

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-260127

CASCADE NATURAL GAS CORPORATION

DIRECT TESTIMONY OF ROXANNE M. ROERICK

May 29, 2026

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<u>Exhibit</u>	<u>Description</u>
Exh. RMR-2	Washington Job Openings and Labor Turnover
Exh. RMR-3C	Mercer Pulse Survey for 2025
Exh. RMR-4C	2025 Year-end Salary Review Memo Guidelines
Exh. RMR-5C	Mercer Pulse Survey for 2026
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Exh. RMR-7C	2025 Short-Term Incentive Plans
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Exh. RMR-9	Employers Project 10% Jump in Health Care Cost for 2026
Exh. RMR-10	Employers Project 8%-9% Rise in Health Care Cost for 2025

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Roxanne M. Roerick, and my business address is 1200 West Century
4 Avenue, Bismarck, North Dakota 58506

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

6 A. I am employed by MDU Resources Group, Inc. (“MDU Resources”), as a Director of
7 Human Resources. My primary responsibilities include leading and administering
8 MDU Resources’ and its various subsidiaries, including Cascade Natural Gas
9 Corporation’s (“Cascade” or “Company”), compensation philosophy, the active
10 employee and retiree health and welfare benefit plans, 401(k) retirement plans, and
11 frozen pension plans.

12 Q. Please briefly describe your educational background and professional experience.

13 A. I graduated from Minnesota State University Moorhead in 1999 with a bachelor’s
14 degree in business administration. I have been a certified Human Resources
15 Professional by the Society of Human Resources Management since 2014, as well as a
16 Professional in Human Resources by Human Resources Certification Institute, and a
17 Certified Plan Sponsor Professional by the American Retirement Association and the
18 Plan Sponsor Council of America.

19 I have worked in the human resources field for 25 years and have held a variety
20 of positions of increasing responsibility since joining MDU Resources in 2009. My
21 career at MDU Resources and Montana-Dakota Utilities Co., a subsidiary of MDU
22 Resources, has included the roles of Benefits Analyst, Senior Human Resources
23 Generalist, Senior Compensation Analyst, and Manager of Human Resources.

1 Currently, as Director of Human Resources, I lead the Company's compensation and
2 benefits strategy, ensuring competitive and equitable total rewards.

3 **II. SCOPE AND SUMMARY OF TESTIMONY**

4 **Q. What is the purpose of your Direct Testimony in this docket?**

5 A. My Direct Testimony provides an overview of Cascade's process for setting total
6 compensation for its employees, including both base pay and incentive compensation.
7 My Direct Testimony also supports Cascade's proposed proforma adjustment of 2026
8 and 2027 wage and 401(k) increases for bargained and non-bargained employees
9 presented in the Direct Testimony of Jacob A. Darrington (Exhibit JAD-1T).
10 Additionally, my testimony will support Cascade's proposed restating adjustments for
11 2025 union wages and for 2025 incentive compensation which are also presented in
12 Exhibit JAD-1T.

13 **Q. Please summarize your Direct Testimony.**

14 A. My Direct Testimony covers many aspects of how the Human Resources Department
15 ensures Cascade maintains an excellent workforce. I will describe the current labor
16 market in Washington and how Cascade addresses recruitment, retention, and
17 engagement challenges. I also address how MDU Resources, the MDU Utilities Group,
18 and Cascade are controlling costs and managing open positions while maintaining safe
19 and reliable service for customers. Next, I share MDU Resources' compensation
20 philosophy and how it effectively utilizes a combination of base pay and at-risk pay to
21 attract, retain, and engage employees, thus providing safe and reliable service that is

1 also affordable for customers. Finally, I will describe the benefit plans provided to
2 employees and how they effectively attract, retain, and engage employees.

