

**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 STEPHANIE A. SIEVERT**

May 29, 2026

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Exh. SAS-7	Moody's Ratings Action August 15, 2025

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address, and position.**

3 A. My name is Stephanie A. Sievert and my business address is 1200 West Century
4 Avenue, Bismarck, North Dakota 58503. I am the Chief Accounting & Regulatory
5 Affairs Officer for MDU Resources Group, Inc. (“MDU Resources”). Cascade Natural
6 Gas Corporation (“Cascade” or “Company”) is a wholly owned subsidiary of MDU
7 Resources.

8 **Q. Please describe your duties and responsibilities.**

9 A. As Chief Accounting & Regulatory Affairs Officer, I am responsible for providing
10 executive leadership of the accounting and regulatory affairs functions. In addition, I
11 am a member of the Management Policy Committee, which establishes policy and
12 direction for MDU Resources and its subsidiaries.

13 **Q. Please briefly describe your educational background and professional experience.**

14 A. I graduated from the University of North Dakota with a Bachelor of Accountancy
15 degree. I am a certified public accountant. I have worked within the MDU Resources
16 family of companies since June 1996. During my tenure with MDU Resources, I have
17 held positions of increasing responsibility across the company.

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

19 **Q. Please summarize your testimony.**

20 A. My testimony provides an overview of Cascade’s corporate profile and its “CORE”¹
21 strategy and serves as the policy and narrative framework for Cascade’s proposed
22 multiyear rate plan (“MYRP”) in this proceeding. I describe the context in which this

¹ The Company’s “CORE” strategy prioritizes customers and communities, operational excellence, returns focused initiatives, and an employee driven culture.

1 case is filed, explain the strategic considerations shaping the Company’s proposal, and
2 provide a roadmap for how the Washington Utilities and Transportation Commission
3 (“Commission”) may evaluate the testimony and evidence submitted by other
4 Company witnesses.

5 **Q. Please summarize the key themes addressed in your testimony.**

6 A. My testimony addresses four integrated themes:

7 1. Safe and Reliable Service – explaining why continued investment in Cascade’s
8 system is necessary to meet its duty to serve customers throughout its
9 Washington service territory.

10 2. Affordability and Equity – describing how Cascade has institutionalized an
11 equity lens, including structured stakeholder engagement and customer
12 affordability protections.

13 3. Financial Integrity and Regulatory Balance – explaining the importance of
14 timely recovery of prudently incurred costs and avoidance of chronic regulatory
15 lag.

16 4. Decarbonization and Policy Transition – placing Cascade’s compliance with
17 Washington’s climate policies within a reliability- and
18 affordability-constrained framework.

19 I also introduce the Company witnesses and explain how their testimony collectively
20 supports Cascade’s proposal.

21 **Q. Why is it important to evaluate this filing as a coordinated package?**

22 A. Many of the issues before the Commission are interrelated. Infrastructure investment,
23 customer affordability tools, equity considerations, credit quality, and compliance with

1 Washington's evolving policy landscape cannot be assessed effectively in isolation.
2 For example, infrastructure investment supports reliability but also affects customer
3 bills; affordability programs mitigate impacts but must be supported by sustainable
4 utility finances; and policy requirements related to equity and decarbonization
5 influence both cost structures and customer outcomes. I will explain how these
6 elements work together and why the proposed MYRP represents a balanced and
7 reasonable framework when viewed as a whole.

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

9 A. Yes, I sponsor the following exhibits:

- 10 • Exh. SAS-2 S&P Global Ratings Research Update October 10, 2023
- 11 • Exh. SAS-3 S&P Global Ratings Research Update November 8, 2023
- 12 • Exh. SAS-4 S&P Global Ratings Research Update March 30, 2026
- 13 • Exh. SAS-5 Fitch Rating Action Commentary July 25, 2024
- 14 • Exh. SAS-6 Fitch Rating Agency Commentary July 2, 2025
- 15 • Exh. SAS-7 Moody's Ratings Action August 15, 2025

16 **III. OVERVIEW OF CASCADE**

17 **Q. Please briefly provide an overview of the Company.**

18 A. Cascade was originally formed in 1953 to serve small and predominantly rural
19 communities in the Pacific Northwest with natural gas. As of December 31, 2025,
20 Cascade provides natural gas distribution services in 96 communities in Washington
21 and Oregon, serving 322,395 customers, of which 235,856 are in Washington.
22 Cascade's headquarters are located in Kennewick, Washington. Although Cascade
23 serves 68 communities in Washington, most of the communities are quite small. The

1 largest communities served by Cascade in Washington are Bellingham, Mt. Vernon,
2 Bremerton, Tri-Cities, and Yakima.

