

**CASCADE NATURAL GAS CORPORATION GENERAL RATE CASE**  
**Docket No. UG-20 \_\_\_\_\_**

**ATTACHMENT I: AFFILIATED INTEREST**

**June 19, 2020**

**Attachment I: Index**

The attachment contains files associated with the Company's affiliate transaction data as required per WAC 480-07-510(3)(g). The Excel files are voluminous and are provided in an electronic format.

**Excel files:**

NEW CNGC Attch I, CNGC Affiliate 2019, 6.19.20.xlsx  
NEW CNGC Attch I, MDUR Allocations, 6.19.20.xlsx  
NEW CNGC Attch I, UG Summary of Allocations, 6.19.20.xlsx

**CASCADE NATURAL GAS CORPORATION**  
 2019 Affiliated Interest Report and Subsidiary Transactions report to the  
 Washington Utilities and Transportation Commission

This report provides the information required per WAC 480-90-264 for the 2019 calendar year.

1. **WAC 480-90-264 (1) – The affiliated interest and subsidiary transaction report must include a corporate organizational chart of the utility and its affiliated interest and subsidiaries.**

See the attached organizational chart.

2. **WAC 480-90-264 (1) – Provide a summary of all transactions, except transactions at tariff rates, that occurred between the utility and its affiliated interests and the utility and its subsidiaries.**

<b>MDU Resources Group, Inc.</b>			
<b>Account</b>	<b>Description</b>	<b>Total Company</b>	<b>Total Washington</b>
	MDU/MDUR Consulting-Cap Exp	2,130,630.74	1,601,595.13
426.1	Donations	211,302.02	158,835.72
426.2	Life Insurance	(569,914.53)	(428,404.74)
426.4	Political Activities	306,253.81	230,210.98
426.5	Other Deductions	1,555.78	1,555.78
813	Other Gas Supply Expenses	172,369.94	129,570.47
870	Operation Supervision and Engineering	1,236,083.64	929,154.65
874	Mains & Services Expenses	465,128.74	239,060.47
875	Measuring & Regulating Station Expenses General	115,169.47	86,572.88
878	Meter & Housing Regulator Expenses	(0.22)	(0.17)
880	Other Expenses	1,235,529.25	928,783.94
881	Rents	69,876.23	61,270.25
885	Maintenance Supervision and Engineering	80,218.38	60,293.24
887	Maintenance Mains	619,343.70	600,780.28
887.1	Pipeline Integrity	7,141.36	5,368.14
892	Maintenance of Services	199.80	150.19

894	Maintenance of Other Equipment	48,296.66	36,475.61
901	Supervision	44,898.44	33,750.17
902	Meter Reading Expenses	211,446.04	158,943.95
903	Customer Records & Collection Expenses	5,336,032.43	4,011,095.57
904	Uncollectible Accounts	1,209,258.39	994,217.61
908	Customer Assistance Expenses	279,237.45	216,270.10
909	Informational & Instructional Advertising Expenses	166,829.62	115,255.19
920	Administrative & General Salaries	7,255,804.86	5,454,188.69
921	Office Supplies & Expenses	3,391,430.82	2,549,410.83
922	Administrative Expenses Transferred Credit	(245,017.55)	(184,289.02)
923	Outside Services Employed	267,372.76	199,442.72
925	Injuries & Damages	9,351.41	7,029.44
926	Employee Pensions & Benefits	28,351.40	21,311.79
930.1	General Advertising Expenses	30,962.46	23,274.47
930.2	Misc. General Expenses	753,502.25	566,409.47
931	Rents	1,384,278.64	1,040,562.25
932	Maintenance of general plant	2,101.15	1,579.42
	<b>Grand Total</b>	<b>\$ 26,255,025.34</b>	<b>19,849,725.47</b>

<b>Affiliate/Subsidiary</b>	<b>Total Company</b>	<b>Total Washington</b>
Future Source Capital Corp.	\$103,102.00	\$77,501.77
Knife River Corporation	\$75,815.20	\$0.00
Montana-Dakota Utilities Co.	\$13,837,723.50	\$10,401,816.75
MDU Resources Group, Inc.	\$6,224,157.86	\$4,678,699.46
Intermountain Gas Company	\$1,424,089.87	\$1,070,488.36
Centennial Holdings Capital LLC	\$1,311,309.76	\$985,711.55

3. **WAC 480-90-264(2)** – When total transactions with an affiliated interest or subsidiary equal or exceed one hundred thousand dollars, the utility must provide:

(a) A balance sheet and income statement for such affiliated interest.

Below are the Income Statements and Balance Sheets for each company where transactions with Cascade Natural Gas Corporation exceeded \$100,000 in 2019.

**MDU Resources Group, Inc.**

<b>Year ended December 31,</b>	<b>2019</b>
<b>Balance sheet data (000's)</b>	
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$12,326
Receivables, net	4,727
Accounts rec from subsidiaries	49,943
Inventories	-
Prepayments and other current assets	501
	<hr/> 67,497
Investments	46,294
	<hr/> 2,842,068
Investments in subsidiaries	2,842,068
Property, plant and equipment	-
Less accumulated depreciation, depletion And amortization	<hr/> -
Net property, plant and equipment	-
	<hr/>
Deferred charges and other assets	
Goodwill	-
Other	34,520
	<hr/> 34,520
<b>Total deferred charges and other assets</b>	<b>34,520</b>
<b>Total identifiable assets</b>	<b><u>\$2,990,379</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>Current liabilities:</b>	
Long-term debt due within one year	\$ -
Accounts payable	2,981
Accts pay to subsidiaries	4,752
Taxes payable	1,253
Dividends payable	41,580
Accrued compensation	8,812
Other accrued liabilities	7,786
	<hr/> 67,164
<b>Long-term debt</b>	<hr/> -
<b>Deferred credits and other liabilities:</b>	
Deferred income taxes	-
Other	75,969
	<hr/> 75,969
<b>Total deferred credits and other liabilities</b>	<b>75,969</b>

**Stockholders' equity:**

Preferred stocks	-
Common stock	200,923
Other paid-in capital	1,355,404
Retained earnings	1,336,647
Accumulated other comprehensive loss	(42,102)
Treasury stock at cost – 538,921 shares	(3,626)
<b>Total stockholders' equity:</b>	<b>2,847,246</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,990,379</b>

<b>Year ended December 31,</b>	<b>2019</b>
<b>Income statement data (000's)</b>	
Operating revenues	\$ 0
Operating expenses	0
Operating income	0
Other income	0
Interest expense	0
Income (loss) before taxes	0
Income taxes	0
Net Income from cont. ops.	\$ 0

**Intermountain Gas Company**

<b>Year ended December 31,</b>	<b>2019</b>
<b>Balance sheet data (000's)</b>	
<b>Property, plant and equipment</b>	<b>\$759,984</b>
Less accumulated depreciation, depletion and amortization	276,328
	483,656
Deferred charges and other assets:	12,084
<b>Total identifiable assets</b>	<b>\$556,738</b>

<b>Year ended December 31,</b>	<b>2019</b>
<b>Income statement data (000's)</b>	
Operating revenues	\$251,547
Operating expenses:	
Purchased natural gas sold	138,805
Operations	53,968

Depreciation and amortization	22,310
Taxes other than income	11,321
<u>Total operating expenses</u>	<u>226,404</u>
Operating income	25,143
Other income (loss)	(428)
<u>Interest expense</u>	<u>5,782</u>
Income (loss) before taxes	18,933
<u>Income taxes</u>	<u>2,888</u>
<u>Net Income</u>	<u>\$16,045</u>

**Montana-Dakota Utilities Co.**

<b>Year ended December 31,</b>	<b>2019</b>
<b>Balance sheet data (000's)</b>	
<b>Property, plant and equipment</b>	\$2,975,764
Less accumulated depreciation, depletion and amortization	913,102
	<u>2,062,662</u>
Deferred charges and other assets:	244,423
<b>Total identifiable assets</b>	<b><u>\$2,458,343</u></b>

<b>Year ended December 31,</b>	<b>2019</b>
<b>Income statement data (000's)</b>	
Operating revenues	\$650,996
Operating expenses:	
Fuel and purchased power	86,557
Purchased natural gas sold	182,122
Operations	188,142
Depreciation and amortization	83,287
Taxes other than income	28,625
<u>Total operating expenses</u>	<u>568,733</u>
Operating income	82,263
Other income (loss)	5,196
<u>Interest expense</u>	<u>32,885</u>
Income (loss) before taxes	54,574
<u>Income taxes</u>	<u>(12,548)</u>
<u>Net Income</u>	<u>\$67,122</u>

**Centennial Holdings Capital LLC**

<b>Year ended December 31,</b>	<b>2019</b>
<b>Balance sheet data</b>	
<b>Property, plant and equipment</b>	\$35,212,646
Less accumulated depreciation, depletion And amortization	11,485,857
	<u>23,726,789</u>
Non current investments	
Operating lease-right of use	158,771
<b>Total identifiable assets</b>	<b><u>\$23,885,560</u></b>

<b>Year ended December 31,</b>	<b>2019</b>
<b>Income statement data (000's)</b>	
Operating revenues	\$2,920,500
Operating expenses:	
Operations	3,707,785
Depreciation	502,285
Taxes other than income	1,133
Gain on disp. of property	-
Loss on disp. of property	24,481
Total operating expenses	<u>4,235,684</u>
Operating income	(1,315,184)
Interest income	209,144
Other income	(27,236)
Income (loss) before taxes	(1,133,276)
Income taxes	34,052
Net Income	<b><u>\$(1,167,328)</u></b>

**Future Source Capital Corp.**

<b>Year ended December 31,</b>	<b>2019</b>
<b>Balance sheet data</b>	
<b>Property, plant and equipment</b>	\$34,004,073
Less accumulated depreciation, depletion And amortization	11,145,373
	<u>22,858,700</u>
Deferred charges and other assets	32,983
<b>Total identifiable assets</b>	<b><u>\$30,778,531</u></b>

<b>Year ended December 31,</b>	<b>2019</b>
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**Income statement data (000's)**

Operating revenues	\$ 0
Operating expenses:	
Operations	269,592
Depreciation	162,471
Taxes other than income	1133
Gain on disp. of property	-
Loss on disp. of property	22,307
Total operating expenses	455,503
Operating income	(455,503)
Interest income	8,445
Other income	0
Income (loss) before taxes	(446,072)
Income taxes	(110,527)
Net Income	\$ (335,545)

**(b) A description of the products or services provided to or from the utility and each such affiliated interest or subsidiary.**

- MDU Resources Group, Inc, the parent Company to Cascade Natural Gas Corporation, provides management/consulting/legal services to Cascade Natural Gas Corporation.
- Montana-Dakota Utilities Co. (MDU) – Cascade provides 24/7 gas control monitoring of MDU's distribution system and provides notification to the appropriate personnel when a problem is detected.
- Intermountain Gas Co. (IGC) - Cascade provides 24/7 gas control monitoring of IGC's distribution system and provides notification to the appropriate personnel when a problem is detected.
- Centennial Holdings Capital LLC carries various liability insurance policies on behalf of Cascade Natural Gas Corporation.
- FutureSource Capital Corporation is a subsidiary of Centennial Holdings Capital. In 2019 Cascade was allocated costs associated with property insurance.

**(c) A description of the Pricing Basis or Costing Method, and procedures for allocating costs for such products or services, and the amount and the accounts charged during the year.**

See the attached Intercompany Administrative Services Agreement for costing method procedures regarding MDU Resources Group, Inc.

**(d) A Description of Terms of any Loans between the utility and each such affiliated interest or subsidiary and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year.**

No loans were made to an affiliate or subsidiary during 2019.

**(e) A Description of the terms and total amount of any obligation or liability assumed by the utility for each such affiliated interest or subsidiary.**

None.

**(f) A Description of the activities of each such affiliated interest or subsidiary with which the utility has transactions.**

- MDU Resources Group, Inc, the parent Company to Cascade Natural Gas Corporation, provides management/consulting/legal services to Cascade Natural Gas Corporation.
- Montana-Dakota Utilities Co. (MDU) – Cascade provides 24/7 gas control monitoring of MDU’s distribution system and provides notification to the appropriate personnel when a problem is detected.
- Intermountain Gas Co. (IGC) - Cascade provides 24/7 gas control monitoring of IGC’s distribution system and provides notification to the appropriate personnel when a problem is detected.
- Centennial Holdings Capital LLC carries various liability insurance policies on behalf of Cascade Natural Gas Corporation.
- FutureSource Capital Corporation is a subsidiary of Centennial Holdings Capital. In 2019 Cascade was allocated costs associated with property insurance.

**(g) A List of all common officers and Directors between the gas utility and each such affiliated interest or subsidiary, along with their titles in each organization.**

Please see the attached lists.