3 **Q. Are you sponsoring any exhibits in this proceeding?**

4 A. Yes, I sponsor the following exhibits:

- 5 • Exh. RMR-2 Washington Job Openings and Labor Turnover
- 6 • Exh. RMR-3C Mercer Pulse Survey for 2025
- 7 • Exh. RMR-4C 2025 Year-end Salary Review Memo Guidelines
- 8 • Exh. RMR-5C Mercer Pulse Survey for 2026
- 9 • Exh. RMR-6C 2026 Year-end Salary Review Memo Guidelines
- 10 • Exh. RMR-7C 2025 Short-Term Incentive Plans
- 11 • Exh. RMR-8C 2026 Short-Term Incentive Plans
- 12 • Exh. RMR-9 Employers Project 10% Jump in Health Care Cost for
13 2026
- 14 • Exh. RMR-10 Employers Project 8%-9% Rise in Health Care Cost for
15 2025

16 III. CASCADE'S LABOR MARKET

17 **Q. What are the key labor market issues Cascade is facing?**

18 A. Key labor market challenges Cascade is facing include the need to attract and retain
19 qualified individuals. The labor market has made it more challenging for the Company
20 to hire qualified employees, and the competition for qualified applicants is prevalent.
21 Since the last general rate case, Docket UG-240008, the entire state of Washington has
22 seen a steady decline in the total number of job openings since the end of 2025. The

1 number of separations, new hires, and employment terminations within the state of
2 Washington has slightly decreased since the end of 2025, as shown in Exhibit RMR-2.

3 **Q. How have these labor market changes impacted Cascade's ability to hire and**
4 **retain qualified employees?**

5 A. Cascade provides an essential service to its customers and must maintain high-quality,
6 safe, and reliable service regardless of the economics existing in the industry or labor
7 market. Cascade has reinforced its goal to attract and retain highly skilled employees
8 despite current and recent economic conditions and continues to invest significantly in
9 employees' training and development for both professional and technical teams.
10 Employees with long tenures are seeking retirement, and it is a top priority of the
11 Company to attract and retain talent for those vacant positions. The lower
12 unemployment rate reduces the number of qualified applicants, which increases the
13 competition for talented and skilled workers. Although the number of organizations
14 providing telecommuting options for their corporate, shared services, and
15 administrative employees has decreased, applicants still desire these types of work
16 arrangements. In order to remain a top choice for candidates, the Company provides
17 this option where it works within the work groups; however, not all requests can be
18 met. Also, Washinton's minimum salary requirement increases the Company's labor
19 costs and creates inequity with employees in similar jobs, but different states. This

1 results in Cascade being forced to increase wages to be competitive in the labor market
2 and retain current talent.

3 **Q. How does the Company manage open positions caused by employee turnover in**
4 **an effort to keep costs low?**

5 A. When an employee’s resignation or retirement results in an open position, the first step
6 is for local leadership to assess whether the work done by that position could be
7 permanently transferred to other positions within the organization, whether because of
8 technological advancements or other factors. If the answer is “yes,” then the position
9 will not be backfilled. If the answer is “no,” then local leadership will work with senior
10 leadership and human resources to backfill the role. If the answer is “maybe” or
11 “temporarily,” then the position can be held to determine if long-term needs require the
12 position to be backfilled.

13 **Q. How does the Company ensure it attracts and retains qualified employees and**
14 **encourages employee engagement?**

15 A. As discussed in the Direct Testimony of Stephanie A. Sievert (Exhibit SAS-1T), in
16 2025 the Company introduced the CORE strategy, which is central to guiding business
17 priorities and culture. As part of this strategy, a new short-term incentive plan was
18 implemented with metrics directly aligned to CORE goals. The “E” in CORE stands
19 for “Employee Driven,” reflecting the Company’s commitment to be an employer of
20 choice. This includes fostering a workplace culture defined by collaboration, creativity,
21 respect, and strong employee engagement.

22 To meet this goal, the Company has enhanced its total compensation offerings,
23 including expanded use of sign-on bonuses, up-front vacation banks to recruit new

1 employees, and increased Company 401(k) plan match from a maximum contribution
2 of three percent of salary to four percent of salary. Ongoing research into employee
3 preferences ensures that compensation and benefits programs continue to evolve with
4 workplace needs. These initiatives are not only competitive but also strategic as they
5 are designed to attract and retain top talent while promoting engagement and
6 performance, all in alignment with the CORE strategy.

7 **Q. Please explain the Company's CORE strategy.**

8 A. The CORE Strategy is designed to deliver sustained value to customers through four
9 focus areas: Customers and Communities, Operational Excellence, Returns Focused,
10 and Employee Driven. Each element works together to ensure the Company provides
11 safe, reliable, and affordable service.

12 For customers, this means a continued emphasis on delivering best-in-class
13 customer satisfaction, maintaining rates below the national average, and supporting the
14 vitality of local communities. The CORE Strategy also prioritizes safety—for both
15 employees and systems—and reinforces operational efficiency by keeping operations
16 and maintenance costs below peer utility averages.