3 Cascade’s parent company, MDU Resources, reached a significant milestone
4 by celebrating 100 years in business on March 14, 2024. Over the past 100 years, MDU
5 Resources has continued to evolve and grow its utility business, including its 2007
6 acquisition of Cascade. MDU Resources is a pure play regulated energy delivery
7 company, allowing management and the board of directors to focus on the utility and
8 pipeline businesses. The Company has implemented a “CORE” strategy, which
9 prioritizes customers and communities, operational excellence, returns focused
10 initiatives, and an employee driven culture. Achieving 100 years in business at MDU
11 Resources, and over 70 years in business at Cascade, underscores our long-term
12 commitment to doing what’s right for our customers, employees, communities, and
13 shareholders.

14 **IV. CASCADE’S STRATEGIES TO PRIORITIZE EQUITY AND**
15 **AFFORDABILITY**

16 **Q. Please briefly describe the Commission’s directives related to equity and**
17 **affordability in Cascade’s recent rate cases.**

18 A. In the order resolving Cascade’s 2021 general rate case, Docket UG-210755 (“Final
19 Order 09”), the Commission indicated that going forward, it would “apply an equity
20 lens in all public interest considerations[.]”² Consistent with that conclusion, Cascade
21 understands Final Order 09 to require the Company to apply an equity lens in all aspects
22 of its business, as discussed in detail in Exhibit NO-2, the Direct Testimony of Noemi

² *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas Corp.*, Docket UG-210755, Final Order 09 Approving and Adopting Settlement Agreement Subject to Conditions ¶ 58 (Aug. 23, 2022).

1 Ortiz in Docket UG-240008 (“2024 General Rate Case”). In resolving the 2024 General
2 Rate Case, the Commission acknowledged the Company’s progress and directed it to
3 continue “promoting and ensuring more equitable outcomes for customers as directed
4 in Docket UG-210755.”³

5 **Q. How has the Company addressed the Commission’s directives relating to equity**
6 **in this rate case?**

7 A. Cascade has taken concrete steps to embed equity considerations into its governance
8 and decision-making processes. As described in the Direct Testimony of Noemi Ortiz
9 (Exhibit NO-1T), the Company has established and continues to utilize an Equity
10 Advisory Group (“EAG”) to obtain structured stakeholder input, particularly from
11 vulnerable and highly impacted communities. These efforts reflect continuity with
12 commitments made in Cascade’s prior MYRP.

13 **Q. How does equity consideration extend beyond individual programs?**

14 A. Equity at Cascade is not treated as a standalone requirement or a single program.
15 Rather, the Company evaluates policy proposals, customer impacts, and trade-offs
16 across planning and regulatory filings in collaboration with its multiple advisory
17 groups, including the EAG. This governance approach is intended to support
18 transparency, accountability, and continuous improvement, and to invite under-
19 represented members of Cascade’s service territory into the decision-making process.

³ *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas Corp.*, Docket UG-240008, Order 05 Rejecting Tariff Sheets; Approving and Adopting Settlement with Condition; Authorizing and Requiring Compliance Filing ¶ 97 (Feb. 24, 2025).

1 **Q. How do customer programs support affordability in this filing?**

2 A. As discussed in the Direct Testimony of Dan L. Tillis (Exhibit DLT-1T), Cascade
3 maintains a suite of customer protection and affordability programs designed to
4 mitigate bill impacts, particularly for income-qualified customers. These tools are
5 intended to operate alongside the Company's request for rate relief so that customers
6 most sensitive to bill increases remain protected.