# Attachments



## **Cascade Natural Gas Corporation**

### **Primary Address**

8113 West Grandridge Boulevard  
Kennewick, Washington 99336-7166

#### **Management Name**

Goodin, David L.  
Kivisto, Nicole A.  
Kuntz, Daniel S.  
Vollmer, Jason L.  
Chiles, Mark A.  
Darras, Patrick C.  
Gilchrist, Hart

Goodin, David L.  
Jones, Anne M.  
Kivisto, Nicole A.  
Kuntz, Daniel S.  
Liepitz, Karl A.  
Link, Margaret (Peggy) A.  
Madison, Scott W.

Martuscelli, Eric P.  
Nygard, Tammy J.  
Senger, Garret

Vollmer, Jason L.

#### **Title**

Director  
Director  
Director  
Director  
Vice President - Regulatory Affairs and Customer Service  
Vice President – Engineering and Operations Services  
Vice President - Safety, Process Improvement and Operations Systems  
Chair of the Board  
Vice President - Human Resources  
President and Chief Executive Officer  
General Counsel and Secretary  
Assistant Secretary  
Chief Information Officer  
Executive Vice President - Business Development and Gas Supply  
Vice President – Field Operations  
Controller  
Executive Vice President - Regulatory Affairs, Customer Service and Administration  
Treasurer

## **Montana-Dakota Utilities Co.**

### **Primary Address**

400 North Fourth Street  
Bismarck, North Dakota 58501-4092

#### **Management Name**

Goodin, David L.  
Kivisto, Nicole A.  
Kuntz, Daniel S.  
Vollmer, Jason L.  
Chiles, Mark A.  
Darras, Patrick C.  
Gilchrist, Hart

Goodin, David L.  
Hourigan, Kirsti B.  
Jones, Anne M.  
Kivisto, Nicole A.  
Kuntz, Daniel S.  
Liepitz, Karl A.  
Link, Margaret (Peggy) A.  
Madison, Scott W.

Martuscelli, Eric P.  
Nygard, Tammy J.  
Senger, Garret

Skabo, Jay  
Vollmer, Jason L.

#### **Title**

Director  
Director  
Director  
Director  
Vice President - Customer Service  
Vice President – Engineering and Operations Services  
Vice President - Safety, Process Improvement and Operations Systems  
Chair of the Board  
Assistant Secretary  
Vice President - Human Resources  
President and Chief Executive Officer  
General Counsel and Secretary  
Assistant Secretary  
Chief Information Officer  
Executive Vice President - Business Development and Gas Supply  
Vice President – Field Operations  
Controller  
Executive Vice President - Regulatory Affairs, Customer Service and Administration  
Vice President - Electric Supply  
Treasurer

## **MDU Resources Group, Inc.**

### **Primary Address**

1200 West Century Ave  
Bismarck, North Dakota 58503

<b>Management Name</b>	<b>Title</b>
Everist, Thomas	Director
Fagg, Karen B.	Director
Goodin, David L.	Director
Hellerstein, Mark A.	Director
Johnson, Dennis W.	Director and Chair of the Board
Moss, Patricia L.	Director
Ryan, Edward A.	Director
Sparby, David M.	Director
Wang, Chenxi	Director
Wilson, John K.	Director
Barth, Stephanie A.	Vice President, Chief Accounting Officer and Controller
Goodin, David L.	President and Chief Executive Officer
Hourigan, Kirsti B.	Assistant General Counsel and Assistant Secretary
Jones, Anne M.	Vice President - Human Resources
Kuntz, Daniel S.	Vice President, General Counsel and Secretary
Liepitz, Karl A.	Assistant General Counsel and Assistant Secretary
Link, Margaret (Peggy) A.	Vice President and Chief Information Officer
Riehl, Adrienne L.	Assistant Secretary
Senger, Dustin J.	Assistant Treasurer
Vollmer, Jason L.	Vice President, Chief Financial Officer and Treasurer

## **Intermountain Gas Company**

### **Primary Address**

555 South Cole Road  
Boise, Idaho 83709

<b>Management Name</b>	<b>Title</b>
Goodin, David L.	Director
Kivisto, Nicole A.	Director
Kuntz, Daniel S.	Director
Vollmer, Jason L.	Director
Chiles, Mark A.	Vice President - Regulatory Affairs and Customer Service
Darras, Patrick C.	Vice President – Engineering and Operations Services
Gilchrist, Hart	Vice President - Safety, Process Improvement and Operations Systems
Goodin, David L.	Chair of the Board
Jones, Anne M.	Vice President - Human Resources
Kivisto, Nicole A.	President and Chief Executive Officer
Kuntz, Daniel S.	General Counsel and Secretary
Liepitz, Karl A.	Assistant Secretary
Link, Margaret (Peggy) A.	Chief Information Officer
Madison, Scott W.	Executive Vice President - Business Development and Gas Supply
Martuscelli, Eric P.	Vice President – Field Operations

Nygard, Tammy J.  
Senger, Garret

Controller  
Executive Vice President - Regulatory Affairs, Customer  
Service and Administration  
Treasurer

Vollmer, Jason L.

## **Centennial Holdings Capital LLC**

### **Management Name**

Goodin, David L.  
Kuntz, Daniel S.  
Vollmer, Jason L.  
Goodin, David L.

### **Title**

Manager  
Manager  
Manager  
Chair of the Board, President and Chief  
Executive Officer  
General Counsel and Secretary  
Vice President and Treasurer

Kuntz, Daniel S.  
Vollmer, Jason L.

## **FutureSource Capital Corp.**

### **Primary Address:**

1200 West Century Avenue, Bismarck, ND 58503

### **Management Name**

Goodin, David L.  
Kuntz, Daniel S.  
Vollmer, Jason L.  
Goodin, David L.

### **Title**

Manager  
Manager  
Manager  
Chair of the Board, President and Chief  
Executive Officer  
General Counsel and Secretary  
Vice President and Treasurer

Kuntz, Daniel S.  
Vollmer, Jason L.

**AMENDMENT TO INTERCOMPANY  
ADMINISTRATIVE SERVICES AGREEMENT**

This Amendment To Intercompany Administrative Services Agreement (hereinafter the "Amendment") is made and entered into effective as of March 18, 2009, by and between MDU Resources Group, Inc., and its utility divisions and subsidiaries that are a party to this Agreement.

**RECITALS**

A. WHEREAS, MDU Resources Group, Inc., Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc., Great Plains Natural Gas Co., a division of MDU Resources Group, Inc., and Cascade Natural Gas Corporation entered into that certain Intercompany Administrative Services Agreement dated July 2, 2007 (the "Agreement").

B. WHEREAS, subsequent to the parties executing the Agreement, MDU Resources Group, Inc. acquired the issued and outstanding stock of Intermountain Gas Company.

C. WHEREAS, the parties wish to amend the Agreement to include Intermountain Gas Company as a party to the Agreement.

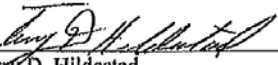
NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration receipt of which is hereby acknowledged, the parties agree as follows:

1. **Amendment to the Agreement.** The defined terms "Utility" and "Utilities" shall be amended to include Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc., Great Plains Natural Gas Co., a division of MDU Resources Group, Inc., Cascade Natural Gas Corporation, and Intermountain Gas Company.
2. **Effective Date.** This Amendment shall be effective as of the date set forth above; provided, however, that in those jurisdictions in which regulatory approval is required before the Amendment becomes effective, the effective date shall be as of the date of such approval.
3. **Other Terms Unchanged.** Except as expressly modified or amended by this Amendment, all of the terms and conditions of the Agreement remain in full force and effect.
4. **Execution in Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

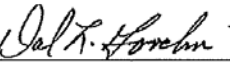


IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date and year first above written.

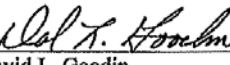
**MDU RESOURCES GROUP, INC.**

By:  <sup>DK</sup>  
Terry D. Hildestad  
President and Chief Executive Officer

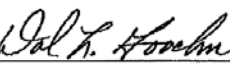
**MONTANA-DAKOTA UTILITIES CO.,**  
a division of MDU Resources Group, Inc. <sup>DK</sup>

By:   
David L. Goodin  
President and Chief Executive Officer

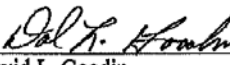
**GREAT PLAINS NATURAL GAS CO.,**  
a division of MDU Resources Group, Inc. <sup>DK</sup>

By:   
David L. Goodin  
President and Chief Executive Officer

**CASCADE NATURAL GAS CORPORATION,**  
a subsidiary of MDU Resources Group, Inc.

By:  <sup>DK</sup>  
David L. Goodin  
President and Chief Executive Officer

**INTERMOUNTAIN GAS COMPANY,**  
a subsidiary of MDU Resources Group, Inc.

By:  <sup>DK</sup>  
David L. Goodin  
President and Chief Executive Officer

**INTERCOMPANY ADMINISTRATIVE SERVICES AGREEMENT**

**BY and AMONG**

**MDU Resources Group, Inc.**

**AND**

**Its Utility Business Units**

This Intercompany Administrative Services Agreement ("Agreement") is entered into effective as of July 2, 2007 by and among MDU Resources Group, Inc. (hereinafter the "Company") and its utility divisions and subsidiaries party to this Agreement (hereinafter a "Utility" or the "Utilities") (each a "Party" and together the "Parties").

WHEREAS, the Company provides senior management, executive oversight and other administrative services that provide value to and benefit the Utilities;

WHEREAS, the Utilities have access to professional, technical and other specialized resources that the Company may wish to utilize from time to time in the provision of administrative services; and

WHEREAS, the Company and the Utilities may desire to utilize the professional, technical and other specialized resources of the others.

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth herein, the Company and the Utilities agree as follows:

**ARTICLE 1. PROVISION OF ADMINISTRATIVE SERVICES**

Upon and subject to the terms of this Agreement, services will be provided between and among the Company and the Utilities that are not directly applicable to the production, distribution or sale of a product or service available to customers of the Utilities ("Administrative Services"). For purposes of this Agreement, Administrative Services shall include, but not be limited to the following:

- a) services by the Board of Directors, and executive, management, professional, technical and clerical employees;
- b) financial and accounting services, corporate governance and compliance services, legal services, audit services, information and technology services, treasury services, investor relations services, governmental and regulatory services, human resources services, communications services, payroll processing services, employee benefits participation, procurement and fleet management, tax and related services, contract negotiation and administration services, insurance and risk management services, environmental services and engineering and technical services;
- c) the use of office facilities, including but not limited to office space, furniture, equipment, machinery, supplies, computers and computer software, communications equipment, insurance policies and other personal property;
- d) the use of automobiles, airplanes, other vehicles and equipment;

To obtain specialized expertise or to achieve efficiencies, the following situations may arise under this Agreement whereby Administrative Services may be provided between and among the Company and its Utilities,

- a) The Company may directly assign or allocate Administrative Services costs, common costs, or costs incurred for the benefit of the Utility or Utilities, to a Utility or the Utilities,
- b) The Company may procure Administrative Services from a Utility or the Utilities for the Company's benefit,
- c) The Company may procure Administrative Services from a Utility or the Utilities for subsequent allocation to some or all the Utilities commonly benefiting, or
- d) The Utilities may procure Administrative Services from each other or agree to directly assign or allocate common costs to each other.

#### **ARTICLE 2. DEFINITIONS**

For purposes of this Agreement these terms shall be defined as follows:

- (a) "Laws" shall mean any law, statute, rule, regulation or ordinance.
- (b) "State Commissions" shall mean any state public utility commission or state public service commission with jurisdiction over a Utility.
- (c) "Utilities" shall mean current and future direct and indirect major-owned electric and natural gas utilities of the Company including its utility divisions.

#### **ARTICLE 3. EFFECTIVE DATE**

This Agreement shall be effective as of the date set forth above; provided, however, that in those jurisdictions in which regulatory approval is required before the Agreement becomes effective, the effective date shall be as of the date of such approval.

#### **ARTICLE 4. CHARGES AND PAYMENT**

##### **(a) CHARGES.**

Parties shall charge for Administrative Services on the following basis:

- (i) Direct Assignment: The cost of an Administrative Service incurred specifically for a Party ("Recipient Party") will be directly assigned to that Party by the Party providing the Administrative Services ("Providing Party"), including, but not limited to, allocable salary and wages, incentives, paid absences, payroll taxes, payroll additives (insurance premiums, health care and retirement benefits and the like), direct non-labor costs, if any, and similar expenses, and reimbursement of out-of-pocket third party costs and expenses.
- (ii) Service Charges: Service Charges will be assessed for costs that are impractical to assign directly but for which a cost/benefit relationship can be reasonably identified between the Administrative Service and the Recipient Party. A practical allocation method will be established by Providing Party that allocates the cost of this service equitably and consistently to the Recipient Party.
- (iii) Allocations: Costs incurred for the general benefit of the entire utilities group for which direct charging and service charges are not practical will be allocated to the Parties. An allocation methodology will be established and used consistently from year to year.

The charges constitute full compensation to the Providing Party for all charges, costs and expenses incurred by the Providing Party on behalf of the Recipient Party in providing the Administrative Services, unless otherwise specifically agreed to in writing between the Parties.

