

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-240008

CASCADE NATURAL GAS CORPORATION

**FOURTH EXHIBIT (CONFIDENTIAL) TO THE
DIRECT TESTIMONY OF KIRSTI B. HOURIGAN**

**SHADED INFORMATION IS DESIGNATED AS
CONFIDENTIAL PER PROTECTIVE ORDER IN
DOCKET UG-240008**

**REDACTED
VERSION**

March 29, 2024

2023 Short-term Incentive Plan

PLAN OVERVIEW

The Short-term Incentive Plan (Plan) for non-bargaining employees and identified bargaining employees focuses attention on Company objectives and encourages continued improvement in standards for performance and organizational effectiveness that leads to positive business results.

The Plan is designed to:

- Establish a strong relationship between pay and Company performance
- Provide focus on Company strategic initiatives that increase effectiveness and efficiency
- Deliver labor market competitive rewards that attract, retain and motivate talented employees to higher levels of performance

The efforts of employees, both individually and as team members, are key to this success. The Plan provides an opportunity for employees to receive additional compensation if pre-established financial results are achieved as well as the achievement of important organizational goals. The Plan Year is January 1 through December 31.

ELIGIBILITY

1. Employees are eligible to participate in the Plan if they meet all of the following criteria:

- A. Classified as a regular full-time or regular part-time, bargained or non-bargained employee of:
- Great Plains Natural Gas Co.
 - Intermountain Gas Co.*
 - Montana-Dakota Utilities Co.
 - MDU Resources Group, Inc.
 - WBI Energy, Inc.
 - WBI Energy Transmission, Inc

OR classified as a regular full-time or regular part-time non-bargaining employee of Cascade Natural Gas Corp.

**For Intermountain Gas Co. bargained employees, eligibility is effective 4/24/23.*

- B. Not covered by any other annual incentive plan;
- C. Minimum performance rating of proficient or above; and
- D. Employed on the payment date of the award.

Proration is based on straight time wages while in an eligible status during the Plan Year:

2. Temporary employees and interns who attain regular employment status will be eligible to participate in the Plan on a prorated basis from the start of becoming eligible as described by items 1 A-D above.
3. Transfers
- Employees who transfer between a bargained position at Cascade Natural Gas Corp. or Intermountain Gas Co. (prior to being eligible) and a position covered by

this plan, will be eligible to participate in the Plan on a prorated basis from the start date of becoming eligible as described by items 1 A-D above.

- Employees who transfer between the MDU Resources Regulated Companies and Construction Companies are eligible to participate on a prorated basis from the start becoming eligible as described by items A-D above.
 - Employees who transfer within or between Regulated Companies are eligible to participate on a prorated basis when eligible as described by items A-D above. Proration will additionally be based on goal achievement of each company and employee’s wages and grade at each company. See Addendum C for example proration scenarios.
4. There are three exceptions to the eligibility criteria: 1) termination due to death 2) termination due to disability and 3) termination due to retirement upon attaining age 60 and 10 years of continuous service, unless terminated for cause. Individuals that meet any of these exceptions will qualify for a prorated payout upon termination based on target amounts.

Exceptions to the above eligibility criteria must be authorized by the President & CEO of the Business Unit and the President & CEO of MDU Resources Group, Inc.

PLAN CONCEPT

The Plan is designed to pay out at various levels based on the attainment of specific pre-established goals.

The two items used to determine the incentive compensation award for each eligible participant are:

1. **Funding of awards:** A financial performance target will be used in determining whether or not a payout under the Plan will be made and what level of payout is possible. If the minimum target is not achieved, no payout is possible. See Addendum A for the specific financial measure for each individual Company.
2. **Goals:** Achievement of pre-established goals will determine what portions of funded awards are paid out. See details in Addendum A.

Employees who meet the eligibility criteria (Participants) will receive a payout under this Plan based on the achievement of the various stated goals and pay grade. Any payout under the Plan will be calculated as follows:

Participants’ Base Wages* & Pay Grade	Straight time wages paid in the Plan Year and pay grade on July 1** of the Plan Year, excluding compensation for commissions, bonuses or other pay
	<i>multiplied by</i>
Funding Percentage	Funding level attained based on the financial performance

multiplied by

Goal Achievement Percentage of goal achievement

**Uniformed Service Employment and Reemployment Rights Act (USERRA) and Company policy will determine eligible wages for employees on active military leave for exempt and non-exempt employees.*

**Exceptions to July 1st are noted in the Eligibility section above. When transferring:

Before July 1

- Former Company uses your grade on your termination date with them.
- New Company uses your grade as of July 1

After July 1

- Former Company uses your grade on July 1
- New Company uses your grade as of your start date with them.

PAYMENT TIMING

Payments earned (less applicable taxes) under this Plan shall be paid as soon as practicable following the Plan Year, but in all events will be paid by March 10.

OTHER PAYOUT INFORMATION

A payout under the Plan will require overtime pay earned during the Plan Year to be recalculated in accordance with the Fair Labor Standards Act. Overtime pay will be based on the W-2 year.

PLAN CONTINUATION & PAYMENT

Major unforeseen changes in economic conditions or other factors beyond the control of management may require adjustment of the Company goals as it relates to this Plan. The decision on any adjustments or payment rests with the President & CEO of the Business Unit, with the concurrence of the President & CEO of MDU Resources Group, Inc.

The future of the Plan, in its present form, or with changes, is unknown at the present time and will depend on both the results achieved as well as employee response to the Plan.