7 **Q. Why is affordability integral to the MYRP?**

8 A. Affordability is integral because sustained access to safe and reliable energy is not
9 meaningful if customers cannot reasonably pay for service. Cascade's proposal seeks
10 to align infrastructure recovery with customer protection mechanisms, informed by
11 equity considerations and stakeholder feedback.

12 **Q. How does Cascade's customer satisfaction compare to other similarly situated
13 utilities?**

14 A. Cascade has a consistent track record of high rankings within the J.D. Power
15 Residential Natural Gas Customer Satisfaction Study. In 2025, Cascade was ranked
16 second in overall customer satisfaction in the West Midsize segment, with only five
17 points separating it from the first-place utility, Intermountain Gas Company, which is
18 Cascade's affiliate.⁴ Over the last 14 years, Cascade placed either first or second in the
19 West Midsize segment, ranking first six times and second eight times.⁵

20 Six factors influence a utility's ranking within the study: Safety & Reliability,
21 Billing & Payment, Price, Corporate Citizenship, Communications, and Customer

⁴ Tillis, Exh. DLT-2.

⁵ Tillis, Exh. DLT-2

1 Care.⁶ Cascade’s success within the J.D. Power study is a testament to the commitment
2 of each employee, from the top down, to serve Cascade’s communities. For more
3 details on this, see Exhibit DLT-2, J.D. Power Summary for Cascade Natural Gas,
4 accompanying the Direct Testimony of Dan L. Tillis.

5 **Q. How does the Company’s approach in this case reflect continuity with prior**
6 **Commission expectations?**

7 A. Cascade’s approach reflects continuity by demonstrating how prior commitments—
8 particularly related to equity and customer engagement—have been incorporated into
9 the Company’s ongoing practices. As described by Company witnesses, the Company
10 has moved from establishing these structures to integrating them into its regular
11 decision-making processes. This progression allows the Commission to evaluate both
12 the implementation of prior commitments and their impact on current proposals.

13 **V. REASONS FOR RATE INCREASE REQUEST**

14 **Q. Why is the Company requesting rate relief at this time?**

15 A. Cascade’s request reflects continued investment in infrastructure necessary to maintain
16 safe and reliable service, as well as increases in operating costs and depreciation tied
17 to system improvements. These investments are essential to meeting the Company’s
18 obligation to serve customers.

19 **Q. Please summarize Cascade’s requested increase in this filing.**

20 A. Cascade is proposing a test year of the twelve-month period that ended December 31,
21 2025, including restating and pro-forma adjustments. The filing date of May 29, 2026,
22 ensures that the selected test year is no older than six months from the date initial

⁶ *U.S. Gas Utility Residential Customer Satisfaction Study*, J.D. Power, <https://www.jdpower.com/business/us-gas-utility-residential-customer-satisfaction-study>.

1 testimony is filed, as required by Final Order 09 in Docket UG-210755, Cascade’s 2021
 2 General Rate Case.⁷ The MYRP then includes provisional requests for calendar years
 3 2026 (“Rate Year 1”) and 2027 (“Rate Year 2”). Cascade is seeking to increase
 4 revenues by \$25.1 million in Rate Year 1 and by \$18.1 million in Rate Year 2. This
 5 request represents a revenue increase of 4.87 percent in Rate Year 1 and 3.35 percent
 6 in Rate Year 2. Table 1 shows the rate request for each year of the MYRP.

7 **Table 1 – Cascade’s Proposed Two-Year Rate Plan**

	Test Year (Rates Effective May 1, 2027)	Provisional Plant Year 1 (Rates Effective May 1, 2027)	Total for Rates Effective May 1, 2027	Pro Forma Provisional Year 2 (Rates Effective May 1, 2028)	Provisional Plant Year 2 (Rates Effective May 1, 2028)	Total for Rates Effective May 1, 2028
Revenue Requirement	\$17,657,958	\$7,441,443	\$25,099,401	\$2,395,455	\$15,676,606	\$18,072,061
Base Revenue Increase	9.82%	4.13%	13.94%	1.17%	7.63%	8.80%
Overall Revenue Increase	3.43%	1.45%	4.87%	0.44%	2.90%	3.35%

8 Cascade is obligated to serve persons and businesses with natural gas. The rate increase
 9 requested in this filing is necessary for the Company to continue to meet its obligation
 10 to provide safe and reliable service to its Washington customers through necessary
 11 infrastructure investments, as well as through costs adjustments needed to keep pace
 12 with inflationary pressures, while the Company’s existing customer assistance
 13 programs protect vulnerable customers and help customers maintain access to essential
 14 service without undue financial burden.