If events or circumstances arise which, in the opinion of the Parties, render the costs of providing any Administrative

Services materially different from those charged under a specific rate or formula then in effect, the specific rate or formulas shall be equitably adjusted to take into account such events or changed circumstances.

Providing Parties will bill each and all Recipient Parties, as appropriate, for Administrative Services rendered under this Agreement in as specific a manner as practicable. To the extent that direct charging for services rendered is not practicable, the Providing Party may utilize allocation methodologies to assign charges for services rendered to the Recipient Party, reflective of the drivers of such costs. Such allocation methodologies may utilize allocation bases that include, but are not limited to: capitalization, employee labor, employee counts, assets, and multi-factor allocation formulae.

Any cost allocation methodology for the assignment of corporate and affiliate costs will comply with the following principles:

- i) For Administrative Services rendered to a Utility or each cost category subject to allocation to a Utility, the Providing Party must be able to demonstrate that such service or cost category is reasonable for the Utility for the performance of its regulated operations, is not duplicative of Administrative Services already being performed within the Utility, and is reasonable and prudent.
- ii) Parties must maintain records sufficient to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately supported in a manner sufficient to justify recovery of the costs in rates of the Utility.
- iii) It is the responsibility of the Utility Parties to this Agreement to ensure that costs which would have been denied recovery in rates had such costs been directly incurred by the regulated operation are appropriately identified and segregated in the books of the regulated operation.

**(b) PAYMENT.**

(i) Each Providing Party shall bill the Recipient Party monthly for all charges pursuant to this Agreement via billings directly to the Recipient Party or through the Company. Full payment for all Administrative Services shall be made by the end of the calendar month following the intercompany charge. Charges shall be supported by reasonable documentation, which may be maintained in electronic form.

(ii) The Parties shall make adjustments to charges as required to reflect the discovery of errors or omissions or changes in the charges. The Parties shall conduct a true-up process as appropriate to adjust charges based on reconciliation of amounts charged and costs incurred.

**ARTICLE 5. GENERAL OBLIGATIONS: STANDARD OF CARE**

Utility Parties will comply with all applicable State and Federal Laws regarding affiliated interest transactions, including timely filing of applications and reports. The Parties agree not to cross-subsidize between the rate-regulated and non-rate-regulated businesses or between any rate-regulated businesses, and shall comply with any applicable State Commission Laws and orders. Subject to the terms of this Agreement, the Parties shall perform their obligations hereunder in a commercially reasonable manner.

**ARTICLE 6. TAXES**

Each Party shall bear all taxes, duties and other similar charges except taxes based upon its gross income (and any related interest and penalties), imposed as a result of its receipt of Administrative Services under this Agreement, including without limitation sales, use, and value-added taxes.

**ARTICLE 7. ACCOUNTING AND AUDITING**

Parties shall maintain such books and records as are necessary to support the charges for Administrative Services, in sufficient detail as may be necessary to enable the Utilities to satisfy applicable regulatory requirements ("Records"). All Parties:

(a) shall provide access to the Records at all reasonable times;

(b) shall maintain the Records in accordance with good record management practices and with at least the same degree of completeness, accuracy and care as it maintains for its own records; and

Subject to the provisions of this Agreement, Records supporting intercompany billings shall be available for inspection and copying by any qualified representative or agent of a Party, at the expense of the inquiring Party. In addition, State Commission staff or agents may audit the accounting records of Providing Parties that form the basis for charges to Utilities, to determine the reasonableness of allocation factors used by the Providing Party to assign costs to the Recipient Party and amounts subject to allocation or direct charges. All Parties agree to cooperate fully with such audits.

#### **ARTICLE 8. BUDGETING**

In advance of each budget year, Providing Parties shall prepare and deliver to the Recipient Parties, for their review and approval, a proposed budget for Administrative Services to be performed during that year. The approved schedule of budgeted Administrative Services shall evidence the base level of Administrative Services. The schedule shall be updated at least annually. Each Party shall promptly notify the other Party in writing of any requested material change to the budget costs for any service being provided.

#### **ARTICLE 9. COOPERATION WITH OTHERS**

The Parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of Administrative Services. Such good faith cooperation will include providing electronic access in the same manner as provided other vendors and contractors to systems used in connection with Administrative Services and using commercially reasonable efforts to obtain all consents, licenses, sublicenses or approvals necessary to permit each Party to perform its obligations. Each Party shall make available to the other Party any information required or reasonably requested by the other Party regarding the performance of any Administrative Service and shall be responsible for timely providing that information and for the accuracy and completeness of that information; provided, however, that a Party shall not be liable for not providing any information that is subject to a confidentiality obligation owed by it to a person or regulatory body other than an affiliate of it or the other Party. Either Party shall not be liable for any impairment of any Administrative Service caused by it not receiving information, either timely or at all, or by it receiving inaccurate or incomplete information from the other Party that is required or reasonably requested regarding that Administrative Service. The Parties will cooperate with each other in making such information available as needed in the event of any and all internal or external audits, utility regulatory proceedings, legal actions or dispute resolution. Each Party shall fully cooperate and coordinate with each other's employees and contractors who may be awarded other work. The Parties shall not commit or permit any act, which will interfere with the performance of or receipt of Administrative Services by either Party's employees or contractors.

#### **ARTICLE 10. COMPLIANCE WITH ALL LAWS**

Each Party shall be responsible for (i) its compliance with all laws and governmental regulations affecting its business, including but not limited to, laws and governmental regulations governing federal and state affiliate transactions, workers' compensation, health, safety and security, and (ii) any use it may make of the Administrative Services to assist it in complying with such laws and governmental regulations.

#### **ARTICLE 11. LIMITATION OF LIABILITY**

Notwithstanding any other provision of this Agreement and except for (a) rights provided under Article 12 in connection with Third-Party Claims, (b) direct or actual damages as a result of a breach of this Agreement, and (c) liability caused by

a Party's negligence or willful misconduct, no Party nor their respective directors, officers, employees and agents, will have any liability to any other Party, or their respective directors, officers, employees and agents, whether based on contract, warranty, tort, strict liability, or any other theory, for any indirect, incidental, consequential, special damages, and no Party, as a result of providing a Service pursuant to this Agreement, shall be liable to any other Party for more than the cost of the Administrative Service(s) related to the claim or damages.

**ARTICLE 12. INDEMNIFICATION**

Each of the Parties will indemnify, defend, and hold harmless each other Party, members of its Board of Directors, officers, employees and agents against and from any third-party claims resulting from any negligence or willful misconduct of a Party's employees, agents, representatives or subcontractors of any tier, their employees, agents or representatives in the performance or nonperformance of its obligations under this Agreement or in any way related to this Agreement. If a Third-Party claim arising out of or in connection with this Agreement results from negligence of multiple Parties (including their employees, agents, suppliers and subcontractors), each Party will bear liability with respect to the Third-Party Claim in proportion to its own negligence.

**ARTICLE 13. DISPUTE RESOLUTION**

The Parties shall promptly resolve any conflicts arising under this Agreement and such resolution shall be final. If applicable, adjustments to the charges will be made as required to reflect the discovery of errors or omissions in the charges. If the Parties are unable to resolve any service, performance or budget issues or if there is a material breach of this Agreement that has not been corrected within ninety (90) days, representatives of the affected Parties will meet promptly to review and resolve those issues in good faith.

**ARTICLE 14. TERMINATION FOR CONVENIENCE**

A Party may terminate its participation in this Agreement either with respect to all, or with respect to any one or more, of the Administrative Services provided hereunder at any time and from time to time, for any reason or no reason, by giving notice of termination at least sixty (60) days in advance of the effective date of the termination to enable the other Party to adjust its available staffing and facilities. In the event of any termination with respect to one or more, but less than all, Administrative Services, this Agreement shall continue in full force and effect with respect to any Administrative Services not terminated hereby. If this Agreement is terminated in whole or in part, the Parties will cooperate in good faith with each other in all reasonable respects in order to effect an efficient transition and to minimize the disruption to the business of all Parties, including the assignment or transfer of the rights and obligations under any contracts. Transitional assistance service shall include organizing and delivering records and documents necessary to allow continuation of the Administrative Services, including delivering such materials in electronic forms and versions as reasonably requested by the Party.

**ARTICLE 15. CONFIDENTIAL INFORMATION NONDISCLOSURE**

To the fullest extent allowed by law, the provision of any Administrative Service or reimbursement for any Administrative Service provided pursuant to this Agreement shall not operate to impair or waive any privilege available to either Party in connection with the Administrative Service, its provision or reimbursement for the Administrative Service.

All Parties will maintain in confidence Confidential Information provided to each other in connection with this Agreement and will use the Confidential Information solely for the purpose of carrying out its obligations under this Agreement. The term Confidential Information means any oral or written information, (including without limitation, computer programs, code, macros or instructions) which is made available to the Company, its Utilities or one of its representatives, regardless of the manner in which such information is furnished. Confidential Information also includes the following:

- a. All information regarding the Administrative Services, including, but not limited to, price, costs, methods of operation and software, shall be maintained in confidence.

b. Systems used to perform the Administrative Services provided hereunder are confidential and proprietary to the Company, its Utilities or third party vendors. Parties shall treat these systems and all related procedures and documentation as confidential and proprietary to the Company, the Utilities or its third party vendors.

c. All systems, procedures and related materials provided to either Party are for its internal use only and only as related to the Administrative Services or any of the underlying systems used to provide the Administrative Services.

Notwithstanding anything in this Article 15 to the contrary, the term "Confidential Information" does not include any information which (i) at the time of disclosure is generally available to and known by the public (other than as a result of an unpermitted disclosure made directly or indirectly by a Party), (ii) was available to a Party on a nonconfidential basis from another source (provided that such source is not or was not bound by a confidentiality agreement with a Party or had any other duty of confidentiality to a Party), or (iii) has been independently acquired or developed without violating any of the obligations under this Agreement.

The Parties shall use good faith efforts at the termination or expiration of this Agreement to ensure that all user access and passwords are cancelled.

All Confidential Information supplied or developed by a Party shall be and remain the sole and exclusive property of the Party who supplied or developed it.

**ARTICLE 16. PERMITTED DISCLOSURE**

Notwithstanding provisions of this Agreement to the contrary, each Party may disclose Confidential Information (i) to the extent required by a State Commission, a court of competent jurisdiction or other governmental authority or otherwise as required by law, including without limitation disclosure obligations imposed under the federal securities laws, provided that such Party has given the other Party prior notice of such requirement when legally permissible to permit the other Party to take such legal action to prevent the disclosure as it deems reasonable, appropriate or necessary, or (ii) on a "need-to-know" basis under an obligation of confidentiality to its consultants, legal counsel, affiliates, accountants, banks and other financing sources and their advisors.

**ARTICLE 17. SUBCONTRACTORS**

To the extent provided herein, the Parties shall be fully responsible for the acts or omissions of any subcontractors of any tier and of all persons employed by such subcontractors and shall maintain complete control over all such subcontractors. It being understood and agreed that nothing contained herein shall be deemed to create any contractual relation between the subcontractor of any tier and the Parties.

**ARTICLE 18. NONWAIVER**

The failure of a Party to insist upon or enforce strict performance of any of the terms of this Agreement or to exercise any rights herein shall not be construed as a waiver or relinquishment to any extent of its right to enforce such terms or rights on any future occasion.

**ARTICLE 19. SEVERABILITY**

Any provision of this Agreement prohibited or rendered unenforceable by operation of law shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement.

**ARTICLE 20. ENTIRE AGREEMENT/DOCUMENTS INCORPORATED BY REFERENCE**

All understandings, representations, warranties, agreements and any referenced attachments, if any, existing between the Parties regarding the subject matter hereof are merged into this Agreement, which fully and completely express the agreement of the Parties with respect to the subject matter hereof.

**ARTICLE 21. OTHER AGREEMENTS**

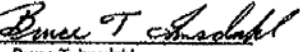
This Agreement does not address or govern the Parties' relationship involving: (a) the tax allocation agreement nor (b) any other relationships not specifically identified herein. All such relationships not addressed or governed by this Agreement will be governed and controlled by a separate agreement or tariff specifically addressing and governing those relationships or by applicable Laws or orders.

This agreement has been duly executed on behalf of the Parties as follows:

**MDU RESOURCES GROUP, INC.**

By:   
Terry D. Hildstad  
Title: President and Chief Executive Officer

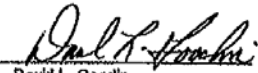
**MONTANA-DAKOTA UTILITIES CO.**  
a division of MDU Resources Group, Inc.

