

**North Dakota Gas Rate Case
Case No. PU-17-295
Technical Hearing
May 30 - June 1, 2018**

**Nicole A. Kivisto
President & CEO
Exhibit MDU-8**



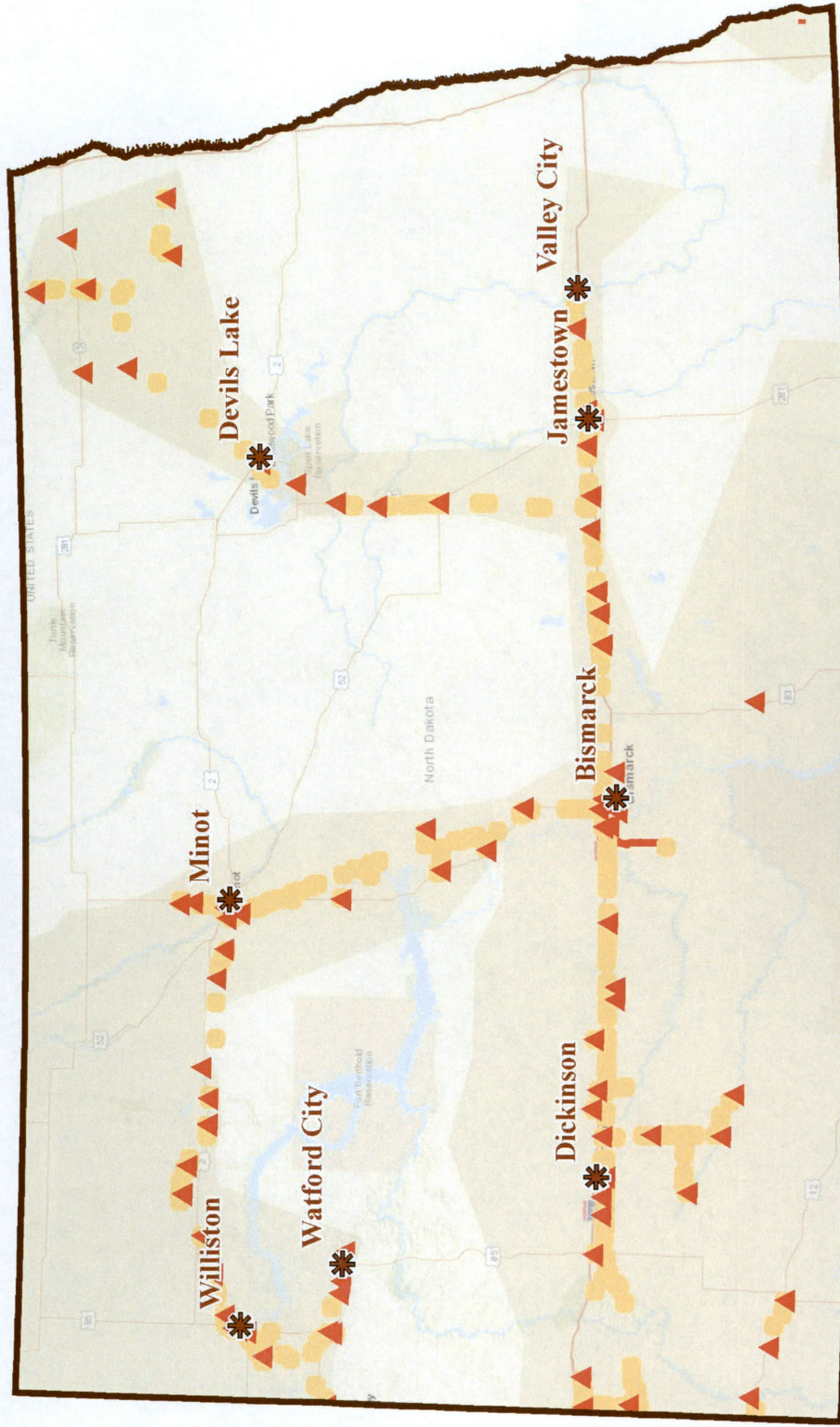
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Application for Increase in Natural Gas Service Rates

- Application filed July 21, 2017
- Increase of \$5.9 Million or 5.4% overall
- Change in distribution prices
- Tax Cuts & Jobs Act Enacted December 21, 2017
 - Reduction of \$2.3 million
 - Current request = \$3.6 million or 3.3%

North Dakota Gas Service Area



- * District or Region Office
- ▲ Town Border Station
- Farm Taps

- 109,000 customers - 94,000 residential
- 74 communities - 562 employees



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Primary Reasons for Increase

