MONTANA-DAKOTA UTILITIES CO.

Before the South Dakota Public Utilities Commission

Docket No. NG-23-___

Direct Testimony

Of

Russel Nishikawa

Q. Please state your name and business address.

A. My name is Russel Nishikawa, and my business address is 555 South Cole Road, Boise, Idaho 83709.

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

A. I am the Manager of Engineering Services for Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company"), Great Plains Natural Gas Co. ("Great Plains"), Cascade Natural Gas Corporation ("Cascade") and Intermountain Gas Company ("Intermountain").

Q. Please describe your duties and responsibilities with Montana-Dakota.

A. I have managerial responsibility and oversight for the review, planning, development and design of the Company's pipeline systems and technical facilities.

Q. Please outline your educational and professional background.

A. I am a graduate of University of Idaho with a Bachelor of Science Degree in Mechanical Engineering. I am a licensed professional engineer in the state of Idaho.

I began my career in 2005 as a gas engineer with Intermountain Gas in Boise, ID. I advanced through the Engineering Department until I was promoted to my current managerial position in 2018.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: (1) provide an overview of the Company's project selection and budgeting process; and (2) describe and provide an update on construction activities, schedule, and costs estimates for the Town Border Station (TBS) projects located in North Spearfish and Rapid City.

OVERVIEW OF PROJECT SELECTION AND BUDGETING PROCESS

Q. What type of major capital projects does the Company typically perform?

A. The bulk of Montana-Dakota's major capital projects are pipeline replacement projects that have been identified for safety reasons and to reduce risk on Montana-Dakota's system, and system reinforcements or system expansions that have been identified as needed to ensure system reliability and to accommodate growth on the Company's system. A reinforcement is an upgrade to existing infrastructure or new system additions, which increases system capacity, reliability and safety. An expansion is a new system addition to accommodate an increase in demand. Collectively, these are known as distribution system enhancements. Distribution system enhancements do not reduce demand, nor do they create additional supply; instead, enhancements can increase the overall capacity of a distribution pipeline system while utilizing existing supply points.

Q. Please provide an overview of Montana-Dakota's identification and selection process for distribution enhancement projects.

A. The Engineering Department works closely with Energy Services Representatives and district management to ensure the system is safe and reliable. As towns develop and add new homes and businesses, the need for pipeline expansions and/or reinforcements increase. The system expansion projects are historically driven by new city developments or new housing plats. Before expansion projects can be constructed to serve these new customers, an engineering analysis is performed. Using system modeling software to represent cold weather scenarios, predictions can be made about the capacity of the system. As new groups of customers seek natural gas service, the models provide feedback on how best to serve them while maintaining reliable supply to our existing customers.

