Exh. KBH-1T
Docket UG-240008
Witness: Kirsti B. Hourigan

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. CASCADE NATURAL GAS CORPORATION, Respondent.	DOCKET UG-240008

CASCADE NATURAL GAS CORPORATION

DIRECT TESTIMONY OF KIRSTI B. HOURIGAN

March 29, 2024

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kirsti Hourigan, and my business address is 1200 West Century Avenue, Bismarck, North Dakota 58506.

Q. By whom are you employed, for how long, and in what capacity?

A. I am employed by Montana Dakota Utilities Co. ("MDU"), a wholly-owned subsidiary of MDU Resources Group, Inc. ("MDU Resources"), as Director of Human Resources for the Utilities Group business unit. In this capacity, I am responsible for the day-to-day human resource operations of the utility companies owned by MDU Resources ("MDU Utilities Group"), including Cascade Natural Gas Company ("Cascade"), including labor and employee relations, recruitment, organizational development, and leave management. I work closely with the Human Resources Department at MDU Resources with respect to employee compensation philosophy, benefit programs, and other corporate-wide programs and am responsible for implementation of that philosophy and those programs.

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

A. I graduated from Cornell University in 1995 with a Bachelor of Science degree in Industrial and Labor Relations. In 2000 I graduated from Wake Forest University School of Law with a Juris Doctor degree, emphasizing in labor and employment law, and have been licensed to practice law in North Dakota since 2000. I am certified as a

Senior Certified Human Resources Professional by the Society of Human Resource Management.

I worked as an attorney in private practice in Fargo, North Dakota from 2000-2007. In 2007 I joined MDU Resources, and between 2007 and 2020 I was an attorney in the legal department focused on labor and employee relations, employee benefits, corporate compliance, uninsured litigation, and finance matters. During this time, I worked closely with the Human Resources Department of the MDU Utility Group to ensure compliance with federal and state law and promote the organization's culture of being an employer of choice. In 2020 I transferred from the legal department to my current position as Human Resources Director in the Utility Group. I have provided written testimony in rate cases on behalf of MDU Resources' subsidiaries in Idaho, Montana, South Dakota, and North Dakota.

II. SCOPE AND SUMMARY OF TESTIMONY

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

A. My direct testimony provides an overview of Cascade's process for setting total compensation for its employees, including both base pay and incentive compensation. My testimony also supports Cascade's proposed restating adjustment of 2023 wages for union employees, as well as its pro forma adjustment of 2024 and 2025 wage increases for union and non-union employees as presented in the direct testimony of Jacob A. Darrington, Exh. JAD-1T. Additionally, my testimony will support Cascade's proposed restating adjustment for 2023 incentive compensation.

Q. Please summarize your testimony.

A. I will describe the current Washington State labor market, the elements of the Cascade's pay philosophy, and explain the steps Cascade has taken to control costs while recruiting and retaining qualified employees capable of providing safe and reliable service to customers. I will also support the increases in revenue requirement resulting from Cascade's proposed restating adjustment of 2023 wages for union employees, the proposed pro forma adjustment of 2024 and 2025 wages for union and non-union employees, the proposed adjustment for 2023 incentive compensation, proposed 2024 pro forma adjustment for increased medical expenses, and the proposed 2025 pro forma adjustment for increased 401k expense.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes, I sponsor the following exhibits:

Exh. KBH-2	Washington Job Openings and Labor Turnover
Exh. KBH-3C	Year-End Salary Review Memo & Guidelines
Exh. KBH-4C	Approved 2023 Year-End Salaries
Exh. KBH-5C	2023 MDU Utilities Group Short-Term Incentive Plan
Exh. KBH-6C	2022 Mercer Compensation Study Report
Exh. KBH-7	Medical cost trend: Behind the numbers 2024
Exh. KBH-8	WTW 2024 Global Medical Trends Survey
Exh. KBH-9	401(k) Match Communication
Exh. KBH-10	401(k) Benchmark Data

III. CASCADE'S LABOR MARKET

Q. Please explain Cascade's ability to attract and retain a qualified workforce.

A. Although many of the effects of the COVID-19 pandemic have dissipated, as described below many challenges in the labor market remain. What has not changed is Cascade's need to attract and retain qualified individuals. The Company provides an essential service to its customers and must maintain high-quality, safe, and reliable service to its customers regardless of the economics existing in the industry or labor market. Cascade continues its goal to attract and retain highly skilled employees despite current and recent economic conditions and continues to significantly invest in employees' training and development. The wage increases submitted in this proceeding are the minimum amount necessary to maintain a highly qualified workforce that can provide a safe and reliable gas system.