17 A key driver of CORE's success is the "Employee Driven" component, which
18 underscores the importance of attracting, retaining, and developing a high-performing
19 workforce. By investing in employees through compensation, benefits, and

1 development opportunities, the Company increases engagement and performance—
2 directly contributing to service quality and reliability.

3 Ultimately, the CORE Strategy supports a cycle of continuous improvement
4 that benefits customers, employees, and the communities the Company serves.

5 **IV. CASCADE’S CASH COMPENSATION PROGRAM**

6 **Q. Please describe Cascade’s compensation philosophy.**

7 A. Cascade’s approach to employee compensation is designed to minimize costs while
8 allowing the Company to attract and retain the qualified employees necessary to deliver
9 safe and reliable service to its customers. To do this, three basic principles are applied.

10 First, the Company has adopted a Total Rewards philosophy, which provides
11 employees with a Total Rewards package. The Total Rewards package includes both
12 total cash compensation and benefits. The two key components of total cash
13 compensation are base pay and incentive compensation.

14 Second, the Company compares its base pay and at-risk incentive compensation
15 with the relevant labor market and seeks to set total cash compensation at the market
16 average for comparable jobs. The market for employees with the skills and experience
17 required is very competitive in the industry, and therefore Cascade must provide the
18 same general total cash compensation and benefits as those that are included in the
19 packages provided by the Company’s competitors for labor.

20 Third, the Company believes that a certain percentage of each employee’s
21 market compensation should be “at-risk” to encourage employee engagement and
22 reward employees for their role in effectively operating the business. Accordingly, in

1 addition to base wages, employees have the opportunity to receive total cash
2 compensation at the market average under a short-term incentive plan.

3 **Q. How does Cascade determine the market average for the base pay and pay-at-risk**
4 **components of total cash compensation?**

5 A. The Company researches and obtains industry salary data when market pricing
6 individual positions. This data comes from many reliable sources, including the
7 American Gas Association, Mercer, Willis Towers Watson, and Kenexa Compensation
8 Analyst. Specifically, the Company analyzes the median base pay and target incentive
9 compensation from these sources to determine an appropriate market wage. These
10 sources are industry standards, and Cascade's peer utilities rely on the same or similar
11 data for their compensation programs.

12 **Q. How does Cascade's total cash compensation package benefit customers?**

13 A. Cascade's base compensation benefits are designed to benefit customers by effectively
14 meeting the Company's employees' needs. Specifically, to ensure customers continue
15 to receive safe and reliable service, Cascade's employees must be compensated fairly
16 and competitively.

17 Additionally, Cascade's short-term incentive compensation plan benefits
18 customers by creating incentives for employees to focus on key objectives such as high-
19 quality customer service, operational efficiencies, safety, and cyber security. Using
20 incentive compensation as a component of total cash compensation also allows Cascade
21 to be competitive in the labor market with lower fixed costs (base pay). Ultimately,

1 utilizing both base pay and incentive compensation encourages employees to focus on
2 the key metrics that benefit customers.

3 **A. Base Pay – Non-Bargained Employees**

4 **Q. How does Cascade determine annual base pay increases for non-bargained**
5 **employees?**

6 A. The Company allocates a share of its annual salary budget for merit-based
7 compensation increases. In the second quarter of each year, the Company creates a
8 budget for non-bargained employee pay increases. The Company reviews available
9 external salary budget surveys and resources to project the salary budget for the
10 following year. MDU Resources’ Chief Human Resources, Administration & Safety
11 Officer (“Chief Human Resources Officer”) provides a recommendation for the
12 subsequent calendar year, subject to approval by MDU Resources’ President and Chief
13 Executive Officer. The salary budget recommendation considers competitive pay,
14 economics, and industry-specific salary budget projections. The recommendation is
15 presented as an all-inclusive percentage that includes merit increases for performance,
16 equity, competitive pay adjustments, and promotions.