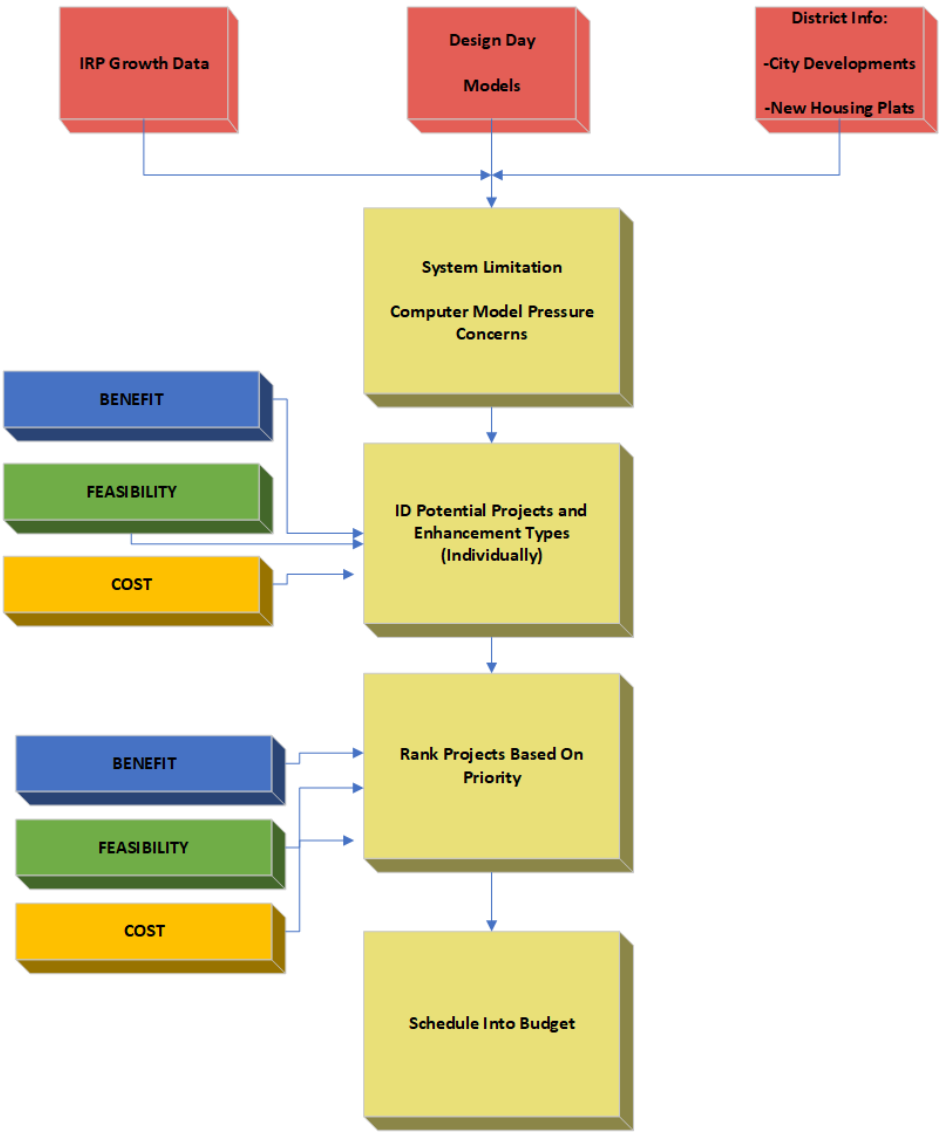
Another aspect of system planning involves city gate capacity analysis and forecasting. Over time, each gate station will take on more demand and it is Montana-Dakota's objective to stay ahead of potential reliability issues by predicting and identifying constraints on its system. Cold weather design day modeling allows Montana-Dakota to forecast necessary gate upgrades. SCADA communication technology utilized by Montana-Dakota allows verification of models with real time and historic gate flow and pressure data.

Demand studies facilitate modeling multiple demand forecasting scenarios, constraint identification, and corresponding optimized combinations of pipe modification and pressure modification solutions to maintain adequate pressures throughout the network. After developing a working demand study, the Company analyzes every system at peak cold weather conditions to identify areas where

potential outages may occur. These constraint areas are then risk-ranked against each other to ensure the highest risk areas are corrected first and others are properly addressed in time. Within a given area, projects/reinforcements are selected using the following criteria:

- The shortest segment(s) of pipe that improves the deficient area of the distribution system;
- The segment of pipe with the most favorable construction conditions, such as ease of access or rights-of-way, traffic issues, and minimal to no water, railroad or major highway crossings, etc.;
- The segment of pipe that minimizes environmental concerns including minimal to no wetland involvement, and the minimization of impacts to local communities and neighborhoods;
- The segment of pipe that provides opportunity to add additional customers; and
- Total construction costs including restoration.

Once a project/reinforcement is identified, the Design Engineer or Energy Services Representative begins a more thorough investigation by surveying the route and filing for permits. This process may uncover additional impacts such as moratoriums on road excavation, underground hazards, discontent among landowners, etc., resulting in another iteration of review for the project/reinforcement selection criteria. Figure 1, below, provides a schematic representation of the distribution project process flow.