A. Bargained Employees

Q. How has the current labor market changed since Cascade's last general rate case, Docket UG-210755?

A. Cascade has been fortunate to retain the majority of its bargaining-unit talent throughout the last three years. The entire state of Washington has only seen a slight decline in the total number of job openings since the end of 2021, and the total number of openings is still not down to pre-pandemic levels. The number of separations, new hires, and employment terminations within the state of Washington has remained relatively stable since the end of 2020 as shown Exh. KBH-2.

Q. How have these labor market changes impacted Cascade's ability to hire and retain qualified bargained employees?

A. Despite the relative labor stability of its bargained workforce, Cascade continues to see the most turnover since 2020 in its bargained positions, particularly service mechanics, welders, and distribution clerks.

<u>**B. Non-Bargained Employees**</u>

Q. How has the current labor market impacted Cascade's goal to hire and retain qualified non-bargained employees?

A. Unlike the stability seen in the bargained workforce, Cascade has seen a rise in the number of organizations providing telecommuting options for their corporate, shared services, and administrative employees. Cascade is competing with local organizations for talent and other employers from other states that try to hire employees living in Washington with no requirements to relocate. This results in Cascade being forced to increase wages and benefit offerings to be competitive in the labor market and retain current talent.

Although the labor market began to cool in the second half of 2023, Cascade still has high turnover and competition for talent in environmental sciences, energy efficiency, public relations, and field operations.

IV. CASCADE'S CASH COMPENSATION PROGRAM

Q. How does Cascade's total cash compensation package benefit customers?

A. Cascade's base compensation benefits are designed to benefit customers by effectively meeting its personnel needs. Specifically, to ensure customers continue to receive safe and reliable service, Cascade's employees must be compensated fairly and competitively.

Additionally, Cascade's short-term incentive compensation plan benefits customers by creating incentives for employees to focus on key objectives such as cyber-security, operational efficiency, and high-quality customer service. Using incentive compensation as a component of total cash compensation also allows Cascade to be competitive in the labor market with lower fixed costs (base pay). Ultimately, utilizing both base pay and incentive compensation encourages employees to focus on the key metrics that benefit customers.

Q. Please describe Cascade's compensation philosophy.

A. Cascade's approach to employee compensation is designed to minimize costs while allowing it to attract and retain the most qualified employees, which in turn will ensure the delivery of safe and reliable service to its customers. Cascade's compensation philosophy, called Total Rewards Philosophy, applies three basic principles:

First, Cascade's Total Rewards philosophy provides employees with a Total Rewards package that includes both total cash compensation and benefits. For non-bargained employees, the two key components of total cash compensation are base pay and incentive compensation. Cascade's bargained employees currently do not receive incentive compensation.

Second, Cascade compares its wages and at-risk incentive compensation with the relevant labor market and seeks to set total cash compensation at the market average for comparable jobs. Cascade has found the market for employees with the skills and experience required for certain job positions is extremely competitive in the industry, and therefore Cascade must provide the same general pay levels and benefits as are included in the packages provided by Cascade's labor competitors.

Third, Cascade believes that a certain percentage of each non-bargained employee's market compensation should be "at risk" to encourage employee engagement and reward employees for their role in effectively operation the business. Accordingly, those employees have the opportunity to receive total cash compensation at the market average under the MDU Utility Group incentive plan. That program is structured so that total compensation for all employees is aligned with the market average in a typical year.

Q. How does Cascade determine the market average for the base pay and pay-at-risk components of total cash compensation?

A. Cascade researches and obtains industry salary data when market pricing individual positions. This data comes from many sources, including the American Gas Association, Mercer, EAP Data Information Solutions, Empsight, World at Work, Willis Towers Watson, and Kenexa Compensation Analyst, among others. Cascade then analyzes the median base pay and target compensation from these sources to determine an appropriate market wage. These sources are industry standards, and Cascade's peer utilities rely on the same or similar data for their compensation programs.

A. 2022 Compensation Study

Q. How does Cascade ensure it is not increasing base pay more than necessary to attract and retain a qualified workforce?

