

**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 TAMMY J. NYGARD**

**May 29, 2026**

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**LIST OF EXHIBITS**

<b><u>Exhibit</u></b>	<b><u>Description</u></b>
Exh. TJN-2	Proposed Utility Capital Structure

1 **I. INTRODUCTION**

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

3 A. My name is Tammy J. Nygard and my business address is 1200 West Century Avenue,  
4 Bismarck, ND 58503. I am the Controller for MDU Resources Group, Inc. (“MDU  
5 Resources”), which includes Cascade Natural Gas Corporation (“Cascade” or  
6 “Company”), a wholly-owned subsidiary company of MDU Resources.

7 **Q. Would you please describe your duties?**

8 A. As Controller, I am responsible for providing leadership and management of the  
9 accounting and the financial forecasting and planning functions, including analysis and  
10 reporting of all financial transactions.

11 **Q. Would you please outline your educational and professional background?**

12 A. I graduated from the University of Mary with a Bachelor of Science degree in  
13 Accounting and Computer Information Systems. I have 24 years of experience in the  
14 utility industry. During my tenure with the Company, I have held positions of  
15 increasing responsibility, including Financial Analyst for Montana-Dakota Utilities  
16 Co., Director of Accounting and Finance for Cascade, and Controller.

17 **Q. What is the purpose of your testimony in this proceeding?**

18 A. My testimony supports the Company’s overall cost of capital recommendation in this  
19 case. To that end, I explain and support the Company’s recommended cost of debt,  
20 capital structure, and rate of return (“ROR”).

21 **Q. What is the Company’s overall recommended cost of capital for this case?**

22 A. Cascade proposes an overall ROR of 7.983 percent, which provides a reasonable return  
23 for Cascade’s investors at a fair cost to Cascade’s customers. The recommended ROR

1 is based on a 50.732 percent common equity ratio with a return on equity of 10.5  
2 percent and a debt cost of 5.391 percent as illustrated in Exhibit TJN-2.<sup>1</sup>

3 **II. COST OF DEBT, CAPITAL STRUCTURE, AND RATE OF RETURN**

4 **Q. Would you please explain Exhibit TJN-2, page 2?**

5 A. Yes. This exhibit summarizes the utility capital structure and the related costs of debt  
6 and common equity of Cascade for the twelve months ended December 31, 2025, and  
7 the projected capital structure for 2026 and 2027. This capital structure and the  
8 associated costs serve as the basis for the overall ROR requested by Cascade in this  
9 rate case filing of 7.983 percent. The basis for the requested 10.5 percent return on  
10 common equity contained within the overall requested rate of return is supported by  
11 the Direct Testimony of Ann E. Bulkley (Exhibit AEB-1T).

12 **Q. What are the components of the ROR requested in this case?**

13 A. The components of the 2027 projected overall annual ROR, which are used by Jacob  
14 A. Darrington in Exhibit JAD-5 to calculate the revenue requirement, are shown in  
15 Table 1 below:

16 **Table 1 – Components of 2027 Rate of Return**

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost of Capital</u>
Debt	49.268%	5.391%	2.656%
Equity	<u>50.732%</u>	10.500%	<u>5.327%</u>
Rate of Return	<u>100.000%</u>		<u>7.983%</u>

17 Jacob A. Darrington uses the 2027 ROR to calculate the revenue requirement  
18 in this case.<sup>2</sup> In addition, the Company calculated the components of the 2025 actual

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<sup>1</sup> Nygard, TJN-2 at 1.

<sup>2</sup> Darrington, Exh. JAD-5.

1 annual ROR, which confirms the validity of the rate of return requested in this case.  
2 The components of the 2025 actual overall ROR are shown in Table 2 below:

3 **Table 2 – Components of 2025 Rate of Return**

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost of Capital</u>
Debt	47.465%	5.028%	2.387%
Equity	<u>52.535%</u>	10.500%	<u>5.516%</u>
Rate of Return	<u>100.000%</u>		<u>7.903%</u>

4 **Q. How does the Company finance its natural gas utility operations and determine**  
5 **the amount of common equity and debt to be included in its capital structure?**

6 A. As a regulated public utility, the Company has a duty and obligation to provide safe  
7 and reliable service to its customers across its service territory while prudently  
8 balancing cost and risk. In order to fulfill its service obligations, the Company has  
9 made, and plans to make, significant capital expenditures for new plant investment  
10 throughout its service territory, especially in mains and services. These new  
11 investments also have associated operating and maintenance costs. Through its  
12 financial planning process, the Company determines the amounts of necessary  
13 financing required to support these activities. Cascade finances its operations with a  
14 target of 50 percent common equity capital structure at year end. Capital expenditure  
15 investments are financed through a mix of internally generated funds, the utilization of  
16 the Company’s revolving credit facility and the issuance of additional long-term debt  
17 and common equity financing as required to maintain targeted capital ratios and finance  
18 the combined utility operations.

1 **Q. Please describe the common equity injections Cascade received in the test year**  
2 **and that are projected for each year of the multiyear rate plan.**

3 A. The Company did not require any equity in 2025, with a common equity ratio of  
4 52.535 percent. The Company is expecting to receive \$25 million of common equity in  
5 both 2026 and 2027.