Q. Please provide an overview of Montana-Dakota's capital budgeting process.

A. Capital additions and changes are planned through the annual budgeting process using PowerPlan ("PP"), an accounting software application. The budget process begins with an individual (originator) creating specific funding projects in PP for all new projects to be included in the five-year capital budget. Originators are generally managers at the district level or engineering staff at the Company level. Sources of information for capital projects include the DIMP, TIMP, state and local government agencies, and internal Montana-Dakota personnel. Funding

projects are used to hold the capital budget estimates and will be linked to the capital work orders to be created when actual costs commence. A Fixed Asset Financial Analyst reviews the funding projects for proper setup. If the project is not considered a capital expenditure as it was submitted, it is rejected and sent back to the originator for revision, cancelled, or it is moved to Operations and Maintenance ("O&M") expense. After the review has been completed, the Fixed Asset Financial Analyst will add appropriate overheads. Blanket funding projects are used year after year to budget for high volume mass property work orders typically under $150,000 each.

Once all the funding projects have been updated with expenditures, various Company operating managers generate reports to show estimated expenditures and justification for each project. The managers perform the review of funding projects and see that any necessary changes are made to the estimate and that the project is supported. Reports are then generated by the budgeting personnel for review and approval by the Directors and Vice Presidents of the Utility Group. Any final budget changes are made, and the budgets are then presented to the Utility Group's President for review and approval. The final Utility Group budget is then presented to the MDU Resources CEO for review and approval. If the budget is approved by the MDU Resources CEO, the final review and approval occurs with the Board of Directors. At each stage of the review and approval process a project (or projects) can be challenged for appropriateness and removed from the capital budget or moved to another year within the five-year budget. The addition or removal of projects can also be impacted by other factors such as available capital and/or borrowing capacity, upon appropriate review to verify continued reliable and safe service.

After final approval, an approved budget version is created in PP, locked for entry and the funding projects and estimated amounts in the approved budget version are copied back to the working budget version. Project managers are notified that the budget has been approved and the funding projects are open for work order creation. Projects are monitored and updated throughout the year as part of the review process and to insure, as best as possible, that projects are completed on time and within the approved budget.

Q. Have there been any changes to these processes since the Company's last rate case?

A. Yes. Beginning in January 2019, the Company's parent, MDU Resources has moved toward a "one utility" model. As a result, the engineering department was reorganized, and more consistent tasks and processes were defined. Within this effort there is a new internal requirement to develop a more robust analysis for any project with a cost estimate over $1 million dollars. As part of that analysis the Company develops documentation supporting the project, including a substantial executive summary, Synergi model snapshots, alternatives considered, and timing and justification. The Engineering Managers and Directors collaboratively review all projects and determine which are the most important from a risk standpoint and what the timing of the projects should be to best mitigate risks.

Q. For work that will be performed in 2023, how does the Company develop budgeted amounts?

A. The Company's capital budgets were developed in June 2022, and the Company expects that its actual investment should not differ materially from the budgeted amounts for the projects that are not yet complete. Currently, Montana-Dakota is not aware of any immediate impacts to the construction schedules for its

capital projects. The Company will provide updates regarding changes to budgeted amounts or actual investments, and any relevant changes in schedule, through discovery (as requested).

MAJOR CAPITAL PROJECTS

Q. Would you please describe the North Spearfish and Rapid City TBS Projects?

A. Yes. The following pages contain a description of each project, including the need for each project.

Q. How will the Company's customers benefit from the projects?

A. The benefits of the projects are increased distribution system capacity and reliability, allowing the Company to provide consistent service to our current and future customers.

