

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-21 _____

CASCADE NATURAL GAS CORPORATION
THIRD EXHIBIT (NONCONFIDENTIAL) TO THE
DIRECT TESTIMONY OF
JAMES E. KAISER

September 30, 2021



LOCATION: MDU RESOURCES
DATE: 11/9/2020
WRITER: Anne Jones
SUBJECT: Year-end Salary Review

Dave Goodin	Nicole Kivisto	Trevor Hastings	
Jason Vollmer	Peggy Link	Dan Kuntz	Stephanie Barth
Pat Darras	Jay Skabo	Tammy Nygard	Garret Senger
Eric Martuscelli	Hart Gilchrist	Scott Madison	Mark Chiles
Jeff Rust	Rob Johnson	Julie Gerving	

2021 MERIT INCREASE GUIDELINES

The 2021 merit pay budget increases for non-bargained employees of the regulated companies has been approved. Worksheets will be distributed by the HR Department the week of **November 16th**.

Managers are being provided with a 3% budget to work from for annual salary increases. We are asking that teams work within their identified budget dollars. An additional .5% has been reserved for a possible mid-year review focused on affirmative action items, equity concerns and compression issues. A mid-year determination will be made and announced in second quarter.

The budget authorized is calculated from current non-bargained employee salaries. The amount budgeted is by VP Rollup, not necessarily per person and any excess funds could be reallocated based on need. Merit increase should be allocated based on employee performance (merit) and equity (internal and external). While a percentage increase less than 2% should not be used, you and your managers should differentiate exceptional performers, expedite equity, recognize positions that are difficult to fill and address compression issues. **A recommended approach is to start at 2% for all**, then allocate additional dollars to address these items. Any increase causing you to go over budget must be justified on the spreadsheet in the notes section. Strong performers should see a higher increase than an average performer.

Managers should identify year-end promotion requests directly on the salary spreadsheet with justification in the notes column to include additional responsibilities taken on and how the minimum qualifications are met. Non-competitive promotions are typically considered only during the year-end and mid-year salary review and the Workforce Central transaction will be handled by HR.

Employees above the salary range maximum (120% compa) are “red-circled” and ineligible for a base pay increase for 2021 but should be considered for a lump sum bonus. You should only request an exception due to compression or in the case of key high-performing employees as these increases will reduce the available dollars for your other team members. On the bottom of the spreadsheets, we list employees that are ineligible for a year-end salary increase because of a recent promotion, pay adjustment or recent new hire date (hired after July 1). In addition, employees receiving Marginal or Unacceptable performance scores are not eligible for a pay increase. Managers should work with their HR department to put these employees on a Performance Improvement Plan.

I ask each of you to work with your managers **to stay within an overall 3% budget by VP rollup**. Managers will be provided the following guidelines to help promote consistency and ultimately stay within budget when completing their worksheets.

cc: Amanda Ross Jim Kaiser Melinda Steckler

GUIDELINE FOR ALLOCATING 2021 MERIT INCREASE BUDGET

Below are a few bullet points to keep in mind as you complete the salary worksheet for your employees.

- Performance:
 - For employees to be eligible for an increase, a performance appraisal **must** have been completed by October 31, 2020.
 - Performance appraisal scores help identify your strong performers. Be sure to take this into account when giving a percentage increase to employees of similar jobs. Generally, stronger performers should see a larger percentage increase.
 - Employees receiving Marginal or Unacceptable appraisal scores are ineligible for a year-end increase.
- Employees promoted or hired after July 1st are ineligible for a year-end increase and are listed at the bottom of your spreadsheet(s). The salary offered addressed the year-end salary review process.
- Employees with less than an 85% compa are identified in your spreadsheet. Our philosophy is that employees should be at no less than 85% compa within the first year in the position. We understand this might be challenging to attain for 2021 however, please work within your budgets to make progress in this area.
- At the end of each row on the worksheet is a notes/justification column that **must** be completed on promotion requests or increase requests greater than 5%. Promotion justification must include:
 - Confirmation that the employee meets the minimums of the new position; and
 - Description of new or increased responsibilities they have taken on or will take on; and
 - Recent significant accomplishments.
- Managers should complete the salary worksheet and provide to their Vice President for review by **Thursday, November 19, 2020**.

Vice Presidents will review and email their group's completed worksheets to Justin Waldron for MDU Utilities Group, Stacy Fischer for WBI and Brooke Steffes for MDUR no later than **5PM on Tuesday, November 24, 2020**.