The decision to continue the Plan, change the Plan, or to discontinue the Plan is at the discretion of the President & CEO of the Business Unit and the President & CEO of MDU Resources Group, Inc.

This Plan does not create an employment contract between the Company and any Participant nor is it a guarantee of employment by the Company to any Participant.

CONFIDENTIALITY

The Plan and the financial performance targets are designed for Company use only, are deemed confidential and are not to be discussed or shared outside the Company.

2023 Short-Term Incentive Plan Addendum A.3

Plan details for eligible employees of MDU Utilities Group in Pay Grades 29-38, and bargained employees, as of July 1 of the Plan Year.

CONFIDENTIALITY

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Plan Payout

FUNDING OF AWARDS

Financial performance is used to determine the level of funding available for potential payout. Achievement is measured by comparing the actual results of the financial performance measure to the targeted levels.

At least 90% of the financial goal must [REDACTED].

[REDACTED]

[REDACTED]			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Financial Performance Goal

[REDACTED]

[REDACTED]

Generally Accepted Accounting Principles (GAAP) Earnings before discontinued operations plus earnings/losses from any operations discontinued after December 31, 2022 and adjustments approved by the Compensation Committee to remove:

- The effect on earnings from asset sales/dispositions/retirements
- The effect on earnings from Corporate transaction costs incurred for acquisitions, divestitures, mergers, spin-offs, or other strategic transactions, including differences in interest costs from that assumed in the original Plan
- The effect on earnings from unanticipated changes and interpretations of tax laws
- The effect on earnings of corporate overhead allocation differences

GOAL ACHIEVEMENT

[REDACTED]

[REDACTED]

- **O & M Expense Goal**

Every employee has the ability to affect O&M. Containing our costs helps to keep our customers' costs down. The O&M Expense [REDACTED]. Employees are expected to work together to continuously seek efficiencies that control costs normally part of the budget process such as labor, benefits, travel, supplies, office, plant maintenance, etc. The O&M Expense Goal is based on GAAP O&M, excludes incentive costs, and will be measured against actual GAAP O&M, excluding incentives. O&M Expense Goal will be adjusted for the applicable adjustments approved by the Compensation Committee as noted in the financial performance goal above. [REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Note, this goal is successful when results are LESS than the target amount. Table is abbreviated to illustrate plan concept. There is prorating between achievement levels (interpolation). Results will be rounded.

- **Operational Goal**

Customer Service Goal – Our employees are the front line in customer satisfaction. Whether interacting directly with a customer, providing the services to the customer, or supporting these employees and co-workers, we all affect the customer experience. [REDACTED]

- **Cyber Security Goal**

Employees are the first line in securing our systems. This protects our customers' information, as well as our physical systems that heat and/or power our customers' homes. It is estimated that 90% of breaches start with a phishing hack. Controlled phishing tests allow us to see how we are doing and point out weaknesses that need to be addressed. [REDACTED]

2023 Short-Term Incentive Plan Addendum A.4

Plan details for eligible employees of MDU Utilities Group in Pay Grades 39-42 as of July 1 of the Plan Year.

CONFIDENTIALITY

The Plan and the financial performance targets are designed for Company use only, are deemed confidential and are not to be discussed or shared outside the Company.

Plan Payout

FUNDING OF AWARDS

Financial performance is used to determine the level of funding available for potential payout. Achievement is measured by comparing the actual results of the financial performance measure to the targeted levels.

A table with 4 columns and 5 rows. The top row is mostly blacked out, with some grey shading. The remaining rows are white with black borders, but the content is redacted.

between achievement levels (interpolation). Results will be rounded.

Financial Performance Goal



Generally Accepted Accounting Principles (GAAP) Earnings before discontinued operations plus earnings/losses from any operations discontinued after December 31, 2022 and adjustments approved by the Compensation Committee to remove:

- The effect on earnings from asset sales/dispositions/retirements
- The effect on earnings from Corporate transaction costs incurred for acquisitions, divestitures, mergers, spin-offs, or other strategic transactions, including differences in interest costs from that assumed in the original Plan
- The effect on earnings from unanticipated changes and interpretations of tax laws
- The effect on earnings of corporate overhead allocation differences

GOAL ACHIEVEMENT

If the minimum financial performance target of 90% is achieved, and therefore funding is available, the Participants' goal achievement will be determined based on the following:



• **O & M Expense Goal**

Every employee has the ability to affect O&M. Containing our costs helps to keep our customers' costs down. The O&M Expense [redacted]. Employees are expected to work together to continuously seek efficiencies that control costs normally part of the budget process such as labor, benefits, travel, supplies, office, plant maintenance, etc. The O&M Expense Goal is based on GAAP O&M, excludes incentive costs, and will be measured against actual GAAP O&M, excluding incentives. O&M Expense Goal will be adjusted for the applicable adjustments approved by the Compensation Committee as noted in the financial performance goal above. [redacted]

[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

Note, this goal is successful when results are LESS than the target amount. Table is abbreviated to illustrate plan concept. There is prorating between achievement levels (interpolation). Results will be rounded.

• **Operational Goal**

Customer Service Goal – Our employees are the front line in customer satisfaction. Whether interacting directly with a customer, providing the services to the customer, or supporting these employees and co-workers, we all affect the customer experience. [redacted]

• **Cyber Security Goal**

Employees are the first line in securing our systems. This protects our customers' information, as well as our physical systems that heat and/or power our customers' homes. It is estimated that 90% of breaches start with a phishing hack. Controlled phishing tests allow us to see how we are doing and point out weaknesses that need to be addressed. [redacted]

[REDACTED]

[REDACTED]				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]