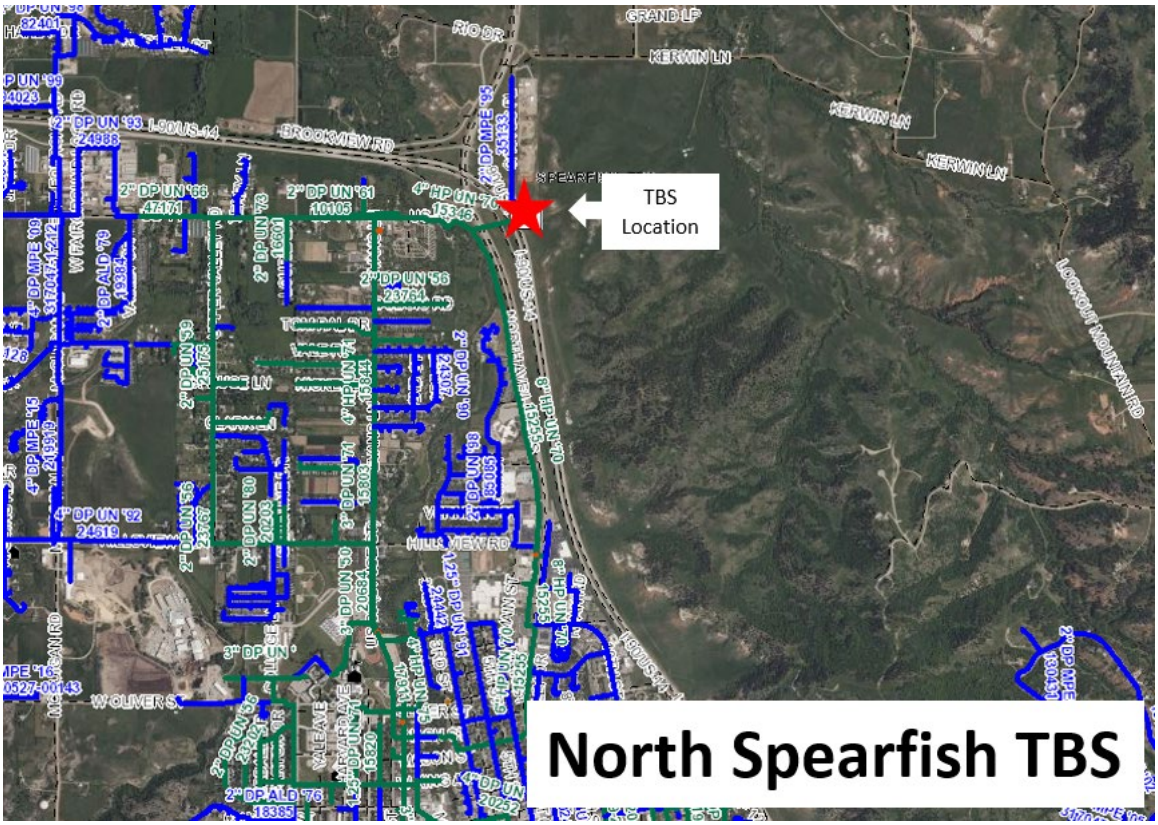
Q. Did the Company consider alternative ways or timeframes to meet the need for these projects?

A. No alternatives were identified. The North Spearfish and Rapid City TBS are a key supply into their respective distribution systems and are necessary to provide reliable service.

North Spearfish TBS Project

Q. Please describe the North Spearfish TBS Project.

A. The North Spearfish TBS project increased available flow capacity through WBI infrastructure and involved the Company installation of new pressure regulation facilities and communication systems.



Q. Why did the Company undertake the North Spearfish TBS Project?

A. The North Spearfish TBS project was constructed to increase deliverability capacity from WBI, the interstate pipeline supplier. WBI's current Spearfish delivery capacity was undersized for expected demand.