A. In addition to the internal market reviews, approximately once every three to five years the human resources department at MDU Resources retains an outside independent consultant to review the MDU Utility Group's compensation practices and programs. This review is conducted to make sure Cascade implements reasonable and appropriate compensation packages to attract and retain quality employees, who in turn allow Cascade to continue providing safe and reliable service to its customers.

In 2022, MDU Resources engaged Mercer, a leading asset management firm, to conduct a robust competitive market review on multiple aspects of Cascade's compensation program. This market review included a market pricing of the MDU Utility Group's positions by Mercer. Mercer has provided similar services to utility companies for over twenty-five years and has access to robust data sources to benchmark positions in the energy sector and maintains solutions to assist companies in remaining up-to-date on the talent market and compensation trends.

Q. What was the result of Mercer's 2022 salary review?

A. The Mercer salary review revealed that Cascade was paying its employees below market wages. Cascade's pay philosophy is to pay employees at the 50th percentile for base salary and total cash compensation, but Mercer's market review found it is positioned between the 25th and 50th percentiles. Mercer also found that Cascade's pay levels are within a competitive market range of +/- 10 percent for base salary and +/- 15 percent for total cash compensation.

Mercer advised that MDU Utility Group (which includes Cascade) revise its salary structure by adding an additional pay grade and replace its focus on comparative ratios (i.e. - what percentage an individual's salary is to the mid-point salary established for their job position) with a more substantive description of relative movement within each salary grade.

Q. What steps did MDU Resources and MDU Utility Group (which includes Cascade) take in response to the results of Mercer's 2022 review?

A. MDU Resources' human resources department took two steps to resolve the findings of the Mercer review. The first step was to internally market price the remaining job positions not reviewed by Mercer using Mercer's suggested market pricing formula. This step was conducted between January and June 2023. This internal market pricing resulted in many jobs changing grades; most of these changes resulted in an increase to the employee's maximum annual salary potential. Employees whose positions were determined to be in the incorrect grade due to re-market pricing were re-mapped to the correct grade for 2024.

The second step was to revise the salary grade structure. An additional salary grade was added to accommodate job positions that market-priced towards the top of the current salary structure's highest-paid salary grade. In addition, the use of compa-ratios to distinguish employees' relative compensation was replaced with a three-zoned description of where an employee is currently paid within their grade. Those zones are "Developing", "Midpoint", and "Premium".

B. Base Pay – Non-Bargained Employees

Q. How does Cascade determine annual base pay increases for non-bargained employees?

A. In the second quarter of each year during the normal budget cycle, Cascade creates a budget for non-union employee pay increases. The MDU Resources' Chief Human Resources Officer provides a recommended budget, which is approved by the President and CEO for the next calendar year. The approved salary budget considers competitive pay, economics, and industry-specific salary budget projections. The salary budget recommendation is all-inclusive, considering all pay adjustments for the year such as merit pay, equity adjustments, salary recovery and promotions.

Each October, MDU Resources' Chief Human Resources Officer then publishes guidelines for the MDU Utility Group to follow in allocating the following year's pay increases for non-bargained employees. Managers and supervisors are responsible for allocating this budget in accordance with these guidelines.

In October of 2023, MDU Resources' Chief Human Resources Officer published the guidelines for the Utility Group to follow in allocating 2024 pay increases for non-bargained employees, which is shown in Exh. KBH-3C. Those guidelines provided managers a 4.5 percent general merit-based wage increase budget. Included within that budget was an additional 0.5 percent (or $643,802) that had previously been earmarked for mid-year 2024 increases. Moreover, an additional $120,977 was approved for use by Human Resources to protect employees who were remapped to a higher pay from experiencing a downgrade in their paygrade zone status compared to where they were positioned in their previous pay grade. The combined total off all of the above expenditures resulted in an average annual pay increase to Cascade employees of 6.17 percent, inclusive of promotions. Cascade's President, Nicole Kivisto, approved the 2024 salary recommendations submitted by its officers for non-bargained employees effective December 18, 2023, as shown in Exh. KBH-4C.