By:   
Bruce T. Insdahl  
Title: President and Chief Executive Officer

**GREAT PLAINS NATURAL GAS CO.**  
a division of MDU Resources Group, Inc.

By:   
Bruce T. Insdahl  
Title: President and Chief Executive Officer

**CASCADE NATURAL GAS CORPORATION**  
a subsidiary of MDU Resources Group, Inc.

By:   
David L. Goodlin  
Title: President



# Cascade Natural Gas

Cost Allocation Manual

2019



*In the Community to Serve<sup>®</sup>*

# Cost Allocation Manual

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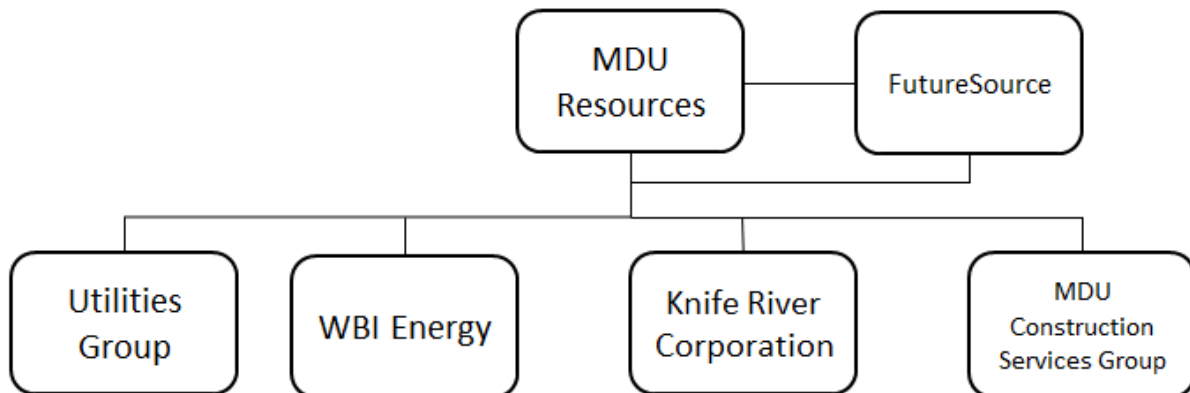
## Overview

Cascade Natural Gas Corporation (CNG), a gas distribution company operating in the states of Washington and Oregon, is a subsidiary of MDU Resources Group, Inc. Cascade Natural Gas has its' own set of financial records. The operations of Cascade Natural Gas Corporation are under the direction of one Utility Group (UG) executive leadership team.

FutureSource Capital Corporation (FutureSource) is a separate legal entity that owns the corporate campus facilities that house the MDUR corporate staff and other property utilized in providing services to the operating companies within MDUR.

Below is an overview of the operational structure for the purpose of assigning costs. The diagram presented is intended to provide an overview for cost allocation only and is not intended to represent the legal structure of the Corporation. Note that costs from MDUR and FutureSource are directly assigned or allocated and charged to the operating companies (i.e. Utilities Group, WBI Energy, etc.)

## Corporate Level



This document is intended to provide an overview of the different types of allocations and the processes employed to direct costs to CNG.

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This document will discuss the allocations to/from:

- MDUR and FutureSource to Cascade Natural Gas Corporation
- Montana-Dakota/Great Plains to Cascade Natural Gas Company (CNGC) and Intermountain Gas Corporation (IGC)
- Cascade Natural Gas Corporation (CNG) to Intermountain Gas Company (IGC) and Montana-Dakota/Great Plains
- Utility segment to state jurisdictions

Overall, the approach to allocating costs at each level is to directly assign costs when applicable and to allocate costs based on the function or driver of the cost.

## **MDU Resources Group, Inc. (MDUR) Allocations**

The MDUR corporate staff consists of shared services departments (payroll, human resources, business services and enterprise information technology), and administrative and general departments.

### **Shared Services**

MDU Resources Group, Inc. has several departments that provide specific services to the operating companies. These departments have developed a pricing methodology which is updated annually for the allocation of costs to the MDUR operating companies that utilize their services. (See Exhibit IV) These departments include:

#### **Payroll Shared Services**

Payroll Shared Services department provides comprehensive payroll services for MDUR companies and employees. It processes payroll in compliance with appropriate federal, state and local tax laws and regulations. Payroll Shared Services is also responsible for preparation, filing and payment of all payroll related federal, state and local tax returns. It also maintains and facilitates payments and accurate reporting to payroll vendors for employee benefits and other payroll deductions. For Montana-Dakota and Great Plains, the payroll shared services department is also responsible for the accumulation of time entry records and maintenance of employee records. Montana-Dakota and Great Plains do not have any departments that provide these payroll related services.

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## **Human Resources**

Human Resources operates as “One HR” across the regulated business units of MDU Resources Group including Montana-Dakota, Great Plains, Cascade Natural Gas, Intermountain Gas, and WBI Energy. There are employees in the HR departments at each of the business units that focus on the operational function of human resources: employee relations, labor relations, staffing, and leave management, all for their specific location. At MDU Resources, shared HR functions are performed for all of the regulated businesses: compensation management, benefits administration, policy development, human resource information systems, organizational development, as well as providing support and backup for the business unit functions.

## **Business Services**

Business Services provides support services for facilities and administrative services (including bill printing), supply chain (purchasing and inventory), fleet, travel, and accounts payable (including unclaimed property). Business Services also creates and maintains the Corporation's national accounts for the purchase of products, goods and services. National accounts take advantage of the combined purchasing power of all the Corporation's operating companies. Business Services is committed to serving its customers by providing timely, standardized, cost-effective goods and services that support business strategies and goals.

## **Enterprise Information Technology**

Enterprise Information Technology (EIT) provides policy guidance, infrastructure related IT functions and security-focused governance. EIT seeks to increase the return on investment in technology through consolidation of common IT systems and services, while eliminating waste and duplication. EIT works to increase the quality and consistency of technology, increase functionality and service to the enterprise, provide governance for managing and controlling risk and reduce costs through economies of scale.

The EIT services get allocated to Montana Dakota using agreed upon formulas based on utilization of the services.

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## General and Administrative Services

Administrative and general functions performed by MDUR for the benefit of the operating companies include the following departments:

- Corporate governance, accounting & planning
- Communications & public affairs
- Human resources
- Internal audit
- Investor relations
- Legal
- Risk management
- Tax and compliance
- Treasury services

Administrative and general function performed by MDU for the benefit of the utility group include the following departments:

- Corporate governance, accounting & planning
- Customer Service
- Engineering
- Gas Supply
- Human Resources
- Information Technology
- Safety Management

Cascade Natural Gas Corporation receives an allocation of these corporate costs. Corporate Policy No. 50.10 states "*It is the policy of the Company to allocate MDU Resources Group, Inc.'s (MDU) administrative costs and general expenses to the MDU's business units*". Business units described in the policy have been referred to as operating companies in this document. The policy states that costs that directly relate to a business unit will be directly assigned to the applicable business unit and only the remaining unassigned expenses will be allocated to the operating companies using the corporate allocation methodology. The allocation factor developed to apportion MDUR's unassigned administrative costs is a capitalization factor which is based on 12 month average capitalization at March 31, effective July 1 and at September 30, effective January 1 each year. MDUR has a mix of regulated and non-regulated companies. The non-regulated companies are cyclical in nature and could be impacted significantly with a downturn in the economy. It is unlikely during that same downturn their share of corporate costs would be materially different. Due to the volatility of non-regulated companies, and

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inconsistency between periods of other potential allocation factors, capitalization is the most appropriate allocation factor for MDUR. Capitalization includes total equity and current and non-current long-term debt (including capital lease obligations). The computation of the Corporate Overhead Allocation Factors is shown in Exhibit I.

Cascade Natural Gas is reflected in the Corporate Overhead Allocation Factors in **Exhibit I**. Operating companies that receive allocated costs on a monthly basis from MDUR include:

- Montana Dakota – Electric utility segment
- Montana Dakota/Great Plains – Gas utility segment
- Cascade Natural Gas Corporation (CNGC)
- Intermountain Gas Company (IGC)
- WBI Energy Transmission
- WBI Midstream
- Knife River (KR)
- MDU Construction Services Group, Inc. (CSG)

Corporate costs are recorded in the administrative and general (A&G) function for Cascade Natural Gas Corporation.

## **FutureSource**

FutureSource, a separate legal entity, owns the facilities at the corporate campus that house the MDUR corporate staff and other property utilized in providing services to all the operating companies within MDUR. These include the corporate office, computers, telephones, furniture, fixtures and aircraft. Montana-Dakota/Great Plains acquired an interest in a portion of the land, building, hangar and aircraft with a cash contribution to FutureSource and placed these assets into rate base. Montana-Dakota/Great Plains receives a cost of service return from CNG and IGC for their proportionate share of the contribution made by Montana-Dakota. The revenue received by Montana-Dakota for this cost of service is recorded in miscellaneous revenue.

Annually, FutureSource calculates a cost of service for any unfunded portion of these corporate assets and invoices the operating companies on monthly basis.



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Components included in the cost of service for these facilities and other property include operation and maintenance expenses, depreciation, property taxes, income taxes and a pre-tax return on investment. The annual calculation is maintained by FutureSource and the most recent copy may be requested from the MDU Resources Corporate Planning Department.

FutureSource also owns and operates a corporate aircraft and a hangar. Fixed costs for the aircraft are allocated to the MDUR operating companies on the MDUR corporate overhead factor referenced above (Exhibit I). The variable costs are charged to the appropriate business unit as a direct charge on an hourly flight rate. These charges will at times exceed or be below the actual variable cost. A year-end true-up includes an adjustment to the excess or shortfall in such hourly billing. Flights for employees of Montana-Dakota/Great Plains are directly assigned to the appropriate utility segment and state jurisdiction based on the purpose of the trip. For trips that are not directly applicable to a utility segment/jurisdiction, costs are allocated on the employee's standard payroll allocation and subsequently allocated to the jurisdictions. Standard labor distribution allocations are discussed on page 18.

## **Cascade Natural Gas Corporation Allocation of Cost to/from Others**

### **Allocations to/from other MDUR Companies**

Certain Montana-Dakota/Great Plains owned assets, such as the General Office/Annex facility, located at the utility headquarters in Bismarck, and the assets associated with the contribution made for FutureSource assets, are also used for the benefit of other MDUR operating companies. To cover the cost of ownership and operating costs associated with these owned assets, a revenue requirement (asset return plus annual operating expenses) is computed for the shared assets. The expense component included in the return is composed of operating and maintenance costs, depreciation, income tax and property tax expenses. The resulting revenue requirement is billed to the other MDUR operating companies, including CNGC and IGC, as a monthly fee.

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Intermountain Gas owns the customer care center located in Meridian, ID. To cover the cost of ownership associated with that owned asset, a revenue requirement (asset return) is computed similarly to Montana-Dakota owned assets. The expense component included in the return is composed of operating and maintenance costs, depreciation and income tax expense. The resulting revenue requirement is billed to the Montana-Dakota/Great Plains and Cascade as a monthly fee. The costs are allocated based on the number of customers served by each utility.

Additionally, a portion of the cost ownership of the Kennewick General Office is billed to Montana-Dakota/Great Plains and Intermountain Gas Company based on office space occupied by shared utility group employees. The expense component included in the return is composed of depreciation, operating expense and income tax.

The resulting revenue requirements are billed to the Montana-Dakota/Great Plains and Intermountain Gas Company as a monthly fee. The costs are allocated based on the number of customers served by each utility.

Additionally, some expenses are allocated or directly assigned at the invoice/PO or credit card purchase stage.

## **Allocations to other Utility Companies**

Montana-Dakota/Great Plains has several departments that provide services to all four utility operating companies (Montana-Dakota, Great Plains, Cascade Natural Gas Co. and Intermountain Gas Company). These departments include:

- Leadership Group - composed of the Executive Group and Directors that oversee shared utility specific functions
- Customer Services - (Call Center, Scheduling and Online Services)
- Operations & Engineering Services Group – composed of shared utility group operations department functions
- Information Technology and Communications- (Enterprise Network & Telecommunications, Enterprise Management, Enterprise Development and Integration, Field Automation, Enterprise GIS)
- Environmental
- Safety & Technical Training
- Business Development
- Gas Supply & Control
- Utility Group Controller

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These operational groups have calculated the proper allocation to use to allocate the costs to the utility companies based on services performed for each utility company. The allocation methodology is included in Exhibit V.

## **Cascade Natural Gas Corporation's Allocations to Utility Segments**

### **Revenues**

All sales and transportation revenues are directly assigned to the appropriate state jurisdiction. Miscellaneous service revenue, rent and other revenue is directly assigned to the utility jurisdiction where possible and common derived revenue is allocated to the utility jurisdiction based on the reason for which the revenue was received.

### **O&M Expense**

As operation and maintenance costs are incurred, the expense is directly assigned to the appropriate state jurisdiction in the general ledger where possible. Expenses incurred that are common to both jurisdictions, such as administrative and general costs, are split between jurisdictions based on the function and/or driver of the cost.

### **Facility Expense Allocations**

Costs for operations and maintenance of facilities are charged directly to the applicable utility jurisdiction when the facility is for the benefit of one jurisdiction.

For expenses associated with distribution operation facilities, such as a region office that serves more than one utility jurisdiction, the costs are allocated to the utility jurisdiction based on the current year 3-factor formula.