⁷ Docket UG-210755, Final Order 09 ¶ 113.

1 **Q. Has the Company calculated the impact of Cascade’s rate request on customers?**

2 A. Yes. Based on an average usage level of 600 therms per year (or an average of
3 50 therms per month), the average residential customer will see a bill increase of
4 \$5.80 per month in Rate Year 1, which equates to an average increase on a residential
5 customer bill of 6.61 percent, and \$3.51 per month in Rate Year 2, which is a
6 3.75 percent increase.

7 **Q. What are the primary drivers of Cascade’s request for a rate increase in this**
8 **filing?**

9 A. The main drivers of the proposed base rate increase in this case are rate base growth
10 driven by additions to plant in service in 2026 and 2027, depreciation expense
11 associated with new investments included in rate base growth, and increased operations
12 and maintenance (“O&M”) expenses. Since Cascade’s filing of the 2024 General Rate
13 Case in March 2024, new plant has been placed in service that was not identified or
14 sufficiently developed since the last general rate case because utility capital planning
15 includes both ongoing programmatic investments and specific projects that arise based
16 on customer growth, system needs, or external requirements. In addition, as projects
17 advance through engineering and construction, cost estimates are refined based on
18 updated designs, contractor bids, and permitting requirements, which can result in
19 higher costs than initially anticipated. The costs to construct, maintain, and operate
20 Cascade’s system have increased in a number of key areas as demonstrated by a
21 comparison between the components of the Company’s revenue requirement filed in
22 the 2024 General Rate Case and the revenue requirement presented in the current filing.
23 Since the filing of the 2024 General Rate Case, Cascade’s Test Year end of period rate

1 base before inclusion of provisional plant has increased by \$143 million, reflecting
2 growth in net plant-in-service of \$118 million. This increased investment in the
3 Company's system leads to a related \$1.5 million increase in annual depreciation
4 expense compared to the 2024 General Rate Case. Most of the growth in rate base is
5 related to the Company's investments in the safe, reliable distribution system that is
6 used to provide energy to customers throughout the year, but especially on the coldest
7 days.

8 **Q. What are the primary drivers in the rate base growth?**

9 A. As further discussed in the Direct Testimony of Patrick C. Darras (Exhibit PCD-1T)
10 and Eric P. Martuscelli (Exhibit EPM-1T), Cascade has made significant investments
11 in capital projects designed to ensure the continued safety, reliability, and regulatory
12 compliance of the natural gas distribution system, as well as to support customer
13 growth and evolving system needs. These investments include both ongoing
14 programmatic projects—such as system safety and integrity initiatives including pipe
15 replacement programs and upgrades to meters and regulators, and technology and asset
16 management systems—and specific capital projects, including system reinforcements,
17 relocations, and capacity expansions, all of which are supported through established
18 project selection and budgeting processes and are necessary to maintain safe, reliable,
19 and efficient service.

20 **Q. Please describe the specific drivers behind the O&M increase and the impact it
21 has on the proposed increase.**

22 A. Total test year O&M expense (after restating and pro forma adjustments) increased by
23 \$4.3 million from the 2024 General Rate Case. The primary driver of this increase was

1 growth in labor and benefit costs. As discussed in the Direct Testimony of Roxanne M.
2 Roerick (Exhibit RMR-1T), attracting and retaining a skilled workforce with
3 competitive pay is crucial for Cascade to construct, operate, and maintain a safe and
4 reliable system.