17 In the third quarter of each year, the Company finalizes the salary increase
18 budget by reviewing the external survey data for any updates or changes from the
19 second quarter. This is to ensure the Company keeps pace with industry pay and that
20 the adjustments to the salary structure are appropriate. This is an enhancement to the

1 process since the 2022 compensation study completed by Mercer that was referenced
2 in the last rate case testimony, Docket UG-240008.¹

3 Once the budget is approved, MDU Resources' Chief Human Resources
4 Officer publishes guidelines for MDU Resources and its various subsidiaries to follow
5 in allocating the following year's pay increases for non-bargained employees.
6 Managers and supervisors are provided guidelines by Human Resources for how to
7 allocate individual employee salary increases, taking into consideration performance
8 appraisals, pay equity, retention concerns, and other factors.

9 **Q. How were Cascade's 2025 and 2026 non-bargained employee compensation**
10 **determined?**

11 A. The Company administered its process each year as mentioned above. The Company
12 relied on energy industry labor market data published in the 2024 Mercer Pulse Survey
13 (Exhibit RMR-3C). For 2025, the Chief Human Resources Officer published guidelines
14 for the Company's officers to follow in allocating 2025 pay increases for non-bargained
15 employees. The guidelines (Exhibit RMR-4C) provided managers with a 4.5 percent
16 merit-based wage increase budget, plus an additional 0.5 percent to be used during
17 2025 to address pay equity, wage compression, and promotions through off cycle
18 increases.² The MDU Resources' President and Chief Executive Officer and the Chief
19 Utilities Officer approved the 2025 salary recommendations submitted by managers to
20 their officers for the non-bargained employees effective on December 16, 2024. This
21 resulted in a total increase of approximately five percent.

¹ *Wash. Utils. & Transp. Comm'n v. Cascade Nat. Gas Corp.*, Docket UG-240008, Direct Testimony of Kirsti B. Hourigan, Exh. KBH-1T at 8-10 (Mar. 29, 2024); *see also* Docket UG-240008, Exh. KBH-6C(R) (Redacted 2022 Mercer Compensation Study Report).

² Roerick, Exh. RMR-4C at 1.

1 A similar process was taken to determine the 2026 pay increases and allocation
2 of salary dollars to employees. The energy industry’s labor market data published from
3 the Mercer Pulse Survey in July 2025 (Exhibit RMR-5C) supported a 2026 salary
4 budget increase of five percent, inclusive of merit, promotional, and off cycle increases
5 for its non-bargained workforce. Guidelines were provided for leadership on the
6 process (Exhibit RMR-6C). The increases were effective on December 15, 2025. This
7 resulted in a total increase of approximately 4.1 percent. As mentioned in the 2026
8 Year-end Salary Review Memo, leaders were provided 4 percent for the year end
9 process, with an additional 1 percent to address off-cycle increases later in 2026.³

10 The 2027 compensation budget will be determined in a similar fashion to
11 previous years, and will be at least five percent, inclusive of merit, promotions, equity,
12 and off-cycle increases.

13 **B. Bargained Employee Compensation**

14 **Q. Please explain the rationale for bargained employee compensation.**

15 A. The bargained employees at Cascade are represented by the International Chemical
16 Workers’ Union (“Union”) under a collective bargaining agreement (“CBA”). Hourly
17 pay rates and total compensation make up one portion of the CBA. Current CBA for
18 the group has been effective since June 3, 2024. The annual wage increases for the
19 Union are provided in Table 1 below:

20 **Table 1 – Union CBA Wage Increases**

Bargained Group	2024 Wage Increase	2025 Wage Increase	2026 Wage Increase	2027 Wage Increase
International Chemical Workers’ Union	8.50%	6.00%	4.00%	3.50%

³ Roerick, Exh. RMR-6C at 1.

1 The cost of labor has increased in recent years to attract and retain individuals in
2 bargained roles with the skills required to operate and maintain our systems.

3 **C. Incentive Compensation**

4 **Q. Please describe Cascade’s incentive pay plan for its non-bargained employees.**

5 A. MDU Resources and the MDU Utilities Group companies, which include Cascade,
6 utilize the same Short-Term Employee Incentive Compensation Plan (“Plan”). The
7 Plan is available to all employees who are classified as full-time or part-time
8 employees, excluding the bargaining unit at Cascade, and is structured to provide
9 incentive compensation for those employees with satisfactory performance. While the
10 metrics for all MDU Resources companies are combined for purposes of the incentive,
11 Cascade’s metrics are integral to the calculations.