2021 PAY STRUCTURE

Below is the MDU Resources pay structure. The structure is common to MDU Resources and their business units. It is reviewed and updated annually based on salary market studies.

Grade	Minimum	Midpoint	Maximum
29	23,200	29,000	34,800
30	26,800	33,500	40,200
31	30,400	38,000	45,600
32	34,800	43,500	52,200
33	40,240	50,300	60,360
34	47,360	59,200	71,040
35	54,240	67,800	81,360
36	63,600	79,500	95,400
37	73,760	92,200	110,640
38	86,800	108,500	130,200
39	108,000	135,000	162,000
40	120,000	150,000	180,000
41	136,000	170,000	204,000
42	152,000	190,000	228,000

SALARY REVIEW PROCESS STEPS FOR MANAGERS AND SUPERVISORS

Review Demographics

- Worksheets are based upon job and pay effective the first paycheck in November.
- Ensure all employees are listed with accurate title, pay grade and rate/salary and appraisal score. Work with your HR Contact regarding changes or updates to this information.

Merit Increases

- Make an increase recommendation by entering a percentage in the Proposed Increase % column. The Salary Increase \$ Value, New 2021 Salary, Compa and Total Dollars Spent will automatically calculate.
- Exceptions to should be infrequent and will require supporting justification in the Notes column.
- We recommend beginning with 2% for each employee then allocating additional dollars for high performers, flight risks, equity concerns, etc.

Lump Sum Bonuses

- These bonuses are part of the budget dollars spent, do not increase base salary and will be paid in January 2021.
- Employees above the 120% pay grade maximum are ineligible for a base pay increase but should be considered for a lump sum. There may be a small number of expectations due to compression or key high-performing employees.
- A lump sum can also be used to improve equity issues between employees in the same job therefore you may consider this option for employees at 117% compa or higher, in lieu of an increase.

Submit Spreadsheets

- Discuss and provide salary recommendations and worksheets to your Vice President (VP) by Thursday, November 19th. VP's will email completed spreadsheets to the HR contact no later than **5PM on Tuesday, November 24th**.

We greatly appreciate your help in completing the worksheets

SALARY REVIEW TIMELINE

- **Week of 11/16** – Salary worksheets and guidelines distributed
- **11/19** – Salary worksheets due to Vice Presidents from Directors/Managers
- **11/24** – All salary recommendations reviewed by VP and emailed to HR contact.
- **Week of 12/14** – Final approval of recommendations by Dave Goodin, Trevor Hastings and Nicole Kivisto.
- **Week of 12/21** – Managers/supervisors communicate salary increase information to employees

