

CASCADE NATURAL GAS CORPORATION
Washington Utility & Transportation Commission
2006 Rate Case Data Request

WUTC Staff Request No. 20

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WUTC STAFF DATA REQUEST NO. 20:

Re: Witness Roger Morin

Please explain why Dr. Morin's risk premium estimates, as shown on pages 31-32, do not extend beyond 2001. Please indicate if Dr. Morin believes it is proper to use a cost of equity model that excludes data over the past four years.

Response: The historical risk premium analyses stop in 2001 because Moody's Public Utility Manual from which the data were drawn discontinued the publication following the acquisition of Moody's by Mergent. In view of the rising risk premium allowed by regulators documented on pages 33-35 of Dr. Morin's testimony, it would not be unreasonable to expect that the current utility risk premium exceeds the historical average. Dr. Morin did examine some more recent equity return and bond return data based on the S&P Utility Index instead of Moody's Electric Utility Index. The addition of 2002 data, a year of negative realized risk premium owing to the stock market debacle that year, would lower the risk premium slightly while the addition of 2003, a year of positive realized risk premium, would have the reverse effect.