5 **Q. How has Cascade controlled costs in order to mitigate the impact of rate cases?**

6 A. Since the acquisition of Cascade by MDU Resources, the Company has been part of a
7 process that has resulted in synergistic savings in the form of joint senior management,
8 a unified customer service center, joint billing and payment processing, uniform
9 accounting systems, combined engineering support, and shared information technology
10 resources.

11 Cascade has a history of mitigating increased cost pressures in order to avoid
12 filing general rate cases. In particular, Cascade has a robust budgeting process in place
13 that allows the Company to scrutinize and prioritize not only capital projects but also
14 O&M expenditures as well. The budgeting process starts with managers and directors
15 compiling a budget based on parameters provided by the executive group. These
16 budgets then are reviewed at the officer level and prioritized based on safety and
17 reliability above everything else. Typically, budgets are then reduced to control costs
18 to an acceptable level. There are a number of rounds of review prior to taking a
19 recommended budget to the board of directors for approval. As a result, Cascade has
20 been able to aggressively manage its costs.

21 **Q. What return on equity and capital structure is Cascade proposing in this case?**

22 A. Cascade is proposing a 10.5 percent return on common equity and a capital structure
23 that includes 50.732 percent equity. The capital structure, costs of debt, and common

1 equity result in an overall rate of return requested by Cascade of 7.983 percent. Support
 2 for the rate of return request is provided in the Direct Testimony of Ann E. Bulkley
 3 (Exhibit AEB-1T) and the Direct Testimony of Tammy J. Nygard (Exhibit TJN-1T).

4 **Q. Has the Company historically earned its authorized rate of return?**

5 A. No. Cascade has experienced chronic underearning since 2018 due to its continued
 6 program of capital investment to improve the safety and reliability of the system and
 7 significant regulatory lag. Table 2 below provides the Company’s achieved rate of
 8 return compared to its authorized rate of return based on the Company’s annual
 9 Commission Basis Report. The Company’s achieved rate of return in 2021 improved
 10 with the implementation of new rates; however, the Company’s earnings quickly
 11 deteriorated and remained significantly below its authorized rate of return since that
 12 time. As discussed in the Direct Testimony of Jacob A. Darrington (Exhibit JAD-1T),
 13 the rate of return for 2025 based on actual results of operations was 5.62 percent, while
 14 the rate of return based on adjusted results of operations was 6.20 percent, which are
 15 both well below Cascade’s currently authorized rate of return of 7.185 percent.⁸

16 **Table 2 – Cascade’s Adjusted Results of Operations (*in percentages*)**

Year	2018	2019	2020	2021	2022	2023	2024	2025
Authorized Rate of Return (A)	7.31	7.31	7.24	6.95	6.85	6.85	6.85	7.185
Actual Rate of Return (B)	6.58	5.89	6.19	6.14	5.43	6.37	5.25	5.5
Underearning (B - A)	(0.73)	(1.42)	(1.07)	(0.81)	(1.42)	(.48)	(1.6)	(1.69)

⁸ Docket UG-240008, Order 05 at ¶¶ 50, 141.

1 **Q. Is the Company facing financial challenges?**

2 A. Yes. Cascade's cost of doing business in Washington continues to increase, despite the
3 Company's efforts to control costs and increase efficiency. As previously stated,
4 Cascade has chronically under earned its authorized rate of return.

5 **Q. Why are credit ratings relevant to the Commission's review?**

6 A. The capital-intensive nature of Cascade's business necessitates the ability to obtain
7 funding from the financial markets under reasonable terms at regular intervals. To
8 maintain this access, investors need to understand the risks related to any of their
9 investments. Company witness Ann E. Bulkley explains in Direct Testimony (Exhibit
10 AEB-1T) that the regulatory environment, including the ability to recover costs and
11 earn an authorized return, is a key factor in how investors assess financial risk and a
12 utility's ability to attract capital. To help investors assess the creditworthiness of a
13 company, firms such as S&P Global ("S&P"), Moody's, and Fitch developed their own
14 standardized ratings scales, otherwise known as credit ratings. These credit ratings
15 indicate the creditworthiness of a company and assist investors in determining if they
16 want to invest in a company and its comparative level of risk compared to other
17 investment choices. The credit rating can also affect the type of investor who will be
18 interested in purchasing the debt. Investment risks include, but are not limited to,
19 liquidity risk, market risk, operational risk, regulatory risk, and credit risk. These risks
20 are considered by S&P, Moody's, and Fitch, and investors in assessing Cascade's
21 creditworthiness.