### **Labor/Reimbursable expense allocations**

The development of standard labor distributions for Cascade Natural Gas employees is described below based on the type of employee. Standard labor distributions are used for all employees to account for certain expenses as detailed below.

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Labor, benefit costs and reimbursable expenses are directly assigned to a utility jurisdiction where possible. If the expense is not direct, the appropriate utility segment is charged as follows:

## ***Union Employees***

Time tickets are required for productive time. The employee specifies the proper utility segment, location and FERC account based on work performed. To account for non-productive time, standard payroll labor distributions are established for all employees. These standard labor distributions are calculated for union employees based on the historical actual charges by utility segment for the last 12 months.

## ***Non-Union Employees***

Non-union employees are not required to submit detailed time tickets with applicable general ledger accounts specified. Rather each employee has a "standard" set of general ledger accounts that split the labor costs to utility jurisdiction based on an expected ratio of work between jurisdictions. This split can be unique and is based on the employee's position. Costs are distributed based on this standard labor distribution for each employee, and the allocations are reviewed annually. Time studies are completed at least every five years.

- Payroll allocations for operations supervisors are a function of their direct reports or may be determined by time studies conducted.
- Payroll allocations for staff engineers are determined by time studies.
- Payroll allocations for General Office support staff are reviewed by the applicable department head based on the type of work performed.

Reimbursable employee expenses are directly assigned to a utility jurisdiction and FERC account when possible. For employee expenses that are applicable to more than one utility jurisdiction, such as training that is not specific to a utility segment, the employee's standard labor distribution percentages for each segment are used.

## **Taxes Other than Income**

Ad valorem taxes are reviewed by function and all functions are directly assigned except for common ad valorem taxes, which follow plant. Payroll

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related taxes follow the allocation of labor and revenue and electric production taxes are directly assigned. Common taxes other than income, such as the Highway Use tax or Secretary of State filing tax are allocated on the appropriate factor to the segments.

## **Income Taxes**

Income taxes, both current and deferred, are allocated to the utility jurisdiction based on the underlying revenue or expense that generated the deferred taxes.

If the underlying income item is specific to a particular jurisdiction, the related taxes are assigned directly to that jurisdiction. If the underlying income item is common to both jurisdictions, the related taxes are allocated with factors used to allocate the underlying revenue or expense.

## **Plant in service/work in progress/reserve/depreciation**

Plant in service, work in progress, reserve and depreciation expense accounts are assigned to a utility jurisdiction based on the function of property. For property that benefits both utility jurisdictions an allocation process is used.

The allocation process is based on the combination of the location of the asset and the FERC account (function) that is used to allocate the project, asset, reserve and depreciation.

## **Prepayments**

Prepaid demand and commodity charges are directly assigned to the applicable utility jurisdiction. Prepaid insurance is directly assigned where possible and common policies are allocated based on the type of policy.

## **Customer Advances**

Customer advances are directly assigned to the applicable jurisdiction.

Other rate base items

Where possible, these items are directly assigned to the applicable utility jurisdiction. Common items are allocated based on the cost driver for each item.

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## Cascade Natural Gas Corporation's Allocations to State Jurisdictions

Cascade Natural Gas utilizes an automated allocation process each month to record the income statement and rate base account activity to the financial ledger (state jurisdiction) to facilitate regulatory reporting. This process is based on the general ledger account structure used in the financial software (JD Edwards). As with other items, costs are directly assigned to a jurisdiction when possible. Costs common to more than one state jurisdiction are allocated between jurisdictions. The primary driver of the allocation is the Business Unit component of the general ledger account; however, the FERC account associated with the charge is also used to determine the proper allocation method. Since operation and maintenance costs are assigned to the utility jurisdiction as incurred, this process only allocates costs between state jurisdictions. The allocation process creates a Journal Entry to the JD Edwards jurisdictional ledgers established by state and utility jurisdiction.

The allocation methodology is as follows:

The JD Edwards (JDE) software is used by Cascade Natural Gas for recording financial transactions as well as the jurisdictional allocation process for all accounts except those related to fixed assets.

The account structure within JDE consists of the following components:

Business Unit - The Business Unit is one of the primary components used for identifying the regulatory allocation of costs. It usually defines a location such as an operating region, operating district or facility, gas regulator station, or department (i.e. human resources, engineering).

Object – The object for operations and maintenance (O&M) expense accounts represents the resource consumed (i.e. payroll or materials). For balance sheet accounts, the object represents the FERC account.

Subsidiary – The subsidiary portion of the account for O&M accounts identifies the utility segment and the FERC account. For balance sheet accounts the subsidiary represents a further breakdown of the account such as which bank for a cash account.

Revenue Accounts – Revenues are directly assigned to the jurisdiction when possible. The applicable FERC account is part of the account structure and in

# Cost Allocation Manual

the case of utility billed revenue the utility jurisdiction is included. It is the combination of the business unit, utility segment and FERC that drive the allocation factor used. An example of revenue that is allocated to the jurisdictions is revenue from the cost of service calculation which is assigned an allocable location (Business Unit).

Operation and Maintenance (O&M) accounts – As costs are incurred, the approver of the expense assigns the general ledger account structure.

It is the combination of the location (Business Unit), utility jurisdiction and FERC that drive the allocation factor utilized. Locations are assigned a factor based on the geographic area for which they serve and the FERC function assigned. For example, location (Business Unit) 230 represents the geographic location of the Sheridan, WY District. The Sheridan District serves both electric and gas and is therefore directly assigned to Wyoming for all FERC accounts. Another example is location 12900, representing the Credit and Collections Department. The Credit and Collections Department services both the electric and gas customers. The allocation of costs is based on the FERC range of accounts. The location may also be a responsibility, or department.

Location	Location Description	Sub 1	Sub 2	Utility Segment	Utility Alloc Code	Utility Allocation Description	Utility Allocation Rate	Juris Alloc Code	Juris Allocation Description	Juris Allocation Rate	Combined Effective Rate
230	Wyoming District	1560	15709999	1 Electric	00001	ELECTRIC ONLY	100.0000%	00005	WYOMING ONLY	100.000000%	100.000000%
230	Wyoming District	1580	19359999	1 Electric	00001	ELECTRIC ONLY	100.0000%	00005	WYOMING ONLY	100.000000%	100.000000%
12900	Credit & Collections	1920	19359999	1 Electric	00001	ELECTRIC ONLY	100.0000%	00026	O&M EXCLUDING FUEL & PURCHASED POWER & A&G	8.336614%	8.336614%
12900	Credit & Collections	1901	19169999	1 Electric	00001	ELECTRIC ONLY	100.0000%	00085	TOTAL COMPANY ELECTRIC CUSTOMER COUNT	11.315965%	11.315965%
12900	Credit & Collections	1580	15989999	1 Electric	00001	ELECTRIC ONLY	100.0000%	00118	ELECTRIC DISTRIBUTION PLANT	14.798583%	14.798583%

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*Co	*Location	*Obj Acct	*FERC Sub 1	*FERC Sub 2	*Start Date	Stop Date	Description	Utility Alloc Code	Utility 01	Allocation Code 01
00001	230		1560	15709999	199703	203512	Wyoming District	00001	1	00005
00001	230		1580	19359999	199501	203512	Wyoming District	00001	1	00005
00001	230		28120	28120	199703	203512	Wyoming District	00002	2	00005
00001	230		2870	29359999	199501	203512	Wyoming District	00002	2	00005

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00001 code = 100 % Electric

00002 code = 100 % Gas

Code 00005 = 100% allocated to WY

*Co	*Location	*Obj Acct	*FERC Sub 1	*FERC Sub 2	*Start Date	Stop Date	Description	Utility Alloc Code	Utility 01	Allocation Code 01
00001	12900		1580	15989999	200910	203512	Credit & Collections	00001	1	00118
00001	12900		1901	19169999	200501	203512	Credit & Collections	00001	1	00085
00001	12900		1920	19359999	200501	203512	Credit & Collections	00001	1	00026
00001	12900		2870	28949999	200910	203512	Credit & Collections	00002	2	00119
00001	12900		2901	29169999	200501	201508	Credit & Collections	00002	2	00086
00001	12900		2901	29169999	201509	203512	Credit & Collections	00002	2	00087
00001	12900		2920	29359999	200501	203512	Credit & Collections	00002	2	00027

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**Utility Allocation Code**  
Represents the code used to allocate costs to a business segment  
00001 = Electric segment  
00002 = Gas segment

**Allocation code 01**  
Represents the code used to allocate costs to a Jurisdiction  
00118 = Electric distribution plant  
00085 = Total company electric customer count  
00026 = O&M excluding fuel & purchased power and A&G  
00119 = Gas distribution plant  
00087 = Total company gas sales customer count  
00027 = O&M excluding cost of gas and A&G

## Taxes Other Than Income

Taxes other than income taxes are directly assigned when possible. Ad valorem taxes are allocated based on the subsidiary, which indicates the jurisdiction and function. Payroll related taxes follow the allocation of labor, revenue taxes are directly assigned and generation and other taxes are allocated on the applicable factor.



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## Income Taxes

Federal taxes that are allocated or directly assigned to the utility jurisdiction are allocated to the jurisdictions based on the factors used to allocate the underlying revenue or expense among the jurisdictions.

State taxes that are allocated or directly assigned to a utility segment, are allocated to the jurisdictions that have state income tax based on their respective state apportionments.

## Plant in Service/Work in Progress/Reserve/Depreciation Accounts

Plant in service, work in progress, reserve and depreciation expense accounts are allocated in through a similar process in the PowerPlan software based on attributes associated with the work order and asset.

It is the combination of the utility segment, location of the asset and the FERC account that is used to allocate the project, asset, reserve and depreciation. The tables that are maintained in JDE for jurisdictional allocations are interfaced into PowerPlan and are used to allocate these accounts.

## **Allocation Factors**

The allocation factors are computed annually by the Regulatory Affairs and General Accounting departments and assigned to the proper Business Unit (location) effective in January each year. See Exhibit VI for a list of the allocation factors.

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## Exhibit I - MDUR Corporate Overhead factor

MDU Resources Group, Inc.  
Corporate Overhead Allocation Factor  
January - June 2019

	MDU	MDU/GP	CNGC	IGC	WBI Energy		KR	CSG
	Electric	Gas			Transmission	Midstream		
MDUR Corporate Factor	20.4%	14.0%	14.9%	10.0%	8.3%	0.3%	22.9%	9.2%

MDU RESOURCES GROUP, INC.  
12 Month Average Consolidating Balance Sheet  
September 2018

	WBI Energy	Knife River	Construction Services	Utilities Group	Consolidated
<b>Debt and Equity</b>					
Short-term borrowings					---
LTD due within one year	1,000,000.00	28,809,524.50	71,239.98	97,035,948.02	126,916,712.50
Long-term debt	184,897,919.53	341,354,594.53	89,118,439.42	1,118,067,733.43	1,733,438,686.91
<b>Total Debt</b>	<b>185,897,919.53</b>	<b>370,164,119.03</b>	<b>89,189,679.40</b>	<b>1,215,103,681.45</b>	<b>1,860,355,399.41</b>
<b>Stockholders' equity:</b>					
Preferred stocks					---
Common stock	1,000.00	800,000.00	1,000.00	196,082,279.67	196,884,279.67
Other paid-in capital	803,182,762.05	495,748,408.91	134,859,038.50	1,739,022,954.79	3,172,813,164.25
Retained earnings	(586,466,247.50)	123,448,294.30	162,271,164.51	1,081,619,915.31	780,873,126.62
Accumulated other comprehensive income (loss)	(3,158,615.65)	(29,585,480.00)	(2,627,163.98)	(43,006,431.98)	(78,377,691.61)
Treasury stock		(3,625,812.59)		(3,625,812.59)	(7,251,625.18)
<b>Total common stockholders' equity</b>	<b>213,558,898.90</b>	<b>586,785,410.62</b>	<b>294,504,039.03</b>	<b>2,970,092,905.20</b>	<b>4,064,941,253.75</b>
<b>Total stockholders' equity</b>	<b>213,558,898.90</b>	<b>586,785,410.62</b>	<b>294,504,039.03</b>	<b>2,970,092,905.20</b>	<b>4,064,941,253.75</b>
<b>Total liabilities and stockholders' equity</b>	<b>399,456,818.43</b>	<b>956,949,529.65</b>	<b>383,693,718.43</b>	<b>4,185,196,586.65</b>	<b>5,925,296,653.16</b>
IC Investment in Subsidiaries				1,706,288,626.51	1,706,288,626.51
Fidelity E&P 12 Mth Avg Capitalization	(40,471,854.42)				(40,471,854.42)
<b>Capitalization</b>	<b>358,984,964.01</b>	<b>956,949,529.65</b>	<b>383,693,718.43</b>	<b>2,478,907,960.14</b>	<b>4,178,536,172.23</b>

	WBI Energy	Knife River	CSG	Utilities Group	Total
MDUR Corporate OH Factor	8.6%	22.9%	9.2%	59.3%	100.0%