Effective Date of 2021 Increases

12/21/20

Check Date Reflecting New 2021 Wage

1/15/21

Co	Alpha Name	Title	Salary	Compa	Grade	PR Score	Proposed % Inc	Salary Increase	Salary	Hourly	Compa	Proposed Luma Sum	Notes & Justification	Title	Date in Curr Job	VP
MDU			163,030.00	0.99	41	3.88	3.00%	4,890.00	167,920.00	80.73		99%			9/17/12	Skabo
MDU			154,560.00	0.94	41	4.17	5.50%	8,500.00	163,060.00	78.39		96%	the same compa as a 6% but recognized		4/16/18	Darras
MDU			150,000.00	0.91	41	3		-	150,000.00	72.12		88%	October. Effective 1/18/21		6/29/20	Martuscelli
MDU			165,480.00	1.00	41	2.98		-	165,480.00	79.56		97%	October. Effective 1/18/21		9/17/12	Martuscelli
MDU			156,730.00	0.95	41	3.77	3.00%	4,700.00	161,430.00	77.61		95%			12/12/16	Gilchrist
MDU			163,270.00	0.99	41	3.32	2.50%	4,080.00	167,350.00	80.46		98%			10/19/15	Skabo
MDU			167,880.00	0.91	42	3.78	3.50%	5,880.00	173,760.00	83.54		91%			7/9/18	Madison
MDU			178,970.00	0.97	42	3.83	3.00%	5,370.00	184,340.00	88.63		97%			5/15/20	Darras
MDU			162,750.00	0.88	42	3.83	3.50%	5,700.00	168,450.00	80.99		89%			1/28/19	Chiles
MDU			190,520.00	1.03	42	3.88	3.00%	5,720.00	196,240.00	94.35		103%			4/16/18	Darras
MDU			197,110.00	1.07	42	4.8	5.53%	10,890.00	208,000.00	100.00		109%	10,000.00		9/17/12	Skabo
MDU			167,770.00	0.91	42	3.78	3.00%	5,030.00	172,800.00	83.08		91%			12/25/17	Skabo
MDU			182,430.00	0.99	42	3.83	3.00%	5,470.00	187,900.00	90.34		99%			12/24/18	Darras
MDU			160,500.00	0.87	42	3.65	3.50%	5,620.00	166,120.00	79.87		87%			6/10/19	Nygaard
MDU			168,310.00	0.91	42	4	3.50%	5,890.00	174,200.00	83.75		92%			7/23/18	Madison
MDU			157,590.00	0.85	42	3.52	3.00%	4,730.00	162,320.00	78.04		85%	Recommend 2% - low compa		6/24/19	Skabo
MDU			190,000.00	1.03	42	4.03	5.30%	10,070.00	200,070.00	96.19		105%	of executive compensaiton. Jim to		6/11/18	Jones
MDU			178,900.00	0.97	42	3.78	3.00%	5,370.00	184,270.00	88.59		97%			12/14/15	Darras
MDU			176,950.00	0.96	42	3.83	3.00%	5,310.00	182,260.00	87.63		96%			12/24/18	Gilchrist
MDU			175,580.00	0.95	42	3.78	3.00%	5,270.00	180,850.00	86.95		95%			12/10/18	Darras
MDU			165,720.00	0.90	42	3.97	4.50%	7,460.00	173,180.00	83.26		91%			5/31/18	Martuscelli
MDU			187,110.00	1.01	42	4	4.50%	8,420.00	195,530.00	94.01		103%			3/9/15	Martuscelli
MDU			165,000.00	0.89	42	4.13	3.50%	5,780.00	170,780.00	82.11		90%			9/30/19	Senger
MDU			157,250.00	0.85	42	3.96	3.50%	5,500.00	162,750.00	78.25		86%	Recommend 3% - low compa		1/6/20	Madison
MDU			168,880.00	0.91	42	3.58	3.00%	5,070.00	173,950.00	83.63		92%			12/10/18	Darras

49,169,542.39

1,591,876.44

48,500.00

	Total Salary	3% Budget	Spent	Actual %
Chiles	7,325,830.40	219,774.91	234,512.40	3.20%
Darras	7,996,564.87	239,896.95	270,120.96	3.38%
Gilchrist	3,429,873.20	102,896.20	102,661.80	2.99%
Jones	587,120.00	17,613.60	30,480.00	5.19%
Kivisto	60,840.00	1,825.20	1,830.00	3.01%
Link	1,197,210.00	35,916.30	46,530.00	3.89%
Madison	2,193,816.80	65,814.50	71,673.20	3.27%
Martuscelli	12,135,315.84	364,059.48	378,573.28	3.12%
Nygaard	3,286,850.40	98,605.51	107,909.60	3.28%
Senger	955,280.00	28,658.40	31,150.00	3.26%
Skabo	9,509,379.20	285,281.38	349,440.40	3.67%
Vollmer	491,461.68	14,743.85	15,494.80	3.15%
Total	49,169,542.39	1,475,086.27	1,640,376.44	3.34%

	Total Salary	3% Budget	Spent	\$<>	Actual %
MDU	49,169,542.39	1,475,086.27	1,640,376.44	(165,290.17)	3.34%
Total	49,169,542.39	1,475,086.27	1,640,376.44	47,529,165.95	3.34%

Co	Alpha Name	Title	Salary	Compa	Grade	PR Score	Proposed % Inc	Salary Increase	Salary	Hourly	Compa	Proposed Lump Sum	Notes & Justification	Title	Date in Curr Job	VP
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	Total Salary	3% Budget	Spent	Actual %
Chiles	1,220,282.80	36,608.48	36,847.20	3.02%
Darras	2,182,944.40	65,488.33	72,055.60	3.30%
Gilchrist	337,390.00	10,121.70	7,860.00	2.33%
Jones	198,440.00	5,953.20	0.00	0.00%
Madison	2,357,202.66	70,716.08	81,597.34	3.46%
Martuscelli	4,005,861.04	120,175.83	149,620.16	3.74%
Nygard	1,096,463.52	32,893.91	28,787.60	2.63%
Total	11,398,584.42	341,957.53	376,767.90	3.31%

	Total Salary	3% Budget	Spent	\$<>	Actual %
CNG	11,398,584.42	341,957.53	376,767.90	(34,810.37)	3.31%
Total	11,398,584.42	341,957.53	376,767.90	11,021,816.52	3.31%

Note: NQDCP Participants are not included as they are part of a separate salary review process.

