

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket UG-210755
Cascade Natural Gas Corporation
2021 General Rate Case**

BENCH REQUEST NO. 004

“CONFIDENTIAL” Table of Contents

BR NO.	“CONFIDENTIAL” Material
004	Shaded information is designated as CONFIDENTIAL per Protective Order in Docket UG-210755 as marked in Attachment A to Cascade Natural Gas Corporation’s Response to Bench Request No. 004.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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BENCH REQUEST NO. 004:

Provide an update to Nygard's exhibit TJN-2, regarding the rate and amount of the long term debt issuance.

Following up on Mr. Chiles' testimony on the new debt issuance, please provide an update to Nygard's testimony on this topic, as well as updates to TJN-2C.

Also, Referring to Nygard, Exh. TJN-1T at 4:1-20.

- a. What was Cascade's actual debt percentage for 2020?
- b. What is Cascade's debt percentage for 2020 including the 2022 debt issuance and equity infusions?

Response:

Cascade Natural Gas Corporation ("Cascade" or "the Company") will be funding \$50 million of long-term debt June 15, 2022. Attached as Attachment A to Cascade's Response to Bench Request No. 004, please find a schedule updated with these issuances. The issuance increases Cascade's debt cost from 4.54 percent to 4.59 percent.

Updating with the debt issuance that will be funded in June, the overall rate of return ("ROR") would increase from 6.93 percent to 6.96 percent as follows:

Table 1. Proposed Rate of Return

Proposed Rate of Return			
	<u>Capital Structure</u>	<u>Cost</u>	<u>Component</u>
Common Equity	49.1%	9.40%	4.62%
Total Debt	<u>50.9%</u>	4.59%	<u>2.34%</u>
	<u>100%</u>		<u>6.96%</u>

- a. Cascade’s actual debt cost for 2020 was 4.60 percent. The 2020 capital structure without a normalization adjustment for the abnormally high unrecovered purchased gas costs due to the Enbridge incident was 53.0 percent debt. Normalizing for the non-current purchased gas adjustment (gas costs not to be recovered in the next 12 months) gets to a debt ratio of 51.5 percent. Normalizing for the full unrecovered purchased gas costs at December 31, 2020, in the amount of \$63,521,934 results in a debt ratio of 48.5 percent. The 2020 debt component with these three scenarios are 2.44 percent, 2.37 percent and 2.23 percent, respectively. The 2020 RORs with these three scenarios are 6.86 percent, 6.93 percent and 7.07 percent, respectively.

In this proceeding, the Company requested to keep its capital structure of 50.90 percent debt to match the capital structure that was fully litigated and approved by the Commission in the Company’s most recent rate case under Docket UG-200568.

- b. The below table illustrates the updated ROR including the 2022 Plan capital structure of 50.20 percent debt. It is Cascade’s goal to maintain the optimal capital structure of 50 percent debt and 50 percent equity. In 2022, the Company will have a challenge meeting this goal due to experiencing higher gas costs than anticipated, which is expected to result in a high unrecovered purchased gas cost amount at year-end resulting in higher short-term debt, which could drive a higher debt ratio.

Rate of Return			
	<u>Capital Structure</u>	<u>Cost</u>	<u>Component</u>
Common Equity	49.8%	9.40%	4.68%
Total Debt	<u>50.2%</u>	4.59%	<u>2.30%</u>
	<u><u>100%</u></u>		<u><u>6.98%</u></u>

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**ATTACHMENT A to Cascade's Response
to Bench Request
No. 004**