

MONTANA-DAKOTA UTILITIES CO.

Before the South Dakota Public Utilities Commission

Docket No. NG23-____

Direct Testimony

Of

Tammy J. Nygard

1 **Q. Please state your name and business address.**

2 A. My name is Tammy J. Nygard and my business address is 400
3 North Fourth Street, Bismarck, North Dakota 58501.

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

5 A. I am the Controller for Montana-Dakota Utilities Co. (Montana-
6 Dakota), Cascade Natural Gas Corporation (Cascade) and Intermountain
7 Gas Company (Intermountain), subsidiaries of MDU Resources Group,
8 Inc. (MDU Resources) as well as Great Plains Natural Gas Co. (Great
9 Plains), a division of Montana-Dakota, collectively the MDU Utilities
10 Group.

11 **Q. Please describe your duties and responsibilities with Montana-
12 Dakota.**

13 A. I am responsible for providing leadership and management of the
14 accounting and the financial forecasting/planning functions, including the
15 analysis and reporting of all financial transactions for Montana-Dakota,
16 Great Plains, Cascade, and Intermountain.

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

3 A. I graduated from the University of Mary with a Bachelor of Science
4 degree in Accounting and Computer Information Systems. I have over 20
5 years of experience in the utility industry. During my tenure with the MDU
6 Utilities Group, I have held positions of increasing responsibility, including
7 Financial Analyst for Montana-Dakota, Director of Accounting and Finance
8 for Cascade, and now as MDU Utilities Group Controller.

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

10 A. I am responsible for presenting Statement A, Statement B,
11 Statement C and Statement G.

12 **Q. Were these statements and the data contained therein prepared by**
13 **you or under your supervision?**

14 A. Yes, they were.

15 **Q. Are they true to the best of your knowledge and belief?**

16 A. Yes, they are.

17 **Q. Would you please explain Statement A, Statement B and Statement**
18 **C?**

19 A. Statement A, page 1 and 2 show Montana-Dakota's balance sheet
20 as of December 31, 2021 and December 31, 2022 and June 30, 2022 and
21 June 30, 2023 information shown on pages 3 and 4, with notes to the
22 financial statements following. Statement B consists of Montana-Dakota's
23 income statement for the twelve months ended December 31, 2022 and

1 the six months ended June 30, 2023. Statement C presents the changes
2 in retained earnings from December 31, 2021 to December 31, 2022.
3 These statements have been prepared from the Company's books and
4 records that are maintained in accordance with the Federal Energy
5 Regulatory Commission (FERC) Uniform System of Accounts.

6 **Q. Would you please explain Statement G?**

7 A. Statement G, Rule 20:10:13:72, summarizes the average utility
8 capital structure and the related costs of debt and common equity of
9 Montana-Dakota for the twelve months ended December 31, 2022 and the
10 pro forma capital structure for 2023. This capital structure and the
11 associated costs serve as the basis for the overall rate of return requested
12 by Montana-Dakota in this rate filing of 7.600 percent. The basis for the
13 requested 10.5 percent return on common equity contained within the
14 overall requested rate of return is supported by the testimony of Ms. Ann
15 Bulkley.

16 The components of the 2023 pro forma overall annual rate of
17 return, which are used by Ms. Vesey to calculate the revenue requirement,
18 are:

	Weighted Cost of Capital
Long Term Debt	1.997%
Short Term Debt	0.312%
Common Equity	5.291%
Required Rate of Return	7.600%

19

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

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

20 The Company did not obtain any additional common equity in 2022.
21 In order to achieve and maintain the targeted capital structure, the
22 Company is expecting to receive approximately \$40.0 million of common
23 equity in 2023.

1 The Company did not issue any new long-term debt in 2022 and is
2 not expecting to issue any new long-term debt in 2023.

3 **Q. What does Statement G, Rule 20:10:13:73 show?**

4 A. Page 1 is a summary showing the Company's long-term debt at
5 December 31, 2021 and 2022 and associated cost of debt, and it shows
6 the pro forma long-term debt and associated costs for 2023, as well as the
7 average cost of debt for the two periods. Page 2 shows the cost and the
8 debt balance by issue at December 31, 2022 and page 3 shows the pro
9 forma cost and the debt balance by issue at December 31, 2023.

10 **Q. How did you derive the pro forma cost of debt for 2023?**

11 A. The pro forma cost of debt for 2023 is based upon the yield-to-
12 maturity of each debt issue outstanding.

13 **Q. Would you please describe Statement G, Rule 20:10:13:73, page 4
14 and explain the amortization method utilized?**

15 A. Page 4 reflects the annual amortization of the costs associated with
16 the redemption of long-term debt. For this proceeding, the amortization
17 has been computed on a straight-line basis over the remaining life of the
18 issues. The balance was fully amortized in May 2022. The Company uses
19 the same calculation for accounting purposes.

20 **Q. Would you please describe Statement G, Rule 20:10:13:73, page 5?**

21 A. Page 5 presents the twelve-month average short-term debt balance
22 for 2022 and pro forma 2023 as well as the average cost of short-term
23 debt. A twelve-month average of short-term debt is used in the cost of

1 capital calculation to reflect the seasonality in the short-term debt
2 balance. Short-term debt is historically at or near its peak in December
3 and the twelve-month average calculation is more reflective of the
4 borrowing level than a year-end balance.

5 **Q. What does Statement G, Rule 20:10:13:74 show?**

6 A. Montana-Dakota has reacquired all preferred stock; therefore, this
7 Statement is no longer applicable to Montana-Dakota.

8 **Q. What does Statement G, Rule 20:10:13:75 show?**

9 A. Page 1 reflects the Company's common equity balance at
10 December 31, 2021 and 2022 and the pro forma balance for December
11 31, 2023. The changes to the common equity balances reflect the normal
12 changes, including projected earnings, as well as the effect of new
13 capital/equity infusions.

14 **Q. What does Statement G, Rule 20:10:13:75, page 2 show?**

15 A. The schedule shows the issuance of common stock during the five
16 year period ending December 31, 2022. As a result of the MDU
17 Resources holding company reorganization that was effective January 1,
18 2019, Montana-Dakota no longer has publicly traded common stock.

19 **Q. What does Statement G, Rule 20:10:13:76, Schedule G-1 show?**

20 A. This schedule shows that there has been no stock split or stock
21 dividend activity in the five years ended December 2022.

1 **Q. What does Statement G, Rule 20:10:13:77, Schedule G-2 show?**

2 A. This schedule presents various financial and market data relative to
3 the Company's common stock for the years ended 2018 through 2022. As
4 noted above, on January 1, 2019, MDU Resources completed the holding
5 company reorganization, which resulted in MDU Resources becoming a
6 holding company and indirectly owning all of the outstanding capital stock
7 of Montana-Dakota.

8 **Q. What does Statement G, Rule 20:10:13:78, Schedule G-3 show?**

9 A. This schedule shows the reacquisition activity for long-term debt in
10 the last five years and shows the Company does not have any preferred
11 stock.

12 **Q. Does this conclude your direct testimony?**

13 A. Yes, it does.