Q. What work has been performed in prior phases of the project?

A. The North Spearfish TBS Project is a one-year project started and completed in 2023, there were no prior phases.

Q. What is the timing of the North Spearfish TBS Project?

A. The project was started in spring of 2023 and is scheduled for completion by the end of 2023.

Q. What were the capital cost estimates of the project?

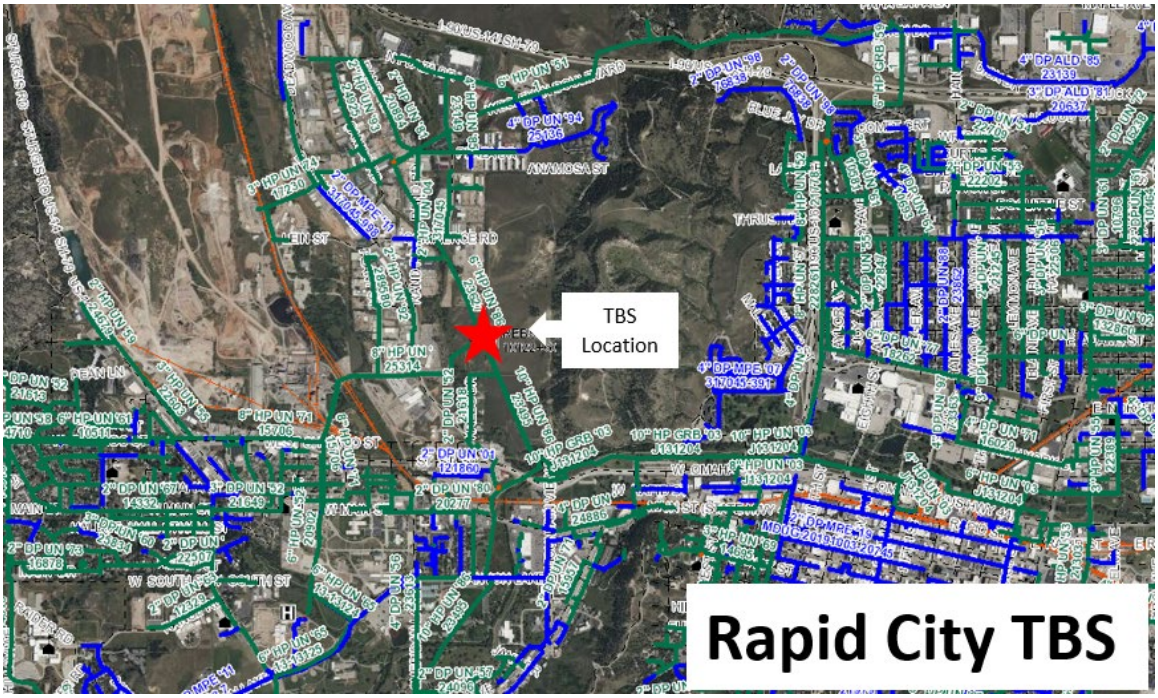
A. The current capital cost is $1,072,109 as shown on Rule 20:10:13:56,

Statement D, Schedule D-2 page 3 as FP-319939.

Rapid City TBS Upgrade

Q. Please describe the Rapid City TBS Upgrade project.

A. The Rapid City TBS Upgrade project increases available flow capacity through WBI infrastructure and involved the Company installation of new pressure regulation facilities and communication systems.



Q. Why did the Company undertake the Rapid City TBS Upgrade?

A. The Rapid City TBS Upgrade project was constructed to increase deliverability capacity from WBI. WBI's current Rapid City delivery capacity was undersized for forecasted demand, and timing aligned with WBI's Line 15 Expansion Project.

Q. What work has been performed in prior phases of the project?

A. The Rapid City TBS Upgrade project was a one-year project started and

completed in 2023, there were no prior phases.

Q. What is the timing of the Rapid City TBS Upgrade?

A. The project was started in spring of 2023 and is scheduled for completion by the end of 2023.

Q. What were the capital cost estimates of the project?

A. The current capital cost is $1,432,790 and is shown on Rule 20:10:13:56, Statement D, Schedule D-2 page 3 as FP-323145.

Q. Does this complete your direct testimony?

A. Yes, it does.