

Preston N. Carter, ISB No. 8462  
Morgan D. Goodin, ISB No. 11184  
Blake W. Ringer, ISB No. 11223  
Givens Pursley LLP  
601 W. Bannock St.  
Boise, Idaho 83702  
Telephone: (208) 388-1200  
Facsimile: (208) 388-1300  
[prestoncarter@givenspursley.com](mailto:prestoncarter@givenspursley.com)  
[morgangoodin@givenspursley.com](mailto:morgangoodin@givenspursley.com)  
[blakeringer@givenspursley.com](mailto:blakeringer@givenspursley.com)

Attorneys for Intermountain Gas Company

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION ) CASE NO. INT-G-22-07**  
**OF INTERMOUNTAIN GAS COMPANY )**  
**FOR AUTHORITY TO INCREASE ITS )**  
**RATES AND CHARGES FOR NATURAL )**  
**GAS SERVICE IN THE STATE OF IDAHO )**  
\_\_\_\_\_)  
)

UPDATED DIRECT TESTIMONY OF TAMMY J. NYGARD FOR

INTERMOUNTAIN GAS COMPANY

MARCH 9, 2023

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

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

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

5 A. I am the Controller for Intermountain Gas Company (“Intermountain” or “Company”), a  
6 wholly owned subsidiary company of MDU Resources Group, Inc. (“MDU Resources”).  
7 I am also the Controller of Montana-Dakota Utilities Co. (“Montana-Dakota”), Cascade  
8 Natural Gas Corporation (“Cascade”), and Great Plains Natural Gas Co. (“Great Plains”),  
9 subsidiaries of MDU Resources.

10 **Q. Please describe your duties and responsibilities with Intermountain.**

11 A. I am responsible for providing leadership and management of the accounting and the  
12 financial forecasting/planning functions, including the analysis and reporting of all  
13 financial transactions.

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

15 A. I graduated from the University of Mary with a Bachelor of Science degree in  
16 Accounting and Computer Information Systems. I have 20 years of experience in the  
17 utility industry. During my tenure with the MDU Utilities Group (Intermountain,  
18 Montana-Dakota, Cascade and Great Plains), I have held positions of increasing  
19 responsibility, including Financial Analyst for Montana-Dakota, Director of Accounting  
20 and Finance for Cascade, and now as MDU Utilities Group Controller.

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

1 A. My testimony supports the Company's overall cost of capital recommendation in this  
2 case. To that end, I explain and support the Company's recommended cost of debt,  
3 capital structure, and rate of return.

4 **Q. Would you please explain Exhibit No. 1?**

5 A. Exhibit No. 1 shows the utility capital structure of Intermountain for the twelve months  
6 ended December 31, 2021 and 2022 and the projected capital structure for 2023. Exhibit  
7 No. 1 includes the associated costs of debt and common equity. The proposed capital  
8 structure is calculated excluding short-term debt. This capital structure and the associated  
9 costs serve as the basis for the overall rate of return requested by Intermountain in this  
10 rate filing of 7.37 percent. The basis for the requested 10.3 percent return on common  
11 equity contained within the overall requested rate of return is supported by the testimony  
12 of Ms. Bulkley.

13 Page 1 of Exhibit No. 1 summarizes the utility capital structure and the related utility  
14 costs of capital at December 31, 2021 and 2022 and the projected capital structure and the  
15 related utility costs of capital for 2023.

16 **Q. What is the capital structure as proposed by the Company in this rate case  
17 proceeding?**

18 A. As shown on Page 1 of Exhibit No. 1, the components of the 2022 and 2023 projected  
19 overall annual rate of return continue to move towards a capital structure comprised of an  
20 even split between long-term debt and equity. Because the two components are so close  
21 to even, with equity being slightly higher, the Company proposes a capital structure with  
22 50 percent debt and 50 percent equity. The proposed capital structure components, which

1 are used by Mr. Darrington to calculate the revenue requirement, result in the following  
2 weighted cost of capital:

	Weighted Cost of Capital
Long Term Debt	2.22%
Common Equity	5.15%
Required Rate of Return	7.37%

