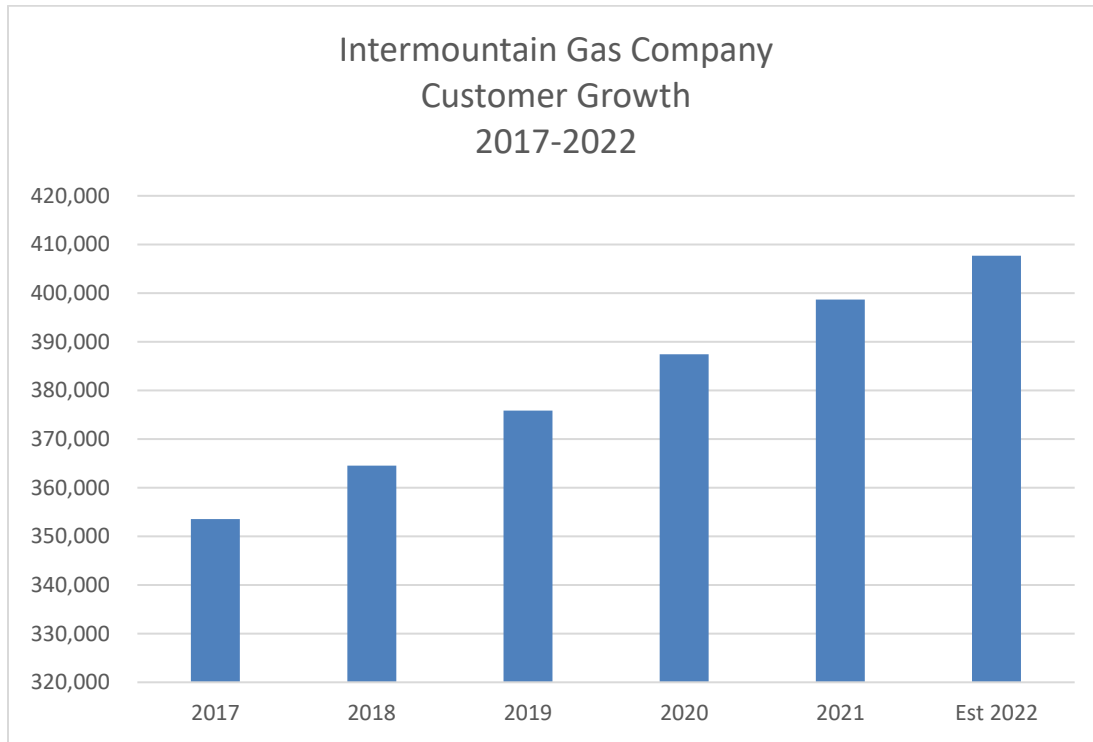
11 **Q. What is the test year in this case?**

12 A. Intermountain has proposed a 2022 test year in this proceeding that reflects nine months  
13 of actual financial records and three months of forecast. The Company intends to update  
14 the case as actual data becomes available for October through December 2022. This will  
15 allow the final resolution of the case to be based upon the actual financial records for the  
16 2022 test year.

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

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

1 As seen in the chart below, the five years following the effective date of  
2 Intermountain’s last general rate case have been a time of significant growth across the  
3 Company’s service territory.



4 Although the Company’s new line extension policy ensures that growth is paying  
5 for itself, the growth is also requiring investments in backbone infrastructure to ensure  
6 Intermountain can continue to provide reliable service to all customers. In addition, the  
7 Company’s Achieving Continuous Excellence (“ACE”) initiative is bringing strategic  
8 direction to Intermountain’s safety and reliability efforts. In today’s world, a safe and  
9 reliable natural gas distribution system also requires important investments in  
10 cybersecurity and other software systems. All this activity has grown the Company’s rate  
11 base from \$235.5 million as filed in its last rate proceeding in 2016 to \$387.5 million in  
12 this proceeding. Most of the \$152 million of rate base growth is related to net plant in  
13 service which has grown by approximately \$150.4 million, with the majority of the  
14

1 increase related to natural gas transmission and distribution mains, service lines, and  
2 meters.

3 Unfortunately, the economy-wide inflation is impacting customers and the  
4 Company alike. O&M costs have increased by approximately \$11.5 million, from \$43.8  
5 million in the last rate filing to a forecast of \$55.3 million at the end of 2022. The \$11.5  
6 million in increased O&M costs reflects an annual average increase of 4.4% per year over  
7 the six years since the last case was filed.

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

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

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

16 A. Overall, the Company's rate base increased by \$152 million since its most recent general  
17 rate case. The largest driver of the increase is due to increases in plant related to  
18 transmission and distribution mains, service lines, and meters. These components are  
19 related to the Company's overall customer growth since the last rate case. The direct  
20 testimony of Mr. Darras will address major plant investments made since the previous  
21 rate proceeding. Mr. Gilchrist will address investments related to safety and reliability.

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

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<sup>2</sup> Order No. 35134, pages 3-4.



1 A. The increase in O&M expenses is due primarily to increases in labor and benefit costs,  
2 subcontractor payments, and software maintenance and hosting services. The direct  
3 testimony of Ms. Hourigan will address the increases in labor and benefits; Mr. Darras  
4 will address increases in subcontractor payments; and Mr. Boese will address increases in  
5 software maintenance and hosting services.

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

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

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

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

1 depreciation expense, combined with the other cost pressures faced by the Company,  
2 necessitates this filing to embed the lower depreciation and amortization rates into the  
3 base rates the Company charges its customers.

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

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

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

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

Customer Class	Current Bill	Proposed Bill	Monthly Increase	Percent Change
Residential	\$49.54	\$51.72	\$2.19	4.41%
Commercial	\$233.46	\$236.89	\$3.43	1.47%

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

21 A. The Company's proposed rate design includes (1) increases in the fixed monthly  
22 customer charges for Residential and Commercial classes, (2) increases in demand rates

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

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

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

11 Six factors influence a utility’s ranking within the study: Safety & Reliability,  
12 Billing & Payment, Price, Corporate Citizenship, Communications, and Customer Care.  
13 Intermountain has ranked in the top five for each factor for the past five years.

14 Intermountain’s success within the J.D. Power study is a testament to the commitment of  
15 each employee, from the top down, to serve our communities.

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

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

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

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

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

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

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

20 Mr. Patrick Darras, Vice President – Engineering & Operations Services, will  
21 support the Company's major capital expenses since the last rate case and will discuss the  
22 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.**

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

EXHIBIT 1 TO ACCOMPANY THE

DIRECT TESTIMONY OF NICOLE A. KIVISTO

# NATURAL GAS SYSTEM INTERMOUNTAIN GAS COMPANY