	2018		Corporate Allocation	Electric	Gas
	Capitalization (In thousands)	Share of Corp. Allocation			
Montana-Dakota 1/	\$1,465,385	58.0%	34.4%	20.4%	14.0%
Cascade	635,833	25.2%	14.9%		14.9%
Intermountain	425,565	16.8%	10.0%		10.0%
<b>Total Utilities Group</b>	<b>\$2,526,783</b>	<b>100.0%</b>	<b>59.3%</b>	<b>20.4%</b>	<b>38.9%</b>

1/ Electric and gas segments allocated on Montana-Dakota's Corporate Overhead Factor

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## Exhibit II - Montana-Dakota/Great Plains Overhead factor

Montana-Dakota Utilities Co.  
Corporate Overhead Allocation Factors  
January - June 2019

	Electric	Gas
Montana-Dakota corporate factor	59.2	40.8
Employee factor	42.9	57.1
Plant factor	75.5	24.5
Customer factor	32.6	67.4

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## Exhibit III - Montana-Dakota/Great Plains Customer Allocation Factors

Montana-Dakota Utilities Co 2019 Customer Allocation Factors				Montana-Dakota Utilities Co Customer Count Splits for Regions and Districts				Customer Allocations by State		
<b>Montana</b>				<b>Rocky Mountain Region</b>		<b>Badlands Region</b>		<b>GAS</b>		
	<b>Customers</b>	<b>% Factor</b>	<b>State % Factor</b>	MT Gas	65%	ND Elec	36%	MT Gas	84,565	31.0%
Gas	84,565	0.77	0.20	WY Elec	16%	ND Gas	23%	ND Gas	109,365	40.0%
Electric	25,707	0.23	0.06	WY Gas	19%	MT Elec	22%	SD Gas	60,402	22.1%
	110,272	1.00	0.26			MT Gas	18%	WY Gas	18,782	6.9%
<b>North Dakota</b>				<b>Billings District</b>		<b>Reg split (#65)</b>				
	<b>Customers</b>	<b>% Factor</b>		All Gas	100%	Electric	59%	273,114		
Gas	109,365	0.54	0.26	<b>Sheridan Dist (#63)</b>		Gas	41%			
Electric	92,817	0.46	0.22	Electric	46%					
	202,182	1.00	0.49	Gas	54%					
<b>South Dakota</b>				<b>Dakota Heartland Region</b>		<b>Dickinson Dist</b>		<b>ELECTRIC</b>		
	<b>Customers</b>	<b>% Factor</b>		ND Elec	34%	Electric	58%	MT Elec	25,707	18.0%
Gas	60,402	0.88	0.15	ND Gas	55%	Gas	42%	ND Elec	92,817	64.9%
Electric	8,547	0.12	0.02	SD Elec	5%					
	68,949	1.00	0.17	SD Gas	6%					
<b>Wyoming</b>				<b>Region Split (#64)</b>		<b>Glendive Dist</b>		SD Elec 8,547 6.0%		
	<b>Customers</b>	<b>% Factor</b>		Electric	39%	Electric	56%	WY Elec 15,976 11.1%		
Gas	18,782	0.54	0.05	Gas	61%	Gas	44%	143,047		
Electric	15,976	0.46	0.04	<b>Bismarck Dist (#86)</b>						
	34,758	1.00	0.08	Electric	51%					
<b>Total Customers</b>				<b>Mobridge Dist (#14)</b>		<b>Williston Dist (#69)</b>				
416,161				Electric	58%	Electric	65%			
				Gas	42%	Gas	35%			
				<b>Jamestown District</b>		<b>Wolf Point Dist (#68)</b>				
				All Gas	100%	Electric	50%			
				<b>Minot District</b>		Gas	50%			
				All Gas	100%					
				<b>Black Hills Region</b>						
				SD Gas 100%						
				<b>Rapid City District</b>						
				All Gas 100%						
				<b>Spearfish District</b>						
				Gas 100%						
<b>Great Plains</b>										
<b>Jurisdictional Customer Allocation Factor</b>										
North Dakota GPNG	2,275	0.10								
Minnesota - GPNG	21,668	0.90								
	23,943	1.00								

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## Exhibit IV- MDUR Shared Services Pricing Methodology

### MDU Resources Shared Services Pricing Methodology - Effective for 2019

**Note:** Any shared services amount allocated to MDU Resources are charges out to the business units on the corporate allocation factor.

#### 761 – Payroll Shared Services:

Payroll Shared Services costs are invoiced based on the number of employees paid and stated as a cost per check. The word check, for this purpose, generically refers to paper paychecks, direct deposits and pay card transactions.

Checks are charged on a tiered structure, intended to recognize the fixed or baseline effort associated with maintaining a payroll cycle and associated reporting, regardless of number of people paid. It is also intended to reward consolidation of multiple pay groups and companies where possible and to align charges with the additional effort required to maintain multiple pay groups and pay cycles.

The monthly volume for this step pricing is accumulated individually for each pay cycle processed.

Checks for weekly pay cycles, cost per check based on the number of checks written per month:

\$ 4.25 per check for the first 500 checks  
\$ 0.25 per check for the next 500 checks  
\$ 0.10 per check for each additional check

Checks for non-weekly pay cycles, cost per check based on the number of checks written per month:

\$ 4.25 per check for the first 1500 checks  
\$ 0.25 per check for the next 500 checks  
\$ 0.10 per check for each additional check

Additionally, there will be a \$4.00 charge for each tax payment and \$250.00 charge for each quarterly tax filing and \$2 charge for each W2

There is a \$500 per month minimum charge for each operating company.

There is a premium charge of \$50 per transaction for specific off cycle checks and back-pay calculations. Examples of transactions included in the premium charge schedule are missing hours, refunded deductions, length of service awards submitted too late for inclusion in a scheduled payroll process, and back pay calculation because an increase was submitted after the pay period that includes the effective date. Examples of transactions excluded from the premium charge calculation are bonus payments, final paychecks, certified wage settlements, or any payment required as a result of a Shared Service or system error.

#### 766 – Time Entry Shared Services:

Time entry service is provided for the Utility Group and MDU Resources employees based on the average number of employees at each location.

	MDUR	MDU/GP	CNG	IGC	WBIE	KRC	CSG*	Total
Average Number of Employees	205	1,050	365	245				1,865
Total weighted allocation factor	10.99%	56.30%	19.57%	13.14%				100%

\* Time Entry Shared Services manually keys time entry for Desert Fire. Payroll Shared Services and Desert Fire agree to use two times the amount of the cost per check rather than a separate time entry charge. The two methods are comparable.

#### 970 – Human Resources:

Human Resources costs for the MDU Resources HR team are based on employees served. The average number of employees at each company for 12 months ending June 30 is calculated, then further broken down to whether they are on the Corporate-held benefit plans and/or retirement plans.

An allocation for each individual HR team member is calculated based on which group(s) of employees they serve. For example, an HR Generalist whose functions serve the Regulated companies would have an allocation to MDUR, MDUG, and WBI. A Benefits Analyst who is responsible for the Health & Welfare plans would have an allocation to the regulated companies as well as KRC and CSG companies who participate in the Corporate plans.

These individual allocations are all combined into one aggregate allocation to be used by all MDUR shared HR employees. The reason for this method is that the same work would need to be absorbed should a vacancy occur. Human Resources has three individuals that are not considered shared services and are allocated on the corporate overhead allocation factor.

	MDUR	MDU/GP	CNG	IGC	WBIE-T	WBIE-M	KRC	CSG	Total
Allocation	4.34%	25.15%	7.60%	5.25%	13.72%	2.61%	22.49%	18.84%	100%

#### 762 – Business Services:

This allocation factor is derived from the results of the following four responsibilities. After allocating the projected (budget) costs for the following four responsibilities to each business unit, based on the weighted allocation factor of each of these four responsibilities, each business unit total is summed and divided by the total cost resulting in the following allocation percentages. Individuals in this responsibility provide oversight and support for the following four responsibilities.

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
Allocation %	17.66%	32.71%	11.66%	9.55%	0.64%	6.06%	1.48%	12.28%	7.96%	100%

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## 763 –Fleet and Travel:

Fleet and Travel Departments costs are invoiced based on five weighted factors from the previous year:

- Travel – based on corporate factor
- Managed Units
- National Account Spend
- Construction Equipment Acquisitions
- Fleet Acquisitions

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
% of Travel Corporate		34.30%	14.40%	12.50%		8.00%	0.40%	21.70%	8.70%	100%
# Managed Units		36	319	223						578
% of Managed Units		6.23%	55.19%	38.58%						100%
National Account Spend	\$1,322,570	\$18,679,456	\$7,681,820	\$4,895,822		\$6,196,219	\$992,764	\$132,526,463	\$51,797,911	\$224,093,025
% of National Account Spend	0.59%	8.34%	3.43%	2.18%		2.77%	0.44%	59.14%	23.11%	100%
# Construction Equip Acquisitions		69	18	9		7	4	108	107	322
% of Construction Equip Acquisitions		21.43%	5.59%	2.80%		2.17%	1.24%	33.54%	33.23%	100%
# Fleet Acquisitions		29	25	29		40	7	166	127	423
% of Fleet Acquisitions		6.86%	5.91%	6.86%		9.46%	1.65%	39.24%	30.02%	100%
<b>Weighted Allocation Factors:</b>										
Travel Corporate	21.70%	The percent of time spent on corporate travel.								
# Managed Units	15.66%	The percent of time spent on managed units.								
National Acct Spend	15.66%	The percent of time spent on national accounts.								
Construction Equip Acquisition	23.49%	The percent of time spent on the acquisition of construction equipment assets.								
Fleet Acquisition	23.49%	The percent of time spent on the acquisition of vehicle assets.								
	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
Total weighted allocation factor	0.09%	16.37%	15.00%	11.36%		4.90%	0.84%	31.07%	20.37%	100%

## 764 –Supply Chain:

There are several individuals that are primarily focused on the Utility Group and some that have multiple business unit responsibilities.

Allocations are based on two weighted factors from previous year:

- Purchase Order Count
- Purchase Order Line Count

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
Purchase Order Count	29	4413	908	971		835	252			7,408
% of Purchase Orders	0.39%	59.57%	12.26%	13.11%		11.27%	3.40%			100%
Purchase Order Line Count	44	26,707	2,770	2,858		4,876	1,479			38,734
% of Purchase Order Line Count	0.11%	68.95%	7.15%	7.38%		12.59%	3.82%			100%
<b>Weighted Allocation Factors:</b>										
PO Count	1.00%	The percent of purchase orders processed by Company.								
PO Line Count	99.00%	The percent of lines on purchase orders processed by Company.								
	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
Total weighted allocation factor	0.12%	68.86%	7.20%	7.44%		12.57%	3.81%			100%

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## 767 –Accounts Payable:

Costs are invoiced based on four weighted factors from previous year:

- Number of Payments
- Number of Vouchers
- Number of Unclaimed Property reports
- Number of PNC payments

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
# of Payments - 8/1/2017 through 8/1/2018	2,133	32,726	20,778	18,433		6,686	2,044		739	83,539
% of Payments	2.55%	39.17%	24.87%	22.07%		8.00%	2.45%		0.89%	100%
# of Vouchers - 8/1/2017 through 8/1/2018	2,497	49,487	32,806	23,596		11,911	3,312		1,525	125,134
% of Vouchers	1.99%	39.55%	26.22%	18.85%		9.52%	2.65%		1.22%	100%
# of States Filed In - as of 5/26/2018		34	17	28		23	3	10	4	119
% of Unclaimed Property		28.57%	14.29%	23.53%		19.33%	2.52%	8.40%	3.36%	100%
# of Companies Implemented - as of 8/1/2018	3	1	1	1		1	1	19	16	43
% of PNC	6.98%	2.32%	2.33%	2.33%		2.32%	2.32%	44.19%	37.21%	100%
<b>Weighted Allocation Factors:</b>										
# of Payments	15.00%	The percent of time spent on processing payments, setting up address book records, 1099s, etc.								
# of Vouchers	65.00%	The percent of time spent on vouchering and reviewing invoices								
# of Unclaimed Property	15.00%	The percent of time spent filing unclaimed property reports, sending due diligence letters, defending audits.								
# of PNC	5.00%	The percent of time spent with companies that are using PNC to make vendor payments.								
	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
Total weighted allocation factor	2.00%	36.00%	23.00%	19.20%		10.40%	2.60%	3.50%	3.30%	100%

## 770 –Buildings and Grounds:

This allocation is based on labor hours spent by location from the previous year

	MDUR	MDU/GP	CNG	IGC	WBIE	KRC	CSG	Total
Allocation %	43.00%	50.00%			4.00%	3.00%		100%

## Enterprise Information Technology (EIT):

There are several EIT departments, and each is billed out based on its own criteria. They are as follows:

**Application Services (765)** – The allocations will be based on time tracked history for the 12 months of the prior year. The MDUG portion is further divided by meter count and the WBI portion is further divided by the WBI corporate factor.