C. Bargained Employee Compensation

Q. What will pay increases be for Cascade employees covered by a collective bargaining agreement?

A. Certain Company employees are represented by Local 121-C of the International Chemical Workers Union (Local 121-C). Those employees' pay and many of their benefits are covered by a collective bargaining agreement that expires on March 31, 2024. Cascade and Local 121-C are currently negotiating a successor agreement that would be effective April 1, 2024. While the results of these negotiations are unknown, Cascade estimates the new agreement will increase base wages by five percent for those employees covered by the successor agreement as of April 1, 2024, and by three percent as of April 1, 2025.

D. Incentive Compensation

Q. Please describe Cascade's incentive pay plan for its non-bargained employees.

A. Cascade's non-bargained employees are beneficiaries of the MDU Utility Group Employee Incentive Compensation Plan ("Plan"). The Plan is available to all non-bargained employees (who are classified as full-time or part-time) and is structured to provide incentive compensation to those employees with satisfactory performance.

Cascade will issue a payout under the Plan when pre-established financial and operational company goals are met, with the percentage of the established target incentive payout ranging from 0 – 150 percent for most employees. If the initial financial goal is met, then the payout is further increased or decreased depending on the organization's performance with respect to three factors: 1) Operations and Maintenance Expense, 2) Operational/Customer Service, and 3) Cyber Security goals. If the initial financial goal is not met, then no payouts will be made to any employees. The 2023 Short-Term Incentive Plan is included in Exh. KBH-5C.

Q. How does the Plan benefit Cascade's customers?

A. The Operations and Maintenance Expense factor, which accounts for 40 percent of the Plan's total payout, encourages employees to proactively seek efficiency and manage costs. Another 40 percent of the payout is determined by customer satisfaction metrics (including direct activities and support services). The final 20 percent of the total payout is determined by the organization's overall phishing click rate and each employee's individual completion of assigned cyber-security training; each of these two sub-categories of the Cyber Security factor account for 10 percent of each employee's payout. These Plan elements benefit customers by incentivizing employees to improve efficiency, manage costs, provide high-quality customer service, and maintain the security of customer information.

The Plan is designed to benefit customers by limiting payouts when any of the above targets are not met. If the initial financial target is not met, then the employee payout potential decreases or is eliminated; this protects customers from paying for costs when the organization is not effectively delivering services. The Plan design also attracts and retains superior talent who can consistently provide safe and reliable service that is also efficient and cost-effective to customers.

Q. How did Cascade account for incentive compensation in this case?

A. Cascade applied a five-year rolling average to normalize non-executive incentive compensation pursuant to the methodology approved in Docket UG-200568, Order 05. As outlined in the direct testimony of Jacob A. Darrington, Exh. JAD-1T, Cascade is not seeking recovery for Executive Incentive Compensation.

Q. Does Cascade's provide incentive pay for its bargained employees?

A. No. Cascade's collective bargaining agreement with the Chemical Workers does not provide for its bargained employees to receive benefits under the Plan. This is not expected to change with the 2024 successor agreement.

E. Cascade's Adjustments to Wages

Q. Please summarize Cascade's proposed adjustments to test year wages included in the revenue requirement in this case.

A. To adjust test year wages for this case, Cascade made the following adjustments:

- Restate Wages Adjustment (R6): This adjustment annualizes an April 1, 2023, increase to test year wages for union employees based on the 3.0 percent increase included in the collective bargaining agreement. The test year only includes the impact of nine months of the April 1, 2023, increase. Therefore, this adjustment is necessary to reflect the full year impact of the collective bargaining agreement. This adjustment reduces net operating income by $76,024.[1]

- Pro Forma Wage Adjustments (P-2 and PR-5): The P-2 adjustment includes (1) the impact of the 2024 actual wage increases for non-union employees and (2) the impact of an estimated 5 percent increase for union employees effective as of April 1, 2024. The PR-5 adjustment includes the impact of (3) an estimated 4 percent increase for non-union employees effective December 30, 2024, and (4) the impact of an estimated 3 percent increase for union employees effective April 1, 2025. As stated above, the union employee increases for 2024 and 2025 are currently being negotiated, but the included amounts in items (2) and (4) are reasonable when compared to the average range of increases in past agreements and adjusted for inflation experienced during 2022 and 2023. Included in the 2024 and 2025 non-union wage increase are increases associated with MDU Utilities Group and MDU Resources employees that are allocated to Cascade rather than directly assigned. The results of the P-3 and PR-5 adjustments are a decrease to net operating income of $1,206,567 and $802,149.[2]

All salary increases included in the pro forma for 2024 and 2025 are reasonable when compared to the applicable labor market and are supported by the 2022 Mercer compensation study, Exh. KBH-6C.