1 **Q. What factors affect a company's credit rating?**

2 A. There is an expectation that companies will meet certain financial performance
3 standards. As discussed in the Direct Testimony of Ann E. Bulkley (Exhibit AEB-1T),
4 credit rating agencies evaluate utilities based on a combination of financial metrics and
5 business risk factors. The expectation for financial performance is measured by the
6 financial and liquidity ratios published by the rating agencies. The Company is doing
7 what it can to improve its financial performance through ongoing cost review
8 initiatives. As discussed in the following rating agencies' analysis, however, another
9 important piece of the rating is based on regulatory factors such as regulatory lag and
10 weak regulatory outcomes. Cascade believes this rate plan provides an excellent
11 opportunity for improvement on both fronts. A financially strong Company will be
12 better positioned to meet the challenges and opportunities of the energy transition,
13 while continuing to provide the safe and reliable service our existing customers depend
14 on. Cascade is confident this rate plan will help stabilize and improve the Company's
15 credit ratings.

16 **Q. What are the rating agencies' analysis and views on Cascade's credit ratings?**

17 A. Ratings agencies have become concerned with Cascade's financial performance. On
18 October 10, 2023, S&P revised its stand-alone credit profile ("SACP") on Cascade
19 downward from BBB to BB+, reflecting expectations that Cascade's stand-alone
20 financial measures will remain consistently below previous levels and noting that
21 "Cascade's financial performance has suffered from weaker regulatory outcomes and
22 significant regulatory lag."⁹

⁹ Sievert, Exh. SAS-2 at 2.

1 In November 2023, S&P lowered their issuer credit ratings on Cascade by one
2 notch from BBB+ to BBB with a Negative Outlook.¹⁰ Even though Cascade’s SACP
3 is BB+, Cascade is viewed as core to MDU Resources.¹¹ As a result, Cascade benefits
4 from the credit rating of the larger organization and is tied to the MDU Resources credit
5 rating of BBB. On March 30, 2026, S&P affirmed their current credit rating on
6 Cascade.¹²

7 Similarly, in July 2024, Fitch Ratings downgraded Cascade’s Issuer Default
8 Rating to BBB from BBB+ with a stable outlook.¹³ Fitch also downgraded Cascade’s
9 short-term rating to F3 from F2 reflecting Fitch’s assessment of the company’s
10 financial structure and operating environment.¹⁴ The report stated the one-notch
11 downgrade reflects weaker leverage measures over the last few years “due to a large
12 capex program coupled with a lack of rate relief[.]”¹⁵ Fitch provided an updated report
13 in July 2025, reaffirming Cascade’s ratings and stating that Cascade’s FFO leverage
14 measures are expected to remain flat at approximately 7.2X through 2025 as capital
15 spending peaks but improve thereafter with timely recovery easing financial
16 pressures.¹⁶ This improvement is contingent on balanced regulatory outcomes and a
17 cadence of rate case filings that mitigate regulatory lag. Fitch expects leverage to
18 strengthen to 5.1X in 2026-2029 but still leaves Cascade’s financial profile below its
19 peers.¹⁷ Fitch also viewed the multi-year rate case process in Washington as a favorable

¹⁰ Sievert, Exh. SAS-3.

¹¹ Sievert, Exh. SAS-3.

¹² Sievert, Exh. SAS-4.

¹³ Sievert, Exh. SAS-5.

¹⁴ Sievert, Exh. SAS-5.

¹⁵ Sievert, Exh. SAS-5 at 2.

¹⁶ Sievert, Exh. SAS-6.

¹⁷ Sievert, Exh. SAS-6.