Ineligible

CNG		92,000.00	0.87	38	3	-	92,000.00	44.23	85%	Date of Last Raise	8/3/20	Madison
CNG		77,250.00	0.99	36	3	-	77,250.00	37.14	97%	Date of Last Raise	10/12/20	Martuscelli
CNG		91,500.00	1.00	37	3.23	-	91,500.00	43.99	99%	Date of Last Raise	8/31/20	Madison
CNG		103,000.00	0.97	38	#N/A	-	103,000.00	49.52	95%	Date of Last Raise	10/26/20	Martuscelli
CNG		58,500.00	0.87	35	#N/A	-	58,500.00	28.13	86%	Hired >7/1	10/12/20	Martuscelli
CNG		63,000.00	0.93	35	#N/A	-	63,000.00	30.29	93%	Hired >7/1	10/20/20	Martuscelli
CNG		73,000.00	1.08	35	#N/A	-	73,000.00	35.10	108%	Date of Last Raise	8/31/20	Martuscelli

Co	Alpha Name	Title	Salary	Compa	Grade	PR Score	Proposed % Inc	Salary Increase	Salary	Hourly	Compa	Proposed Luno Sum	Notes & Justification	Title	Date in Curr Job	VP	
IGC			127,250.00	0.98	39	3.95	3.00%	3,820.00	131,070.00	63.01	97%				6/22/08	Martuscelli	
IGC			114,930.00	0.88	39	3.05	3.00%	3,450.00	118,380.00	56.91	88%				11/17/14	Martuscelli	
IGC			125,200.00	0.96	39	3.75	3.00%	3,760.00	128,960.00	62.00	96%				7/19/10	Martuscelli	
IGC			126,250.00	0.97	39	4	3.00%	3,790.00	130,040.00	62.52	96%				10/29/18	Martuscelli	
IGC			129,030.00	0.99	39	3.1	3.00%	3,870.00	132,900.00	63.89	98%				7/19/10	Martuscelli	
IGC			120,560.00	0.93	39	3.3	4.00%	4,820.00	125,380.00	60.28	93%				5/13/19	Madison	
IGC			135,480.00	0.93	40	3.37	2.00%	2,710.00	138,190.00	66.44	92%				11/17/16	Nygaard	
IGC			129,730.00	0.89	40	4.12	4.00%	5,190.00	134,920.00	64.87	90%		"go to" person in the Western Region		12/9/19	Jones	
IGC			146,300.00	0.89	41	3.77	3.50%	5,120.00	151,420.00	72.80	89%				1/1/19	Chiles	
IGC			190,410.00	1.03	42	3.8		-	190,410.00	91.54	100%	1,000.00	lump sum per Craig Pulley.		9/17/12	Martuscelli	
IGC			185,240.00	1.00	42	3.45	4.00%	7,410.00	192,650.00	92.62	101%				9/17/12	Martuscelli	
			7,537,869.12					255,918.48					5,000.00				

	Total Salary	3% Budget	Spent	Actual %
Chiles	539,760.00	16,192.80	19,950.00	3.70%
Darras	819,505.52	24,585.17	21,824.48	2.66%
Gilchrist	250,635.00	7,519.05	8,835.00	3.53%
Jones	264,680.00	7,940.40	10,590.00	4.00%
Madison	1,043,976.40	31,319.29	34,160.00	3.27%
Martuscelli	3,702,933.80	111,088.01	139,977.40	3.78%
Nygaard	916,378.40	27,491.35	25,571.60	2.79%
Total	7,537,869.12	226,136.07	260,918.48	3.46%

	Total Salary	3% Budget	Spent	\$<>	Actual %
IGC	7,537,869.12	226,136.07	260,918.48	(34,782.41)	3.46%
Total	7,537,869.12	226,136.07	260,918.48	7,276,950.64	3.46%

Note: NQDCP Participants are not included as they are part of a separate salary review process.

Ineligible

IGC			111,800.00	0.86	39	3.15		-	111,800.00	53.75	83%		Date of Last Raise		9/7/20	Martuscelli
IGC			76,001.12	0.97	36	#N/A		-	76,001.12	36.54	96%		Hired >7/1		9/21/20	Darras
IGC			64,000.00	0.95	35	#N/A		-	64,000.00	30.77	94%		Hired >7/1		9/14/20	Martuscelli