- Projected 2018 Investment is \$275 million
- Increase of \$41 million or 18 percent compared to the last Commission review
 - Replace aging infrastructure
 - Enhance reliability
- Increased operating expenses

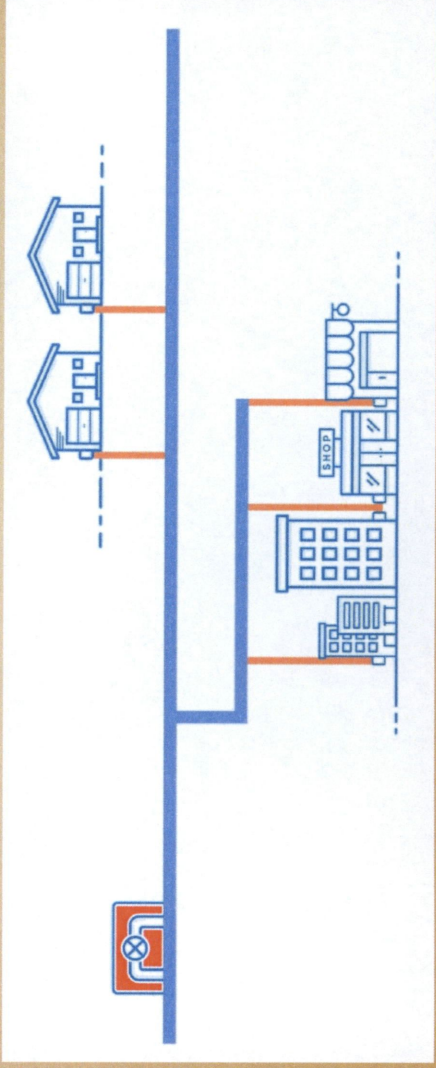
Major Investments:

- New Town Border Stations
- Distribution mains to support systems
- Looping distribution systems around communities
- Interconnection with Northern Border and pipeline to Mandan



System Safety & Integrity Program

- 2,575 miles of distribution pipe and 110,000 service lines in ND
- Approximately 25% installed before 1970
- Enhanced safety by addressing the aging infrastructure



System Safety & Integrity Program

- Responding to United States Secretary of Transportation's Call to Action in 2011
- 36 other states have a similar mechanism in place as documented in a 2016 AGA study (Exhibit MDU-8)
- NARUC Resolutions issued in 2013 & 2017 (Exhibit MDU-9 and MDU-10)
- Based on the Distribution Integrity Management Program (DIMP) focusing on the Early Vintage Plastic Pipe and Early Vintage Steel Pipe prioritized by risk
- Request to manage this process by establishing projects to be completed annually to enhance safety of the system with gradual increases in customer bills

System Safety & Integrity Program Recovery Mechanism

- Proposed projects will be submitted to the Commission by March of each year with rate recovery beginning by October 1.
- Detailed cost information provided for each project
- No recovery prior to Commission approval
- Prior year will be trued up in the March filing.
- Transparent process providing opportunity for thorough review of each project

System Safety & Integrity Program Recovery Mechanism

Customer Benefits:

- Gradualism
- Reduced costs because of fewer rate cases

Estimated cost to a residential customer would be \$0.42 per month in 2019 based on estimates provided and adjusted to reflect the TCJA changes

Incentive Compensation

- Studies support salary structure reflecting the combination of base pay and at risk pay is within the market range necessary to attract and retain qualified work force
- Company has employed the Total Rewards Philosophy for over 20 years
- Moving incentive pay or “at risk” pay to base is more costly.
- Incentive Goals designed to benefit the customer



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Proposed Increase by Customer Group

Revenue
Increase

3.6%

3.3%

3.3%

• Residential:

• General Service:

Overall Increase

Note: Air Force, Small Interruptible and Large Interruptible prices proposed to remain unchanged from current rates.

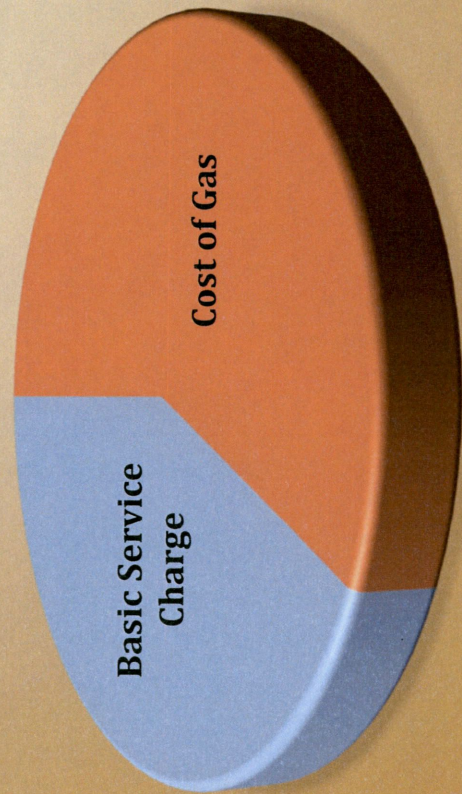


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Residential Prices

	<u>Current</u>	<u>Proposed</u>
Basic Service Charge (per month) - Priced as daily fixed amount	\$19.60	\$21.42
Cost of Gas - Variable with consumption	\$4.011	\$4.011