1 step to help mitigate lag but also noted “Fitch believes the Washington regulatory
2 compact remains challenging[.]”¹⁸

3 MDU Resources and Cascade also received a rating from Moody’s Ratings
4 beginning in 2025. Moody’s assessed Cascade’s ratings as Baa2 with a stable
5 outlook.¹⁹ Moody’s highlighted Cascade’s weakening financial metrics in recent years
6 with the impact of higher gas costs due to market volatility and reduced timeliness in
7 the recovery of certain costs.²⁰ Credit metrics are expected to strengthen moving
8 forward with lower capital spending and timely regulatory recovery.

9 **Q. Does Cascade’s credit rating matter to customers?**

10 A. Yes. It is important for Cascade to maintain an investment grade credit rating so the
11 Company is able to access debt financing at reasonable rates. If Cascade’s credit ratings
12 were to fall below investment grade, it would cause additional harm to the risk
13 perception of the Company in debt capital markets. The Company’s borrowing costs
14 would increase substantially. A downgrade would immediately raise Cascade’s cost on
15 its revolving credit agreement and would increase the cost for future new debt issuances
16 and refinancing of any maturing long-term debt. Given the current outlooks and
17 reference to weaker credit metrics from S&P, Moody’s, and Fitch, the Company is
18 concerned that continued underearning and an adverse regulatory outcome would put
19 additional pressure on its financial metrics and may result in a credit rating downgrade.
20 A downgrade would also negatively impact MDU Resources’ stock price, decreasing
21 the value the Company would receive for issuances in the equity capital markets.

¹⁸ Sievert, Exh. SAS-6 at 6.

¹⁹ Sievert, Exh. SAS-7.

²⁰ Sievert, Exh. SAS-7.

1 Combined, this would increase the weighted average cost of capital used in determining
2 the revenue requirement for customers.

3 **VI. DECARBONIZATION**

4 **Q. Describe Cascade’s business strategy.**

5 A. Cascade strives to be a top performing utility and provide safe, reliable, competitively
6 priced, and environmentally responsible energy services to its customers. The
7 Company focuses on its previously discussed “CORE” strategy, and all these elements
8 must work together to be successful.

9 **Q. How should the Commission view decarbonization in the context of this rate case?**

10 A. Energy is fundamental to support Washington residents and the businesses and
11 industries where they work. Cascade has an ongoing mission to provide safe, reliable
12 energy delivery to its customers. As described in the Direct Testimony of Hart Gilchrist
13 (Exhibit HG-1HCT), this case is being filed within a rapidly evolving regulatory and
14 policy environment driven by Washington’s decarbonization goals, more specifically
15 its greenhouse gas reduction goals, including the Climate Commitment Act. Cascade’s
16 proposal reflects the need to comply with these requirements while continuing to
17 provide safe and reliable service to customers.

18 **Q. How is Cascade balancing decarbonization requirements with its obligation to**
19 **serve customers?**

20 A. Carbon emissions mitigation will only be successful if it can be done in a way that does
21 not diminish the ability of residents, businesses, and industry to access the energy that
22 fuels modern life. Cascade has an important role to play in the achievement of
23 Washington’s decarbonization commitments. The Company is dedicated to utilizing its
24 existing assets and deploying new assets to support statewide decarbonization efforts

1 while also meeting Cascade's duty to serve customers in its Washington service
2 territory. The clean energy transition will require significant investment. It is critical to
3 maintain the safe, reliable natural gas service provided by the Company's existing
4 distribution system.

5 Cascade's intent is to proactively formulate a multi-pronged approach to
6 meeting Washington's climate goals, including purchasing compliance instruments;
7 investing in durable, direct capital investments in decarbonization measures such as
8 renewable natural gas projects; and piloting innovative technologies such as Thermal
9 Energy Network Systems. These initiatives are designed to reduce emissions cost-
10 effectively while maintaining system integrity and ensuring equitable outcomes for all
11 customer classes.