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

5 A. As a regulated public utility, the Company has a duty and obligation to provide safe and  
6 reliable service to its customers across its service territory while prudently balancing cost  
7 and risk. In order to fulfill its service obligations, the Company has made significant  
8 capital expenditures for new plant investment throughout its service territory, including  
9 new plant for mains, services, meters, and other support facilities. These new  
10 investments also have associated operating and maintenance costs. Through its financial  
11 planning process, the Company determines the amount of necessary financing required to  
12 support these activities. Intermountain finances its operations targeting a 50 percent  
13 common equity capital structure at year end. Capital expenditure investments are  
14 financed through a mix of internally generated funds, the utilization of the Company's  
15 short-term credit line and the issuance of additional debt and common equity financing as  
16 required to maintain targeted capital ratios and finance the utility operations.  
17 The Company obtained \$15.0 million of additional common equity in 2021.

18 **Q. What are the Company's expected long-term debt issuances through 2023?**

1 A. On June 15, 2022, the Company issued \$40.0 million of long-term debt to finance its  
2 capital investments. The Company is projecting to issue \$25.0 million of long-term debt  
3 in 2023.

4 **Q. Are there other debt obligations that the Company must consider?**

5 A. Yes. In addition to long-term debt, the Company's \$85 million revolving credit facility  
6 was amended and extended on October 13, 2022 for \$100 million. Also, on January 20,  
7 2023, the Company issued \$125 million of short-term debt to fund increased gas costs the  
8 Company recently experienced.

9 **Q. What does Exhibit No. 1, Pages 2-4 show?**

10 A. Pages 2 and 3 show the cost and the debt balance by issue at December 31, 2021 and  
11 2022, respectively. Page 4 shows the projected cost and the debt balance by issue at  
12 December 31, 2023.

13 **Q. How did you derive the projected cost of debt for 2023?**

14 A. The projected cost of debt for 2023 is based upon the yield-to-maturity of each debt issue  
15 outstanding.

16 **Q. What does Exhibit No. 1, Page 5 show?**

17 A. The schedule presents the common equity balance at December 31, 2021 and 2022 and  
18 the projected balance for December 31, 2023 reflecting the projected activity in the  
19 balance.

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

21 A. Yes, it does.

Preston N. Carter, ISB No. 8462  
Morgan D. Goodin, ISB No. 11184  
Blake Ringer, ISB No. 11223  
Givens Pursley LLP  
601 W. Bannock St.  
Boise, ID 83702  
Telephone: (208) 388-1200  
Facsimile: (208) 388-1300  
[prestoncarter@givenspursley.com](mailto:prestoncarter@givenspursley.com)  
[morgangoodin@givenspursley.com](mailto:morgangoodin@givenspursley.com)  
[blakeringer@givenspursley.com](mailto:blakeringer@givenspursley.com)

*Attorneys for Intermountain Gas Company*

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION  
OF INTERMOUNTAIN GAS COMPANY.  
FOR AUTHORITY TO INCREASE ITS  
RATES AND CHARGES FOR NATURAL  
GAS SERVICE IN THE STATE OF IDAHO

Case No. INT-G-22-07

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

UPDATED EXHIBIT 1 TO ACCOMPANY THE  
UPDATED DIRECT TESTIMONY OF TAMMY J. NYGARD

**Intermountain Gas Company  
Proposed Capital Structure**

	<u>Balance</u>	<u>Ratio</u>	<u>Cost</u>	<u>Required Return</u>
<b><u>Per Books 2021</u></b>				
Long-Term Debt [1]	\$130,000,000	41.217%	4.064%	1.68%
Common Equity [4]	185,403,576	58.783%	10.300%	6.05%
Total	<u>\$315,403,576</u>	<u>100.000%</u>		<u>7.73%</u>
<b><u>Per Books 2022</u></b>				
Long-Term Debt [2]	\$170,000,000	46.509%	4.209%	1.96%
Common Equity [4]	195,517,742	53.491%	10.300%	5.51%
Total	<u>\$365,517,742</u>	<u>100.000%</u>		<u>7.47%</u>
<b><u>Projected 2023</u></b>				
Long-Term Debt [3]	\$195,000,000	49.890%	4.448%	2.22%
Common Equity [4]	195,859,000	50.110%	10.300%	5.16%
Total	<u>\$390,859,000</u>	<u>100.000%</u>		<u>7.38%</u>
<b><u>Proposed Capital Structure</u></b>				
Long-Term Debt		50.000%	4.448%	2.22%
Common Equity		50.000%	10.300%	5.15%
Total		<u>100.000%</u>		<u>7.37%</u>