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[1] See Direct Testimony of Jacob A. Darrington, Exh. JAD-1T, Section V.
[2] See Direct Testimony of Jacob Darrington, Exh. JAD-1T, Sections VI – VII.

Q. Has Cascade accounted for potential offsetting costs as part of its 2025 pro forma wage adjustment?

A. Yes. Cascade's budgeting process for wage increases is comprehensive and accounts for factors that increase and decrease wage-related costs. For example, managers are instructed to account for employees who are ineligible for pay increases due to a recent promotion, being a new hire, or having received another form of pay adjustment. Employees promoted or hired after September 30th are ineligible for a year-end increase, and employees receiving marginal or unacceptable performance review scores are not eligible for pay increases. Also, salary recovery through attrition offsets costs for the wage adjustment.

Q. Does Cascade propose to include allocated wage increases from affiliate companies to Cascade's overall wage expenses?

A. Yes. Since 2018, the MDU Utility Group has been consolidating functions within its three utility companies (including Cascade) to become more efficient at providing safe, reliable, and cost-effective service to customers. This consolidation resulted in many positions transferring from Cascade's headcount to affiliates' headcount. A percentage of these positions continue to service Cascade's business either directly or indirectly through activities that simultaneously benefit Cascade and the other utilities.

Q. Has the consolidation of operation functions with affiliate companies resulted in a decrease in headcount at Cascade?

A. No. Cascade's employee counts have remained relatively consistent over the last five years even though some roles were transferred from Cascade's headcount to an affiliate's headcount. The reason for this is that several roles have been added to Cascade's headcount that did not exist five years ago, such as environmental positions, and positions to ensure regulatory and pipeline safety.

Q. Please explain why it is appropriate to allocate wage increases from affiliate companies to Cascade.

A. Wage increases at Cascade's affiliates follow the same total rewards philosophy as Cascade, and wages for Cascade and its affiliates are determined in the same manner described above. Wage increases for employees at Cascade's affiliates who have a portion of their time allocated to Cascade increase the total cost of said time that is allocated to Cascade. As such, it is appropriate to allocate a percentage of those increased costs to Cascade.

Q. Is Cascade's proposed allocation of wage increases consistent with previously approved rate treatment?

A. Yes. The Commission has approved this accounting methodology in prior rate proceedings, and Cascade's proposed pro forma adjustments for wages proposed here are consistent with the Commission's Order in Docket UG-210755.

Q. Did Cascade's affiliates experience labor market price increases in 2024?

A. Yes, all Cascade's affiliate companies experienced labor market increases in 2024.

V. BENEFITS

A. Employer-Sponsored Medical Plan

Q. Please describe Cascade's medical plan benefits for its employees.

A. Cascade utilizes the same medical plan package for both its bargained and non-bargained employees. This package includes a health savings account ("HSA") coupled with a choice of two high-deductible medical plans. Cascade makes a contribution to employees' HSA accounts in January of each year. Other insurance offerings include dental, vision, supplemental life, and accidental death and dismemberment insurance, and flexible spending plans.

Q. Has the expense of providing Cascade's medical plan increased since Cascade's last general rate case?

A. Yes. Cascade's cost to provide this medical plan package has increased an average of approximately 4.2 percent annually in each of the last three years, and 5.7 percent from 2022 to 2023. This increase is significantly lower than the average increase seen across the United States of approximately 6.5 - 7.5 percent annually as discussed in Exh. KBH-7.

Q. Why have costs to provide the medical plan increased?

A. The increases are caused by a combination of many factors, including new specialty drugs being made available for conditions that previously had no treatment option and general inflation of medical care.

Q. Is the cost of providing Cascade's medical plan to its employees expected to increase in 2024?

A. Yes, the cost of the medical plan provided to Cascade's employees is expected to increase approximately seven to ten percent, in accordance with the projections made for medical plans on a nation–wide basis as discussed in Exh. KBH-7 and Exh. KBH-8. All welfare plans offered by MDU Resources to Cascade employees are reviewed annually by the MDU Resources Human Resources Department, the MDU Resources Benefits Strategy Committee, and the MDU Resources Employee Benefits Committee. These committees review current and future legal requirements, industry trends and best practices to ensure the medical plan aligns with the Total Rewards strategy of controlling costs while remaining competitive in the labor market. Potential changes in any given year include increasing the employee share of premiums, as well as changes to deductibles, copays and coinsurance percentages, out of pocket maximums and treatment coverages under the plan.