Breakdown of Customer Bill based on 91 Dk



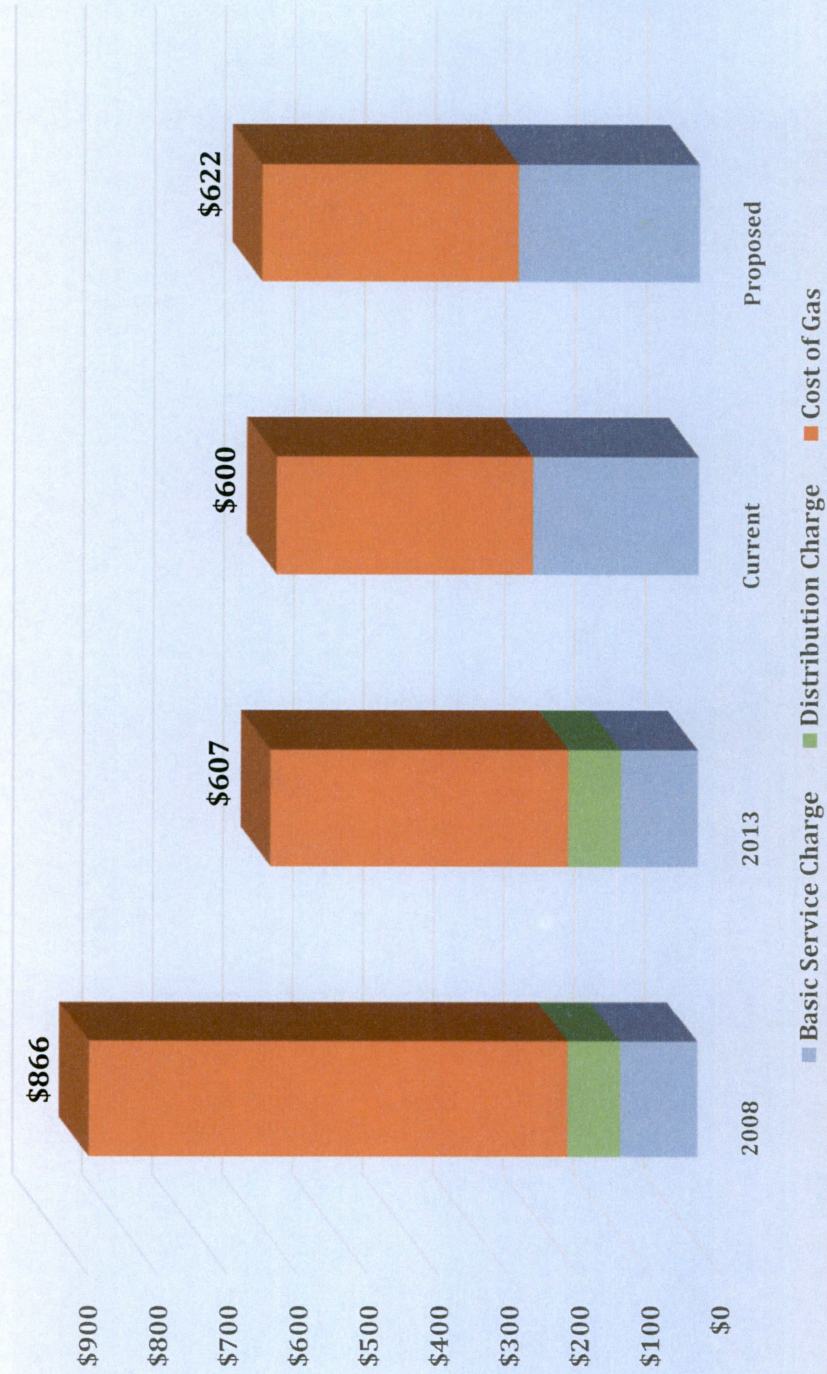
*\$1.82 per month increase
for Residential customers*



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Residential Total Bill Last 10 Years

91 Dk - Typical Customer (annual)





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