

MONTANA-DAKOTA UTILITIES CO.

Before the North Dakota Public Service Commission

Case No. PU-20-379

Rebuttal Testimony
of
Nicole A. Kivisto

1 **Q. Would you please state your name and business address?**

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

4 **Q. What is your position with Montana-Dakota Utilities Co.?**

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

10 **Q. Are you the same Nicole A. Kivisto who filed direct testimony earlier**
11 **in this proceeding?**

12 A. Yes, I am.

13 **Q. What is the purpose of your rebuttal testimony?**

14 A. The purpose of my rebuttal testimony is to explain the decision to
15 lower the Company's requested return on equity (ROE) and other updates
16 highlighted during the discovery process and to provide a revised revenue
17 requirement.

18 **Q. Are you the person responsible for making the decision to lower the**
19 **Company's requested authorized ROE?**

1 A. Yes. I made this decision based on current economic conditions of
2 our customer base in consultation with other Company officials, and our
3 cost of capital expert Ann Bulkley.

4 **Q. Please describe the Company's change in its requested ROE?**

5 A. Montana-Dakota has reduced its requested cost of equity from
6 10.2 percent to 9.8 percent. While Ms. Bulkley's rebuttal testimony
7 provides an updated analysis indicating that the Company's original
8 request is still supported by current and future market conditions, the
9 Company is recognizing the challenging economic conditions for certain
10 customers by reducing its requested ROE to the lower rate within Ms.
11 Bulkley's range. The Company's original request was at the higher end of
12 the reasonable range Ms. Bulkley identified, which is consistent with the
13 relative risk of the Company as compared to the proxy group. The revised
14 request of 9.8 percent is at the very low end of the reasonable range Ms.
15 Bulkley identified.

16 **Q. Please describe why the Company reduced its requested ROE in this**
17 **case?**

18 A. At the time the Company filed its Application in this matter, there
19 was hope that the economic challenges Montana-Dakota's customers
20 were facing, including those related to COVID-19 and low prices for oil
21 produced in the region, would be easing when rates in this case are
22 implemented. However, current indicators suggest these challenges and
23 uncertainties will continue beyond the implementation of new rates. In an

1 effort to mitigate the impact on its customers, Montana-Dakota has elected
2 to reduce its requested ROE in this matter.

3 **Q. Based on the testimony of behalf of Advocacy Staff, has the**
4 **Company made any other changes to its overall revenue increase**
5 **request?**

6 A. Yes. The Company has implemented the following items that were
7 identified during the discovery process and were related to corrections
8 and/or updates to assumptions used in the initial filing:

- 9 • Net pension regulatory asset and pension expense as discussed in the
10 testimony of Mr. Jacobson; and
- 11 • Reductions to plant additions as discussed in the testimony of Ms.
12 Vesey.

13 **Q. What is the impact to the revenue shortfall related to the reduction in**
14 **the ROE and other items described above?**

15 A. In her rebuttal testimony, Ms. Tara R. Vesey describes the net
16 impact of the reduced ROE, lower plant additions and pension regulatory
17 asset and pension expense corrections and updates. As shown on the
18 updated revenue requirement provided as Exhibit No. __ (TRV-3), the
19 effect of the reduction in ROE from 10.2 percent to 9.8 percent and the
20 other items mentioned above decreases the revenue deficiency by
21 \$1,262,493 (from \$8,972,424 to \$7,709,931).

22 **Q. Does this complete your rebuttal testimony?**

23 A. Yes, it does.