12 The 2025 and 2026 Plans are based on the Company’s CORE strategy, with
13 each independent element of the Plans representing a section of the CORE strategy.
14 The “Customers and Community” element is based on the results of the J.D. Power
15 Gas Utility Customer Service Satisfaction Study (“J.D. Power Study”) and is 10 percent
16 of the total available Plan payout. The “Operational Excellence” element is also
17 10 percent of the total available Plan payout and is measured by the combined incident
18 frequency rate of unplanned service outage events. The “Returns Focused” element is
19 the largest, consisting of 70 percent of the total available payout, and is determined by
20 MDU Resources reaching its target earnings from continuing operations for 2025.
21 Finally, the “Employee Driven” element constitutes 10 percent of the total available
22 payout and is measured by the preventable incident frequency rate of motor vehicle and
23 equipment incidents and how timely incidents are reported. For the 2026 Plan, this
24 measure also includes a Phish Failure Reduction percentage goal. If minimum

1 Company performance is achieved in each area, participating employees may earn
2 between 1.5 and 60 percent of their annual salary under the Plan, depending on their
3 pay grade and the strength of Company performance for the various elements. The 2025
4 and 2026 Short-Term Incentive Plans are included in Exhibit RMR-7C and Exhibit
5 RMR-8C, respectively.

6 **Q. How does the Plan benefit Cascade's customers?**

7 A. The Plan, particularly as revised for 2025, provides benefits to Cascade customers in
8 multiple ways. Most importantly, as described above, 70 percent of the eligible
9 incentive payout is based on Cascade's progress towards reaching its target earnings
10 from continuing operations. This element includes many sub-items such as reduction
11 of operations and maintenance costs and enhancement of employee engagement and
12 performance which are essential to maintaining a stable business operation that can
13 effectively provide safe, reliable, and affordable service to its customers.

14 The remaining 30 percent of the eligible incentive payout is also connected to
15 goals that directly benefit customers. 10 percent of the eligible incentive payout is
16 based upon the Company's employees providing superior customer service, measured
17 by the J.D. Power Study. Another 10 percent of the eligible incentive payout is based
18 wholly on the incident frequency rate of unplanned service outage events with a goal
19 to directly reduce the amount and duration of service interruptions to customers. The
20 final 10 percent of eligible incentive payout is based on employees reducing the number
21 of preventable motor vehicle accidents, which benefits customers by improving the

1 safety of operations for customers and the public, as well as reducing the costs
2 associated with property damage and personal injuries.

3 **Q. How did Cascade account for incentive compensation in this case?**

4 A. Cascade applied a five-year rolling average to normalize non-executive incentive
5 compensation pursuant to the methodology approved in Docket UG-200568, Order
6 05.⁴ As outlined in the Direct Testimony of Jacob A. Darrington (Exhibit JAD-1T),
7 Cascade is not seeking recovery for Executive Incentive Compensation.

8 **Q. Does Cascade's provide incentive pay for its bargained employees?**

9 A. No. Cascade's collective bargaining agreement with the Chemical Workers does not
10 provide the Company's bargained employees to receive benefits under the Plan.

11 **D. Cascade's Adjustments to Wages**

12 **Q. Please summarize Cascade's proposed adjustments to test year wages included
13 in the revenue requirement in this case.**

14 A. To adjust test year wages for this case, Cascade made the following adjustments:

15 • Restate Wages Adjustment (R6): This adjustment annualizes a March 24, 2025,
16 increase to test year wages for union employees based on the 6.0 percent
17 increase included in the collective bargaining agreement. The test year only
18 includes the impact of nine months of the March 24, 2025, increase. Therefore,
19 this adjustment is necessary to reflect the full year impact of the collective
20 bargaining agreement. This adjustment reduces net operating income by
21 \$152,250.⁵

⁴ *Wash. Utils. & Transp. Comm'n v. Cascade Nat. Gas Corp.*, Docket UG-200568, Final Order 05 Rejecting
Tariff Sheets, Authorizing and Requiring Compliance Filing ¶¶ 182-183 (May 18, 2021).

⁵ Darrington, Exh. JAD-7 at 1.

- 1 • Pro Forma Wage & 401(k) Adjustments (P-2 and PR-5): The P-2 adjustment
2 includes (1) the impact of the 2026 4.11 percent wage increases for non-union
3 employees and (2) the impact of the four percent increase for union employees
4 included in the collective bargaining agreement and effective March 23, 2026.
5 The PR-5 adjustment includes the impact of (3) an estimated five percent
6 increase for non-union employees effective December 14, 2026, and (4) the
7 impact of a 3.5 percent increase for union employees included in the collective
8 bargaining agreement and effective March 22, 2027. Included in the 2026 and
9 2027 non-union wage increases are increases associated with MDU Utilities
10 Group and MDU Resources employees that are allocated to Cascade rather than
11 directly assigned. In addition to these wage adjustments, and as explained
12 elsewhere in this testimony, Cascade multiplied the 2026 and 2027 wage
13 increases by nine percent to capture the related increase to 401(k) expense. The
14 results of the P-2 and PR-5 adjustments are a decrease to net operating income
15 of \$1,008,566 and \$1,125,061.⁶

16 All salary increases included in the pro forma for 2026 and 2027 are
17 reasonable when compared to the applicable labor market and are supported by
18 the 2026 Mercer Pulse Survey in Exhibit RMR-5C.

19 **Q. Has Cascade accounted for potential offsetting costs as part of its 2026 pro forma**
20 **wage adjustment?**

21 A. Yes. Cascade's budgeting process for wage increases is comprehensive and accounts
22 for factors that increase and decrease wage-related costs. For example, managers are

⁶ Darrington, Exh. JAD-7 at 2, 4.

1 instructed to account for employees who are ineligible for pay increases due to a recent
2 promotion, new hire, or having received another form of pay adjustment. Employees
3 promoted or hired after September 30 are usually ineligible for a year-end increase, and
4 employees receiving marginal or unacceptable performance review scores are not
5 eligible for pay increases. Salary recovery through attrition offsets costs for the wage
6 adjustment.

7 **Q. Does Cascade propose to include allocated wage increases from affiliate**
8 **companies to Cascade's overall wage expenses?**

9 A. Yes. Since 2018, the MDU Utility Group has been consolidating functions within its
10 three utility companies (including Cascade) to become more efficient at providing safe,
11 reliable, and cost-effective service to customers. This consolidation resulted in several
12 positions transferring from Cascade's headcount to affiliates' headcount. A percentage
13 of these positions continue to service Cascade's business either directly or indirectly
14 through activities that simultaneously benefit Cascade and the other utility companies.

15 **Q. Has the consolidation of operation functions with affiliate companies resulted in a**
16 **decrease in headcount at Cascade?**

17 A. No. Cascade's employee counts have seen minor decreases in recent years; however,
18 Cascade has begun to increase staff to bring new growth projects back in house from
19 contractors; headcounts are returning to levels near levels five years ago.

20 **Q. Please explain why it is appropriate to allocate wage increases from affiliate**
21 **companies to Cascade.**

22 A. Wage increases at Cascade's affiliates follow the same total rewards philosophy as
23 Cascade, and wages for Cascade and its affiliates are determined in the same manner

1 described above. Wage increases for employees at Cascade’s affiliates who have a
2 portion of their time allocated to Cascade increase the total cost of said time that is
3 allocated to Cascade. As such, it is appropriate to allocate a percentage of those
4 increased costs to Cascade.

5 **Q. Is Cascade’s proposed allocation of wage increases consistent with previously**
6 **approved rate treatment?**

7 A. Yes. The Commission has approved this accounting methodology in prior rate
8 proceedings, and Cascade’s proposed pro forma adjustments for wages proposed here
9 are consistent with the Commission’s Order 09 in Docket UG-210755.⁷

10 **Q. Did Cascade’s affiliates experience labor market price increases in 2026?**

11 A. Yes, all Cascade’s affiliate companies experienced labor market increases in 2026.

12 V. BENEFITS

13 **A. Employer-Sponsored Medical Plan**

14 **Q. Please describe Cascade’s health plan benefits for its employees.**

15 A. Cascade utilizes the same health plan package for both its bargained and non-bargained
16 employees. This package includes a health savings account (“HSA”) coupled with a
17 choice of two high-deductible medical plans. Cascade makes a contribution to
18 employees’ HSA accounts in January of each year and prorated contributions for new
19 hires throughout the year. Other insurance offerings include dental, vision,

⁷ *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas Corp*, Docket UG-210755, Final Order 09 Approving and Adopting Settlement Agreement Subject to Conditions ¶¶ 35, 259 (Aug. 23, 2022) (adopting the parties’ proposed settlement).

