MONTANA-DAKOTA UTILITIES CO.

Before the North Dakota Public Service Commission

Case No. PU-20___

Direct Testimony
of
Tammy J. Nygard

Q. Please state your name and business address.

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

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

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

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

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

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

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Prefiled Direct Testimony of Tammy J. Nygard
Montana-Dakota Utilities Co.

A. I graduated from the University of Mary with a Bachelor of Science degree in Accounting and Computer Information Systems. I have over 18 years of experience in the utility industry. During my tenure with the MDU Utilities Group, I have held positions of increasing responsibility, including Financial Analyst for Montana-Dakota, Director of Accounting and Finance for Cascade, and now as MDU Utilities Group Controller.

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

A. I am responsible for presenting Statement E.

Q. Was this statement and the data contained therein prepared by you or under your supervision?

A. Yes, it was.

Q. Is it true to the best of your knowledge and belief?

A. Yes, it is.

Q. Would you please explain Statement E?

A. Statement E shows the utility capital structure of Montana-Dakota for the twelve months ended December 31, 2019 and the projected capital structure for 2020 and 2021. Statement E includes the associated costs of debt and common equity. This capital structure and the associated costs serve as the basis for the overall rate of return requested by Montana-Dakota in this rate filing of 7.304 percent. The basis for the requested 10.20 percent return on common equity contained within the overall requested rate of return is supported by the testimony of Ms. Ann Bulkley.

Statement E summarizes the utility capital structure and the related utility costs of capital at December 31, 2019 and the projected capital structure and the related utility costs of capital for 2020 and 2021. As shown on page 1, the components of the 2021 projected overall annual rate of return, which are used by Ms. Vesey to calculate the revenue requirement, are:

	Weighted Cost of Capital
Long Term Debt	1.999%
Short Term Debt	0.174%
Equity	5.131%
Required Rate of Return	7.304%

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

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

The Company issued $100 million senior notes in both October and November 2019, for a total of $200 million. The Company does not anticipate long term debt issuances in 2020 or 2021.

Q. What does Statement E, Schedule E-1 show?

A. Page 1 is a summary showing the Company's long-term debt at December 31, 2019 and associated cost of debt, and it shows the projected long-term debt and associated costs for 2020 and 2021. Page 2 shows the cost and the debt balance by issue at December 31, 2019. Page 3 shows the projected cost and the debt balance by issue at December 31, 2020 and page 4 shows the projected cost and the debt balance by issue at December 31, 2021.

Q. How did you derive the projected cost of debt for 2020 and 2021?

A. The projected cost of debt for 2020 and 2021 is based upon the yield-to-maturity of each debt issue outstanding.

Q. Would you please describe Statement E, Schedule E-2?

A. Schedule E-2 presents the twelve-month average short-term debt balance for 2019 and projected 2020 and 2021 as well as the average cost of short-term debt. A twelve-month average of short-term debt is used in the cost of capital calculation to reflect the seasonality in the short-term debt balance. Short-term debt is historically at or near its peak in December and the twelve-month average calculation is more reflective of the borrowing level than a year-end balance.

Q. What does Statement E, Schedule E-3 show?

A. The schedule presents the common equity balance at December 31, 2019 and the projected balance for December 31, 2020 and December 31, 2021 reflecting the projected activity.

Q. Would you please describe Statement E, Schedule E-4 and explain the amortization method utilized?

A. Schedule E-4 reflects the annual amortization of the costs associated with the redemption of long-term debt. For this proceeding, the amortization has been computed on a straight-line basis over the remaining life of the issues. The Company uses the same calculation for accounting purposes.

Q. Does this conclude your direct testimony?

A. Yes, it does.