- [1] Exhibit No. 1, page 2.  
 [2] Exhibit No. 1, page 3.  
 [3] Exhibit No. 1, page 4.  
 [4] Exhibit No. 1, page 5.

**Intermountain Gas Company  
Long-Term Debt Capital  
December 31, 2021**

<u>Description</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount of Issue</u>	<u>Annual Interest Expense</u>	
<u>Unsecured Long-Term Debt</u>					
4.08% - Senior Note	10/30/25	4.080%	\$25,000,000	\$1,020,000	
4.33% - Senior Note	10/30/28	4.330%	25,000,000	1,082,500	
4.00% - Senior Note	11/09/46	4.000%	30,000,000	1,200,000	
3.62% - Senior Note	06/13/29	3.620%	20,000,000	724,000	
3.82% - Senior Note	06/13/34	3.820%	10,000,000	382,000	
4.26% - Senior Note	06/13/49	4.260%	20,000,000	852,000	
Debt Amortization				22,813	
Total Long-Term Debt Capital			\$130,000,000	\$5,283,313	4.064%



**Intermountain Gas Company  
Long-Term Debt Capital  
December 31, 2022**

<u>Description</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount of Issue</u>	<u>Annual Interest Expense</u>	
<u>Unsecured Long-Term Debt</u>					
4.08% - Senior Note	10/30/25	4.080%	\$25,000,000	\$1,020,000	
4.33% - Senior Note	10/30/28	4.330%	25,000,000	1,082,500	
4.00% - Senior Note	11/09/46	4.000%	30,000,000	1,200,000	
3.62% - Senior Note	06/13/29	3.620%	20,000,000	724,000	
3.82% - Senior Note	06/13/34	3.820%	10,000,000	382,000	
4.26% - Senior Note	06/13/49	4.260%	20,000,000	852,000	
4.60% - Senior Note	06/30/52	4.600%	20,000,000	920,000	
4.75% - Senior Note	06/30/62	4.750%	20,000,000	950,000	
Debt Amortization				25,379	
Total Long-Term Debt Capital			\$170,000,000	\$7,155,879	4.209%

**Intermountain Gas Company  
Long-Term Debt Capital  
Projected December 31, 2023**

<u>Description</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount of Issue</u>	<u>Annual Interest Expense</u>	
<u>Unsecured Long-Term Debt</u>					
4.08% - Senior Note	10/30/25	4.080%	\$25,000,000	\$1,020,000	
4.33% - Senior Note	10/30/28	4.330%	25,000,000	1,082,500	
4.00% - Senior Note	11/09/46	4.000%	30,000,000	1,200,000	
3.62% - Senior Note	06/13/29	3.620%	20,000,000	724,000	
3.82% - Senior Note	06/13/34	3.820%	10,000,000	382,000	
4.26% - Senior Note	06/13/49	4.260%	20,000,000	852,000	
4.60% - Senior Note	06/30/52	4.600%	20,000,000	920,000	
4.75% - Senior Note	06/30/62	4.750%	20,000,000	950,000	
6.05% - Senior Note	09/30/53	6.050%	25,000,000	1,512,500	
Debt Amortization				30,211	
Total Long-Term Debt Capital			\$195,000,000	\$8,673,211	4.448%

**Intermountain Gas Company  
Average Utility Common Equity  
Twelve Months Ended December 31, 2021 and 2022  
Projected 2023**

<u>Description</u>	<u>Amount</u>
Common Equity - 12/31/2021	\$185,403,576
Common Equity - 12/31/2022	\$195,517,742
Common Equity - 12/31/2023	\$195,859,000