Q. What actions have MDU Resources and Cascade taken to limit cost increases to the medical plan offered to its employees?

A. Cascade and MDU Resources have successfully implemented various programs to slow cost increases, such as providing employees with a high deductible health care plan plus health care savings plan, options for video doctor and therapist visits, on-demand on-line therapy options, a wellness program to help employees prevent diabetes and heart disease, and a program to assist employees with sudden and/or severe medical conditions in finding specialists, second opinions and alternative treatment options.

Q. Has Cascade modified its medical plan over the years?

A. Yes, the medical plan provided to Cascade employees has changed. The most recent medical plan change occurred in 2020 with the elimination of the traditional "Preferred Provider Organization" (PPO) plan option which left two high deductible plans as the remaining medical plan options.

Q. Is the Company including a pro forma adjustment to capture medical expense increases in this case?

A. Yes. "Pro Forma Medical, Dental, & Life Insurance Expense Adjustment" (P-5) captures the incremental medical, dental, and life insurance expenses expected in 2024. This adjustment reduces net operating income by $839,947.[3]

B. Company-Sponsored 401(K) Retirement Plan

Q. Please explain the retirement benefit available to Cascade employees.

A. The primary retirement benefit for Cascade employees is the 401(k) plan ("K-Plan") administered by MDU Resources. This plan includes a five percent company-paid retirement contribution for all employees hired on or after May 1, 2015, and a sliding scale of larger retirement contributions for employees who were participants in the

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[3] See Direct Testimony of Jacob Darrington, Exh. JAD-1T, Section VI.

pension plan that was frozen on September 30, 2012. The details of this pension plan are discussed in the direct testimony of Stephanie A. Sievert, Exh. SAS-1T.

The K-Plan also includes a company “matching contribution” for certain employees effective January 1, 2025. The matching contribution for 2024 is 50 percent of the first six percent of employees' salary deferrals to their accounts. For example, if an employee has a voluntary salary deferral of three percent of their salary to their 401(k) account, Cascade will match 1.5 percent of that employee’s salary, and if that employee’s voluntary contribution increases to seven percent of their salary, Cascade will increase its match to three percent (the maximum match allowed).

Q. Does Cascade plan to increase any part of the 401(k) plan for employees after the filing of this testimony?

A. Yes. As stated above, the matching contribution for 2024 is 50 percent of the first six percent of employees' salary deferrals to their accounts. Effective January 1, 2025, Cascade’s matching contribution formula will change to be 100 percent of the first 4 percent of employees’ salary deferrals to their accounts. Using the example described above, the employee contributing three percent of their salary will still receive a matching contribution of three percent, but the employee contributing seven percent of their salary will receive a matching contribution of four percent instead of three percent.

This change was communicated to employees on February 5, 2024, as shown in Exh. KBH-9. MDU Resources’ peer utilities currently provide their employees with greater matching contributions to their 401(k) plans (when measured as a percentage of salary) than the current match formula of MDU Resources' 401(k) plan. MDU Resources' leadership approved the increase to its 401(k) plan to be more competitive in the regulated energy labor market. See Exh. KBH-10.

Q. Which employees will be affected by this change?

A. Currently all non-bargained employees will receive this increased benefit. Employees represented by Local 121-C may or may not receive this benefit, depending on the terms of the final collective bargaining agreement ratified by both parties.

Q. What is the financial impact of this benefit enhancement?

A. The estimated financial impact of this change for Cascade non-bargained employees for the 2025 calendar year will be $161,154, of which $120,946 is related to Washington. Cascade has included this as a pro forma adjustment (PR-7), which decreases net operating income by $95,548.[4]

Q. How does this retirement benefit change benefit customers?

A. Customers benefit from Cascade retaining a qualified workforce that is fully engaged. MDU Resources' human resources department continuously studies its pay practices and benefit programs to ensure Cascade is competitive in the labor market. The upcoming change to Cascade's employer match to the 401(k) plan more closely

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[4] See Direct Testimony of Jacob Darrington, Exh. JAD-1T, Section VII.

matches the defined contribution benefits offered by other companies in the utility industry.

VI. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes.