

MONTANA-DAKOTA UTILITIES CO.

Before the Public Service Commission of North Dakota  
Case No. PU-22-194

Surrebuttal Testimony  
of  
Kirsti Hourigan

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

2 A. My name is Kirsti Hourigan and my business address is 400 North  
3 Fourth Street, Bismarck, North Dakota 58501.

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

5 A. I am the Director - Human Resources for Montana-Dakota Utilities  
6 Co. (Montana-Dakota).

7 **Q. Are you the same Kirsti Hourigan that previously offered direct and  
8 rebuttal testimony in this proceeding?**

9 A. Yes, I am.

10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. The purpose of my testimony is to respond to the Surrebuttal  
12 Testimony of Dr. Marie Fagan, Chief Economist, London Economics  
13 International, LLC, testifying on behalf of the North Dakota Public Service  
14 Commission Advocacy Staff. Specifically, my testimony will respond to  
15 her testimony about Montana-Dakota's incentive plan programs and how  
16 those programs benefit customers.

17 **Q. Should Montana-Dakota's incentive programs be allowed as a  
18 coverable expense?**

19 A. Yes. As explained in more detail below, Montana-Dakota's incentive

1 programs are designed to significantly benefit its customers. Base pay is  
2 the most expensive way to compensate employees because other  
3 benefits such as the Company's 401K contributions are calculated as a  
4 percentage of base salary. If Montana-Dakota did not offer any of its  
5 incentive programs, it would be forced to increase wages by an equivalent  
6 amount in order to attract and retain qualified employees, particularly now  
7 that telecommuting across state lines has become normalized over the  
8 last three years.

9 Such an increase in base wages would actually *be detrimental* to  
10 customers because those increased wages would be paid to all  
11 employees regardless of the company's total earnings. In years when  
12 company earnings are lower than expected, those elevated wages would  
13 force Montana-Dakota to file a subsequent rate case earlier than it  
14 otherwise would have in order to collect sufficient rates to cover its  
15 operating and maintenance expenses.

16 Alternatively, Montana-Dakota's current use of incentive  
17 compensation plans acts as a buffer to ensure that in a year where  
18 earnings are lower (or operations and maintenance expenses are higher),  
19 total employee and executive cash compensation is reduced accordingly  
20 instead of being passed on to the rate payer.

21 **Q. How does Montana-Dakota's short-term incentive program for**  
22 **employees benefit customers?**

1 A. The incentive compensation is included by Montana-Dakota in its  
2 determination of each employee's total cash compensation. This is done  
3 to minimize costs while allowing Montana-Dakota to attract and retain the  
4 qualified employees necessary to deliver safe and reliable service to its  
5 customers.

6 Montana-Dakota compares its total cash compensation for its  
7 employees with that of the relevant labor market and seeks to set  
8 employees' total cash compensation at the market average for  
9 comparable jobs. Dollar for dollar, the short-term incentive program is  
10 more beneficial to Montana-Dakota's customers than an increase in base  
11 wages, specifically because payouts under the short-term incentive  
12 program are at-risk and not paid out if the goals of the plan are not met.

13 Moreover, each element of the short-term incentive plan  
14 encourages employees to act in the customers' best interests. The key  
15 incentive plan measures include customer service and operating costs.  
16 While initially it may appear that the gatekeeper financial goals benefit  
17 Montana-Dakota over its customers, the reverse is true because it lowers  
18 company expenses in lean years thus avoiding rate cases being filed  
19 more frequently.

20 **Q. How does Montana-Dakota's Executive Incentive Compensation Plan**  
21 **(EICP) and Long-Term Incentive Plan (LTIP) benefit customers?**

22 A. The EICP and LTIP provide an incentive for key executives of the  
23 Company to focus their efforts on customer service,

1 diversity/equity/inclusion, cybersecurity, and operational efficiency and  
2 productivity on both a short-term and long-term basis. Similarly to the  
3 employee incentive plan, the EICP and LTIP benefits customers in its  
4 entirety because it controls costs in lean years thus avoiding rate cases  
5 being filed more frequently. If either plan was eliminated, base pay levels  
6 for key executives would have to be substantially increased in order to  
7 attract and retain qualified leadership; and that base pay would not  
8 incentivize customer-focused behavior in initiatives nor would it reduce  
9 executive labor costs when needed. Thus, it is prudent and beneficial to  
10 customers to leverage EICP and LTIP with base pay to minimize  
11 executive turnover.

12 **Q. Is Montana-Dakota's goal to hire and retain qualified executives still**  
13 **challenging?**

14 A. Similar to the challenges seen with employees, the Company has  
15 also seen a significant rise in the number of organizations providing  
16 telecommuting options for their executives and officers. This has in-turn  
17 opened the labor market so utility employers such as Montana-Dakota  
18 are not only competing locally for talent but nationally as employers from  
19 other states attempt to hire qualified executives that live in the midwest  
20 with no requirement to relocate.

21 **Q. Does this complete your surrebuttal testimony?**

22 A. Yes.