6 **Q. Please describe the debt issuances that occurred in the test year and that are**  
7 **projected during the multiyear rate plan, as well as any long-term debt that will**  
8 **mature during the multiyear rate plan.**

9 A. The Company had \$25 million of senior notes mature in 2025 with an interest rate of  
10 4.110 percent. The Company expects to issue \$70 million of long-term debt in 2026.  
11 In 2027, the Company has \$20 million of senior notes maturing and expects to issue  
12 long-term debt of \$20 million to replace the senior notes maturing.

13 **Q. What does Exhibit TJN-2, pages 3 through 5, show?**

14 A. Page 3 of Exhibit TJN-2 shows the cost and the debt balance by issue at December 31,  
15 2025. Page 4 of Exhibit TJN-2 shows the projected cost and the debt balance by issue  
16 at December 31, 2026, including the \$70 million issuance, as previously discussed.  
17 Page 5 of Exhibit TJN-2 shows the projected cost and the debt balance by issue at  
18 December 31, 2027, including the \$20 million of long-term debt maturity and issuance,  
19 as previously discussed.

20 **Q. How did you derive the projected cost of debt for 2026 and 2027?**

21 A. The projected cost of debt for 2026 and 2027 is based upon the yield-to-maturity of  
22 each debt issue outstanding and projected to be outstanding.

1 **Q. What does page 6 of Exhibit TJN-2 show?**

2 A. The schedule presents the common equity balance at December 31, 2025, and the  
3 projected balances for December 31, 2026, and December 31, 2027, reflecting the  
4 projected activity in the balances.

5 **Q. You testified that the Company is proposing a capital structure that includes**  
6 **50.732 percent equity. Why is this equity ratio appropriate for the Company?**

7 A. The Company's requested capital structure is based upon Cascade's actual (and  
8 targeted) capital structure. The proposed equity ratio is lower than the most recent  
9 actual equity ratio of the Company at December 31, 2025, of 52.535 percent.

10 **Q. What standard does the Commission apply when considering the appropriate**  
11 **capital structure for regulated utilities?**

12 A. As the Commission stated in Cascade's 2021 rate case, when establishing a capital  
13 structure for ratemaking purposes, the Commission seeks to "strike an appropriate  
14 balance between debt and equity on the bases of economy and safety."<sup>3</sup> The  
15 Commission further explained that "the economy of lower cost debt, on which the  
16 Company has a legal obligation to pay interest, must be balanced against the safety of  
17 higher cost common equity on which the Company has no legal obligation to pay a  
18 return at any set time."<sup>4</sup>

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<sup>3</sup> *Wash. Utils. & Transp. Comm'n v. Cascade Nat. Gas Corp.*, Docket UG-210755, Final Order 09 Approving and Adopting Settlement Agreement Subject to Conditions ¶ 91 (Aug. 23, 2022).

<sup>4</sup> *Id.*

1 **Q. Please elaborate on why Cascade’s proposed capital structure appropriately**  
2 **balances safety and economy.**

3 A. The Company’s capital structure must strike an appropriate balance between debt and  
4 equity, with debt providing economy and equity providing safety. The capital structure  
5 must contain sufficient equity to provide financial security, but no more than necessary  
6 to keep rate payer costs at a reasonable level.

7 As a regulated public utility, Cascade has the responsibility to provide safe and  
8 reliable service to customers across its service territory. This requires on-going  
9 investment in new plant for mains, services, meters, and other support facilities. As part  
10 of the planning process, Cascade determines the amount of new financing needed to  
11 support the capital expenditure program with a target of 50 percent debt and 50 percent  
12 equity. The Company is committed to maintaining a healthy capital ratio, which is in  
13 the best interest of the Company’s customers and shareholders, and also reduced  
14 financial risk for Cascade’s debt obligations.

15 **Q. Is Cascade facing risks to its cost of debt and ability to obtain financing?**

16 A. Yes. As discussed in the Direct Testimony of Stephanie A. Sievert (Exhibit SAS-1T),  
17 rating agencies have become concerned with Cascade’s financial performance.  
18 Cascade received a rating downgrade from S&P Global in 2023,<sup>5</sup> and a downgrade  
19 from Fitch Ratings in 2024.<sup>6</sup> The ratings are important because they impact Cascade’s  
20 ability to access debt at reasonable rates. If Cascade’s credit ratings were to fall below  
21 investment grade, it would cause additional harm to an already declining risk  
22 perception of the Company in debt markets. The Company’s borrowing costs would

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<sup>5</sup> Sievert, Exh. SAS-3.

<sup>6</sup> Sievert, Exh. SAS-5.

1 increase. A downgrade would immediately raise Cascade's cost on its revolving credit  
2 agreement and would also increase the cost for future new debt issuances. The debt  
3 cost assumptions embedded in Cascade's proposed capital structure assume that this  
4 multiyear rate plan filing eases the concerns of the rating agencies and the investment  
5 community and allows Cascade continued access to debt at reasonable rates.

### 6 **III. CONCLUSION**

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

8 **A.** Yes, it does.