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
12-month work load	3,977	2,955	1,944	2,347		970	103	1,234	237	13,767
% of 12 mon work load	28.89%	21.46%	14.12%	17.05%		7.05%	0.75%	8.96%	1.72%	100%

**Definition of 765:** This team is made up of software developers providing integrations to systems and software changes.

**Operational Technology (768)** –The allocations are based on projected work load. This department is 100% direct allocated based on the projects assigned.

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
Projected Hours	661	5,579								6,240
% of 12 mon work load	10.60%	89.40%								100%

**Definition of 768:** This team is made up of security and infrastructure technicians.

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**Customer Relations (965)** – Enterprise charges for the customer relations group are invoiced using three weighted allocation factors. The factors are as follows:

1. Direct charge for employees working for a specific business
2. Number of computing devices supported by the help desk (90%)
3. Number of mobile devices supported by the help desk (10%)

The metric used to determine device counts is devices that have checked into active directory during a 60-day period in the summer of 2018 and active devices in MobileIron.

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
<b>Direct Charges</b>			53.53%	46.47%						100%
<b>Factor- 13.49%</b>			7.22%	6.27%						13.49%
<b>Computing Device Counts</b>	313	1,266	509	653	54	309	46	1,885	1,798	6,833
<b>% of Device Count</b>	4.58%	18.53%	7.45%	9.56%	0.79%	4.52%	0.67%	27.59%	26.31%	100%
<b>% of Device Factor- 77.86% (86.51% x 90%)</b>	3.57%	14.42%	5.80%	7.44%	0.62%	3.52%	0.53%	21.48%	20.48%	77.86%
<b>Mobile Device Counts</b>	159	561	277	195	207			1,866	2,410	5,675
<b>% of Device Count</b>	2.80%	9.89%	4.88%	3.43%	3.65%			32.88%	42.47%	100%
<b>% of Device Factor- 8.65% (86.51% x 10%)</b>	0.24%	0.86%	0.42%	0.30%	0.32%			2.84%	3.67%	8.65%
<b>Total weighted allocation factor</b>	3.81%	15.28%	13.44%	14.01%	0.94%	3.52%	0.53%	24.32%	24.15%	100%

**Definition of 965:** This team is made up of help desk agents who support company owned devices and software.

## Communications (971)

Enterprise charges for the communications group are invoiced using four weighted allocation factors. The factors are as follows:

1. Direct charge for employee hours working for a specific business (10.53%) (MDUG portion is split by meter count).
2. Wide Area Network/Local Area Network/Metropolitan Area Network- Number of business unit locations (35.79%)
3. Internet/Firewall Access – Number of computing devices (35.79%)
4. IP Telephony (17.89%)

The costs are invoiced based on the following percentages:

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
<b>Direct Charges</b>		40.78%	26.83%	32.39%						100%
<b>Factor- 10.53%</b>		4.29%	2.83%	3.41%						10.53%
<b>WAN/LAN/MAN</b>	7	61	19	13	1	144	3	222	78	548
<b>% of Business Unit Locations</b>	1.28%	11.13%	3.47%	2.37%	0.18%	26.28%	0.55%	40.51%	14.23%	100%
<b>Factor- 35.79%</b>	0.46%	3.98%	1.24%	0.85%	0.06%	9.41%	0.20%	14.50%	5.09%	35.79%
<b>Internet Access/Firewall</b>	313	1,266	509	653	54	309	46	1,885	1,798	6,833
<b>% of User Accounts</b>	4.58%	18.53%	7.45%	9.56%	0.79%	4.52%	0.67%	27.59%	26.31%	100%
<b>Factor- 35.79%</b>	1.64%	6.63%	2.67%	3.42%	0.28%	1.62%	0.24%	9.87%	9.42%	35.79%
<b>IP Telephone</b>	256	822	435	389		269	35	1,747	177	4,130
<b>% of Handsets</b>	6.20%	19.90%	10.53%	9.42%		6.51%	0.85%	42.30%	4.29%	100%
<b>Factor- 17.89%</b>	1.11%	3.56%	1.88%	1.69%		1.16%	0.15%	7.57%	0.77%	17.90%
<b>Total weighted allocation factor</b>	3.21%	18.46%	8.62%	9.37%	0.34%	12.19%	0.59%	31.94%	15.28%	100%

**Definition of 971:** This team supports the wide area network and phones. This includes switches, routers and firewalls.



# Cost Allocation Manual

**Operations (972)** – Enterprise charges for the operations group are invoiced using three separate factors

(1) 18.12% are direct charges that are costs directly related to the AS/400 computer and are invoiced upon the AS/400 allocation as agreed to by MDU and WBI.

The remaining 81.88% of the costs are based upon the number of servers that are supported for each business unit. These servers are then broken out between full service servers and shared service servers. Full service servers have a greater weighting factor since they require more dedicated time and cost more.

(2) Full Service Servers - 61.41% (81.88% x 75%)

(3) Shared Service Servers 20.47% (81.88% x 25%).

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
Direct Charges	4.93%	39.76%	22.80%	23.85%	8.34%				0.32%	100%
Factor- 18.12%	0.90%	7.20%	4.13%	4.32%	1.51%				0.06%	18.12%
Full Service Servers	240	84	1	2	32	5		133	36	533
% of Full Service Servers	45.03%	15.76%	0.19%	0.38%	6.00%	0.94%		24.95%	6.75%	100%
Factor- 61.41%	27.65%	9.68%	0.12%	0.23%	3.69%	0.58%		15.32%	4.14%	61.41%
Shared Service Servers		131	38	92		31	3	49	105	449
% of Full Service Servers		29.18%	8.46%	20.49%		6.90%	0.67%	10.91%	23.39%	100%
Factor- 20.47%		5.97%	1.73%	4.19%		1.41%	0.14%	2.24%	4.79%	20.47%
Total weight allocation factor	28.55%	22.85%	5.98%	8.74%	5.20%	1.99%	0.14%	17.56%	8.99%	100%

**Definition of 972:** This team is responsible for administration of the enterprise servers.

**Security (977)** – Enterprise charges for the security group are distributed via the number of computing devices (90.00%) and mobile devices (10.00%). Costs are invoiced based on the following percentages:

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
Computing Device Counts	313	1,266	509	653	54	309	46	1,885	1,798	6,833
% of Device Factor- 90%	4.12%	16.67%	6.70%	8.60%	0.72%	4.07%	0.61%	24.83%	23.68%	90.0%
Mobile Device Counts	159	561	277	195	207			1,866	2,410	5,675
% of Device Factor- 10%	0.28%	0.99%	0.49%	0.34%	0.36%			3.29%	4.25%	10.0%
Total weighted allocation factor	4.40%	17.66%	7.19%	8.94%	1.08%	4.07%	0.61%	28.12%	27.93%	100%

**Definition of 977:** This team supports the cyber security initiatives.

**ERP (956)** – Enterprise charges for the ERP group are being allocated based on 12 months of the prior year hours worked in JIRA. The costs are invoiced based on the following percentages:

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
12-month work load	927	885	362	196	1,064			277		3,711
% of 12 mon work load	24.98%	23.84%	9.76%	5.29%	28.67%			7.46%		100%

**Definition of 956:** This team supports the accounting software.

**Scada (968)** – Enterprise charges for the SCADA group are being allocated based on 12 months of the prior year of hours worked in JIRA. The costs are invoiced based on the following percentages:

	MDUR	MDU/GP	CNG	IMG	WBIE	WBIT	WBIM	KRC	CSG	Total
12-month work load		444	438	528		2,707				4117
% of 12 mon work load		10.78%	10.64%	12.83%		65.75%				100%

**Definition of 968:** This team supports the gas SCADA systems.

**Governance (982)** – Costs for the governance and administration group are invoiced based on a weighting of the combined methodologies of the eight previous EIT responsibilities.

	MDUR	MDU/GP	CNG	IGC	WBIE	WBIT	WBIM	KRC	CSG	Total
2019 % of Total Governance & Administration	15.73%	22.88%	9.23%	10.66%	3.24%	7.76%	0.44%	18.66%	11.40%	100%

# Cost Allocation Manual

## Exhibit V- Utility Operations Support Allocation Methodology

### Leadership Group:

**President & CEO (985)** – The payroll allocations will be based on average Utility Group customer and employee counts for the President & CEO and Executive Assistant.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Customer Counts</b>	118,169	245,530	293,376	365,744	1,022,819
<b>% of Factor – 50%</b>	5.75%	12.03%	14.34%	17.88%	50%
<b>Utility Group Employee Counts</b>	431	573	338	242	1,584
<b>% of Factor – 50%</b>	13.60%	18.10%	10.65%	7.65%	50%
<b>Total weighted allocation factor</b>	19.4%	30.1%	25.0%	25.5%	100%

**Executive Vice President of Business Development & Gas Supply (701)** – The payroll allocations will be based on Utility Group customer counts.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Customer Counts</b>	11.5%	24.0%	28.7%	35.8%	100%

**Vice President of Safety, Process Improvement & Operations Systems (707)** – The payroll allocations will be based on Utility Group meter counts.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Meter Counts</b>	13.4%	27.1%	26.5%	33.0%	100%

**Executive Vice President of Regulatory Affairs, Customer Service & Administration (919)** – The payroll allocations will be based on meter counts.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Meter Counts</b>	13.4%	27.1%	26.5%	33.0%	100%

**Vice President of Operations & Engineering Service (960)** – The payroll allocations will be based on Utility Group customer counts.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Customer Counts</b>	11.5%	24.0%	28.7%	35.8%	100%

# Cost Allocation Manual

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## **Customer Service Group:**

The Customer Service group is made up of four distinct areas and provides service to all four brands within the MDU Utility Group. Those areas are Credit and Collections, Scheduling, Customer Service, and Customer Programs and Support. In addition to these departments, the Customer Service group has a management team, Consumer Specialists, and other administrative positions. Customer Service payroll costs are allocated using five (5) different methodologies: Customer Count, Customer Call Time, Cleared Order Count, Credit To-Dos, and Emails and Web Requests. Costs other than payroll will be allocated based on customer count if they provide benefit for all brands. Costs specific to a brand will be charged directly to that brand and will not go through an allocation process.

### ***Customer Count***

- Based on the average customer count of each utility brand from December to November.
- Uses a customer weighting of 1 for each natural gas or electric only customer and 1.25 for each electric/natural gas combination customer.
- The following positions will be allocated based on customer count ***with nonutility***:
  - Customer Service Director
  - Manager, Customer Service
  - Supervisor, Customer Service
  - Customer Service Trainer
  - Customer Service Team Lead (Support)
- The following positions will be allocated based on customer count ***without nonutility***:
  - Administrative Assistant
  - Customer Service Team Lead (Credit)
  - Customer Project Analyst I and II
  - Supervisor, Scheduling & Customer Support
  - Manager, Customer Service & Credit
  - Customer Communications Coordinator
  - Supervisor, Credit & Collections
  - Manager, Scheduling, Support, Prgm
  - Scheduling Analyst
  - Scheduling Lead

### ***Customer Call Time***

- Based on the total time that Customer Service Agents are handling a call.
  - Includes total talk time and after call work
  - Does not include idle time or auxiliary time
- Uses data for the preceding December to November of each year.
- The following positions will be allocated based on customer call time:
  - Customer Service Rep I, II, III, IV, and IV PT
- ***Cleared Order Count***
  - Based on the number of work orders cleared through the work assignment management system for each brand.
  - Uses data for the preceding December to November of each year.
  - The following positions will be allocated based on cleared order count:
    - Scheduler
- ***Credit To-Do's***
  - Based on three types of completed To-Do's;
    - accounts up for severance

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- closed accounts pending write-off
  - broken payment plans
- Uses data for the preceding December to November of each year.
- The following positions will be allocated based on credit to-do's:
  - Credit & Collections Rep I, II, and III
  - Credit Support Rep
- **E-mails and web requests**
  - Based on e-mails that include direct inquiries from customers, follow up requests from a CSR phone call, or e-mails generated by the web applications requiring account maintenance.
  - Uses data for the preceding December to November of each year.
  - The following positions will be allocated based on e-mails
    - Customer Support Rep I, II, and III

	MDU Elect	MDU/GP Gas	MDU Nonutility	CNG	IGC	Total
Customer Counts	11.82%	24.51%	.74%	28.1%	34.83%	100%
Customer Counts	12.06%	25.01%	-	28.1%	34.83%	100%
Customer Call Time	12.49%	25.9%	-	27.9%	33.71%	100%
Cleared Order Count	10.48%	21.91%	-	35.88%	31.73%	100%
Credit To-Dos	15.53%	32.21%	-	19.63%	32.63%	100%
Emails	10.05%	20.85%	-	30.92%	38.18%	100%

## **Operations & Engineering Services Group:**

### **Process Improvement & Operations Tech (Dept 703)**

The payroll allocations will be based on the Utility Group employee counts.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
Utility Group Employee Counts	27.2%	36.2%	21.3%	15.3%	100%

### **Quality Control (Dept 730)**

The Quality Control department provides oversight and post work review of both maintenance and construction work that is performed by both utility group employees and our contractors. The payroll allocations will be based on time studies.