1 supplemental life, long-term disability, accidental death and dismemberment
2 insurance, and flexible spending plans.

3 **Q. Has the expense of providing Cascade's medical plan increased since Cascade's**
4 **last general rate case?**

5 A. Yes. Cascade's cost to provide its health plan package has increased. Based on
6 budgeting, we are expecting a 5.6 percent increase from 2025 to 2026. This increase is
7 significantly lower than the average increase projected across the United States of
8 approximately 10 percent annually as discussed in Exhibit RMR-9.

9 **Q. Why have costs to provide the medical plan increased?**

10 A. The increases are caused by a combination of many factors, including specialty drugs
11 being made available for conditions that previously had no treatment option and general
12 inflation of medical care.

13 **Q. Is the cost of providing Cascade's medical plan to its employees expected to**
14 **increase in 2026 and 2027?**

15 A. Yes, the cost of the medical plan provided to Cascade's employees is expected to
16 increase approximately 5.6 percent in 2026. For 2027, the Company's estimated
17 increase is 8.5 percent, which is line with the 8 to ten percent projections made for
18 medical plans on a nationwide basis as discussed in Exhibit RMR-9 and Exhibit
19 RMR-10. All welfare plans offered by MDU Resources to Cascade employees are
20 reviewed annually by the MDU Resources Human Resources Department, the MDU
21 Resources Benefits Strategy Committee, and the MDU Resources Employee Benefits
22 Committee. These committees review current and future legal requirements, industry
23 trends, and best practices to ensure the medical plan aligns with the Total Rewards

1 strategy of controlling costs while remaining competitive in the labor market. Potential
2 changes in any given year include increasing the employee share of premiums, as well
3 as changes to deductibles, coinsurance percentages, out of pocket maximums, and
4 treatment coverages under the plan.

5 **Q. What actions have MDU Resources and Cascade taken to limit cost increases to**
6 **the medical plan offered to its employees?**

7 A. Cascade and MDU Resources have successfully implemented various programs to slow
8 cost increases, such as providing employees with a high-deductible health care plan
9 plus health care savings plan, options for free telehealth visits through Healthee for
10 doctor and therapist visits, on-demand on-line therapy options, and a wellness program
11 to help employees prevent diabetes and heart disease.

12 **Q. Is the Company including a pro forma adjustment to capture medical expense**
13 **increases in this case?**

14 A. Yes. As seen in Exhibit JAD-7, “2026 Pro Forma Medical, Dental, & Life Insurance
15 Expense Adjustment” (P-5) and “2027 Pro Forma Medical, Dental, & Life Insurance
16 Expense Adjustment” (PR-6) capture the incremental medical, dental, and life
17 insurance expenses expected in 2026 and 2027, respectively. These adjustments reduce
18 net operating income by \$165,317 and \$264,980, respectively.

19 **B. Company-Sponsored 401(k) Retirement Plan**

20 **Q. Please describe Cascade’s retirement plan benefits for its employees.**

21 A. The primary retirement benefit for Cascade employees is the 401(k) plan administered
22 by MDU Resources. This plan includes a five percent company-paid retirement
23 contribution for all employees hired on or after May 1, 2015, and a sliding scale of

1 larger retirement contributions for employees who were participants in the pension plan
2 that was frozen on September 30, 2012.

3 The Company's 401(k) plan also includes a company "matching contribution"
4 for eligible employees. Effective January 1, 2025, for bargained and non-bargained
5 employees, the plan included an employer match equal to 100 percent of an employee's
6 salary deferrals with the maximum match being four percent.

7 **Q. Is Cascade proposing adjustments to 2026 and 2027 for increased 401(k) expense?**

8 A. Yes. Cascade is proposing an increase to 401(k) expense for 2026 and 2027 based on
9 the 2026 and 2027 wage increases discussed previously in my testimony. To calculate
10 the 401(k) expense increase, Cascade multiplied the 2026 and 2027 wage increases by
11 nine percent, which is the sum of the five percent company-paid contribution and the
12 four percent company-paid match on employee contributions. The impact of these
13 adjustments is included in the wage adjustments discussed previously in my testimony.

14 **VI. CONCLUSION**

15 **Q. Does this conclude your Direct Testimony?**

16 A. Yes.