12 VII. INTRODUCTION OF COMPANY WITNESSES

13 **Q. Would you please introduce and provide a brief description of each of the**
14 **witnesses filing testimony on behalf of Cascade in this proceeding?**

15 A. Yes. The following additional witnesses present direct testimony on behalf of Cascade:

- 16 • Noemi Ortiz, Manager of Energy Efficiency Programs for Cascade, presents
17 testimony regarding how Cascade has met its equity and EAG commitments
18 from the prior MYRP settlement in the 2024 General Rate Case, including
19 integrating equity into operations, customer outreach, and regulatory decision-
20 making.
- 21 • Dan L. Tillis, Director of Customer Services for Cascade, presents testimony
22 regarding Cascade's customer service, affordability, and equity-related
23 practices, including compliance with the prior MYRP.

- 1 • Tammy J. Nygard, Controller for MDU Resources, reviews the Company’s
2 capital structure and addresses the Company’s cost of debt and the overall rate
3 of return.
- 4 • Ann E. Bulkley, Principal at The Brattle Group, presents evidence and provides
5 a recommendation regarding the appropriate return on equity for the Company
6 and assesses the reasonableness of its proposed capital structure for ratemaking
7 purposes. Witness Bulkley underscores the importance of maintaining strong
8 credit ratings to ensure affordable access to capital and mitigate financial risk.
- 9 • Michael P. Parvinen, Director of Regulatory Affairs for Cascade, explains
10 Cascade’s proposed MYRP and how it complies with Commission guidance,
11 including public interest, equity, energy burden, earnings tests, and
12 performance measures. He also explains end-of-period rate base treatment and
13 the process for reviewing and recovering plant additions.
- 14 • Jacob A. Darrington, Manager of Regulatory Affairs for Cascade, discusses
15 Cascade’s proposed revenue requirement and supporting calculations.
- 16 • Ronald J. Amen, Atrium Economics, LLC, presents the Company’s load study,
17 cost of service study, proposed rate design, and resulting customer bill impacts.
- 18 • Patrick C. Darras, Vice President of Engineering, Operations Services and
19 Compliance for Montana-Dakota Utilities Co., describes Cascade’s capital
20 project selection and budgeting processes and provides detailed support for the
21 Company’s capital investments placed in service since the last rate case and
22 planned through the forecast test year.

- 1 • Eric P. Martuscelli, Vice President of Field Operations & Customer Experience
2 for Montana-Dakota Utilities Co., discusses Cascade’s operational priorities
3 and capital investments strategy related to growth installation and replacement
4 projects as well as fleet services.
- 5 • Zachary L. Harris, Manager of Regulatory Affairs for Cascade, provides an
6 overview of Cascade’s rate design, and its updates to the Company’s
7 decoupling mechanism and margin revenue per customer. His testimony also
8 addresses proposed revisions related to renewable natural gas cost recovery
9 adjustment and customer bill impacts.
- 10 • Hart Gilchrist, Vice President of Business Development and External Affairs
11 for Cascade, explains the regulatory and policy landscape in which this rate case
12 is being filed and describes Cascade’s balanced approach to decarbonization—
13 combining compliance measures, capital investments, and operational
14 strategies—to meet policy requirements while maintaining reliable and
15 affordable service to customers.
- 16 • Patrick Kinney, Thermal Energy Network Manager for Cascade, leads the
17 Company’s efforts to identify, evaluate, and develop thermal energy networks,
18 and discusses the Company’s proposed thermal energy network pilot project
19 and how projects such as this align with Cascade’s longer-term planning and
20 regulatory objectives.
- 21 • Roxanne M. Roerick, Director of Human Resources for MDU Resources,
22 focuses on Cascade’s labor market conditions, employee compensation

1 programs, and benefits offerings, and supports the reasonableness of the
2 Company's proposed wage and benefit costs in the test year.

- 3 • Brian L. Robertson, Manager of Supply Resource Planning for Cascade,
4 explains and supports Cascade's weather-normalization methodology,
5 demonstrating that normalized billing determinants better reflect expected
6 average weather conditions and ensure rates are set on a representative and
7 reasonable basis.
- 8 • Jennifer G. Gross, Manager of Regulatory Affairs for Cascade, describes
9 Cascade's proposed annual performance measures and the Tariff changes
10 resulting from this proceeding.

11 **VIII. CONCLUSION**

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

13 **A. Yes.**