### **Engineering Services (Dept 769)**

The Engineering Services department duties include gas modeling, working with district personnel, engineering design of capital projects, creation of cost estimates, creation of design and work plans, budget planning, etc. The payroll allocations will be based on time studies.

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## Construction Services (Dept 863)

The Construction Services (CS) department provides construction management and inspection for large and high-pressure projects, as well as for projects generated by TIMP, DIMP, and MAOP Validation Plans. CS creates and manages programs and procedures for welding and fusion programs. Fabrication standards and a majority of fabrication are done by CS. The payroll allocations will be based on time studies.

## Operation Systems (Dept 864)

This department supports Operations compliance systems as well as supporting other systems that Operations and Engineering utilize. The group not only supports these efforts but also works as a liaison group between the business and enterprise information technology (EIT). The payroll allocations will be based on time studies. Costs specific to a brand will be charged directly to that brand and will not go through an allocation process.

## System Integrity (Dept 865)

The System Integrity department is responsible for the Utilities Distribution and Transmission Integrity Management Programs, Integrity Projects, Cascade's MAOP Validation Project, and Corrosion Control. The payroll allocations will be based on time studies.

## Safety Management System & Quality Assurance (Dept 866)

The Safety Management System and Quality Assurance (SMS/QA) department is responsible for the implementation of the utility group's safety management system. The team is responsible for reviewing, documenting, and developing processes to ensure compliance with the industry recommend practice 1173. Key objectives of our current plan include the development of an operational risk management program, SMS/QA program oversight and metrics, and completion of risk-based process audits. The payroll allocations will be based on Utility Group gas customer count.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Gas Customer Counts</b>	-	31.2%	30.6%	38.2%	100%

## Operations Policies & Procedures (Dept 923)

This department is responsible for aligning new Utility Group procedures as well as maintaining all previous company specific procedures. Each company was and is required to have and maintain these procedures per federal code 192. The payroll allocations will be based on an equal share across the gas segments.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Allocation %</b>	-	34.0%	33.0%	33.0%	100%

## Operation Services (Dept 958)

The Operation Services department provides compliance, damage prevention, and public awareness across the Utility Group. The payroll allocations will be based on time studies.

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## **Information Technology and Communications Group:**

### **Enterprise Network & Telecommunications (Dept 721)**

This department processes bill payment files, provides scheduled and Ad Hoc reporting, and monitors nightly batch file updates. The payroll allocations will be based on Utility Group Capitalization Factor.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Capitalization Factor</b>	34.3%	23.7%	25.2%	16.8%	100%

### **Enterprise Management, Enterprise Development and Integration, Field Automation (Dept 723, 926, 964)**

These teams support business and technical functions that are common to all brands. Provides support to the business through data requests and augments the system by developing programs and technical solutions to accommodate business and field needs as well as regulatory requirements. The payroll allocations will be based on Utility Group meter counts.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Meter Counts</b>	13.4%	27.1%	26.5%	33.0%	100%

### **Enterprise GIS (Dept 951)**

This department provides gas, electric and fiber pipeline and facilities mapping services for the Utility Group. The payroll allocations will be based on Utility Group meter counts or time studies.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Meter Counts</b>	13.4%	27.1%	26.5%	33.0%	100%

### **Environmental (Dept 889)**

The Environmental Department provides environmental regulatory compliance guidance and assistance to MDU Utilities Group facilities and operations in accordance with the company environmental policy: The Company will operate efficiently to meet the needs of the present without compromising the ability of future generations to meet their own needs. Our environmental goals are:

- To minimize waste and maximize resources.
- To support environmental laws and regulations that are based on sound science and cost-effective technology; and
- To comply with or exceed all applicable environmental laws, regulations and permit requirements.

The payroll allocations will be based on time studies.

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## Safety & Technical Training (Dept 720, 901)

The Safety and Technical Training department provides oversight for all things safety and technical training for the entire utility group. The payroll allocations will be based on Utility Group or Montana-Dakota employee counts or time studies, depending on the employee's job functions.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Employee Counts</b>	27.2%	36.2%	21.3%	15.3%	100%
<b>Montana-Dakota Utilities Employee Counts</b>	42.9%	57.1%	-	-	100%

## Business Development (Dept 918)

The payroll allocations will be based on time studies.

## Gas Supply (Dept 931, 933)

The payroll allocations will be based on two methodologies: Utility Group meter count and time studies. There are employees focused on Montana-Dakota Utilities functions, which will be allocated 100% to Montana-Dakota Utilities gas segment.

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
<b>Utility Group Meter Counts</b>	-	40.5%	26.5%	33.0%	100%

## Utility Group Controller (Dept 941)

The Controller Department provides various accounting services to the Utility Group: Fixed Assets Accounting, Revenue Accounting, Internal Controls Coordination, and Management. The payroll allocations are based on these methodologies: Utility Group customer count, Utility Group meter count, number of employees, Montana-Dakota customer factor, Utility Group corporate factor, Montana-Dakota corporate factor, and specific shared services methodologies.

- **Utility Group customer count**
  - The following positions will be allocated based on Utility Group customer count based on job duties/functions:
    - Business Analyst I and II (Revenue Accounting)
- **Utility Group meter count**
  - The following positions will be allocated based on Utility Group meter count based on job duties/functions:
    - Business Analyst II and Sr. (Customer Accounting)
- **Number of employees**
  - The following positions will be allocated based on number of employees under their supervision:
    - Controller – Utility Group
    - Director, Finance
    - Manager, Revenue Administration
- **Montana-Dakota customer factor**
  - The following positions will be allocated based on MDU customer factor
    - Financial Analyst I, II (Revenue Accounting)
    - Financial Specialist (Revenue Accounting)
    - Financial Technician (Revenue Accounting)
    - Manager, Revenue Accounting

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- **Utility Group corporate factor**
  - The following position will be allocated based on Utility Group corporate factor
    - Internal Controls Coordinator
- **Montana-Dakota corporate factor**
  - The following positions will be allocated based on MDU corporate factor
    - Financial Analyst I, II, III, IV (Gen Acctg, Reporting & Planning)
    - Financial Systems Analyst (Gen Acctg)
    - Financial Technician (Gen Acctg)
    - Manager, Accounting & Finance
    - Manager, Financial Reporting & Planning
    - Manager, General Accounting

	MDU Elect	MDU/GP Gas	CNG	IGC	Total
Utility Group Customer Counts	11.5%	24.1%	28.7%	35.7%	100%
Utility Group Meter Counts	13.4%	27.1%	26.5%	33.0%	100%
Number of Employees: Controller*	34.75%	24.0%	22.5%	18.75%	100%
Number of Employees: Director, Finance*	32.4%	22.4%	25.8%	19.4%	100%
Number of Employees: Manager, Revenue Administration**	19.1%	39.4%	22.0%	19.5%	100%
Montana-Dakota Customer Factor	32.6%	67.4%	-	-	100%
Utility Group Corporate Factor	34.4%	23.6%	25.1%	16.9%	100%
Montana-Dakota Corporate Factor	59.2%	40.8%	-	-	100%

\* MDU electric/gas split is based on the MDU Corporate Factor.

\*\* MDU electric/gas split is based on the MDU Customer Factor.

- **Utility Group Fixed Assets Accounting methodology**
  - The following positions will be allocated based on time study:
    - Financial Analyst I, II, III, IV (Fixed Assets Accounting)
    - Supervisor, Fixed Assets Accounting
    - Manager, Fixed Assets Accounting

Costs for the Financial Analysts in the MDU Utility Group Fixed Asset Accounting group are invoiced based upon three separate methodologies based on the three major types of work performed in the department. The three major work types of work are:

1. Capital Expenditure Support (21.5% of workload)-Allocated to capital overhead (ES/GA) accounts based on 3-year average of capital expenditures.
2. Fixed Asset Life Cycle Support (63.5% of workload)-Allocated to capital overhead (ES/GA) accounts based on 3-year average of capital work orders weighted by a difficulty factor.
3. All Other Fixed Asset Accounting (15.0% of workload)-Allocated to expense (O&M) accounts based on estimate of time spent on non-project related tasks (Depreciation, ARO, Data Requests, etc.).



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	MDUR*	MDU	WBIE**	KRC**	CSG**	CNG	IGC	Total
3-Year Average Capital Expenditures (Millions)		249.4				50.6	38.6	338.6
% of 3-Year Average Capital Expenditures		73.66%				14.94%	11.40%	100.00%
Capital Expenditure Support-21.5% Weight		15.84%				3.21%	2.45%	21.50%
3-Year Average Capital Work Orders		1,930				1,949	862	4,741
Difficulty Factor		68.29%				25.00%	25.00%	
Weighted % of 3-Year Average Capital WO's		65.22%				24.11%	10.67%	100.00%
Fixed Asset Life Cycle Support-63.5% Weight		41.41%				15.31%	6.78%	63.50%
% of Non-Project Related Task Time		62.64%				18.68%	18.68%	100.00%
All Other Fixed Asset Accounting-15% Weight		9.40%				2.80%	2.80%	15.00%
<b>Totals</b>		<b>66.65%</b>				<b>21.32%</b>	<b>12.03%</b>	<b>100.00%</b>
Total Allocated to ES/GA		57.25%				18.52%	9.23%	85.00%
Total Allocated to O&M		9.40%				2.80%	2.80%	15.00%

\* Time devoted to CHCC companies deemed immaterial and is included in MDU amounts.

\*\* No service provided to WBIE, CSG or CSG

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Costs for the Manager of the Utility Group Fixed Asset Accounting group are invoiced based upon the company workload split of the “Other Fixed Asset Accounting” time spent by the Lead Financial Analyst in charge of depreciation, ARO’s, data requests, etc. No portion of these costs is allocated to capital overhead (ES/GA) as they are deemed to be non-direct construction support costs.

	MDUR*	MDU	WBIE**	KRC**	CSG**	CNG	IGC	Total
Other Fixed Asset Acct. Workload of Lead Non-Project Support F/A		50.00%				10.00%	10.00%	70.00%
% Allocation of UGFA Manager Costs to O&M		71.42%				14.29%	14.29%	100.00%
<b>Totals</b>		<b>71.42%</b>				<b>14.29%</b>	<b>14.29%</b>	<b>100.00%</b>

\* Time devoted to CHCC companies deemed immaterial and is included in MDU amounts.

\*\* No service provided to WBIE, CSG or CSG

- **Utility Group Payment Processing methodology**
  - Payment Processor (Revenue Accounting)
  - Payment Processor, Lead (Revenue Accounting)

Payment Processing has been allocated by utility brand based on the number of customer payments posted to utility accounts in the 12 month period ending June 30, 2018.

	CNG	IGC	MDU/GPNG	Total
# of Payments Processed	957,174	1,057,909	1,876,189	3,891,272
% of Payments Processed by Brand	24.6%	27.2%	48.2%	100%

# Cost Allocation Manual

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## Exhibit VI- Utility Operations Allocation Factors

Cascade Natural Gas Corporation State Allocation Formulas 2018			
	Washington	Oregon	Total
Customers	74.30%	25.70%	100.00%
Employees	73.72%	26.28%	100.00%
Gross Plant	77.49%	22.51%	100.00%
3-Factor Formula	75.17%	24.83%	100.00%
Rate Base Ratio	75.54%	24.46%	100.00%

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Cascade Natural Gas Corporation			
Average No. of Employees			
2018			
Source: Customers Per Employee report	Washington District	Oregon District	
Mo-Yr	Employees (1)	Employees (1)	
Dec-17	172	62	
Jan-18	173	62	
Feb-18	173	60	
Mar-18	173	60	
Apr-18	172	60	
May-18	172	59	
Jun-18	179	62	
Jul-18	179	63	
Aug-18	177	63	
Sep-18	169	63	
Oct-18	170	63	
Nov-18	176	65	
Dec-18	174	65	
	2,259	807	
Average of Monthly Averages	174	62	236
Percentage	73.72%	26.28%	100.00%
(1) Excludes Interstate employees			

# Cost Allocation Manual

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Cascade Natural Gas Corporation Gross Plant Percentage 2018			
	Washington Incl. CCNC	Oregon Incl. CCNC	Total
Avg. of Mo. Avg.s	780,275,999	226,716,210	1,006,992,209
Percentage	77.49%	22.51%	100.00%

# Cost Allocation Manual

Cascade Natural Gas Corporation		
Average Number of Customers		
2018		
	Average No. of Customers	Percentage
Washington	214,996	74.30%
Oregon	74,377	25.70%
Total	289,373	100.00%

# Cost Allocation Manual

Cascade Natural Gas Corporation  
Rate Base Ratio  
2018

The following percentages are used for allocating interest on debt:

	2018 Average Rate Base	Plant Formula
Washington	302,980,258	75.54%
Oregon	98,079,245	24.46%
	401,059,503	100.00%

