BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Complainant,

v.

CASCADE NATURAL GAS CO.,

Respondent.

DOCKET UG-240008

MICHAEL P. GORMAN
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT

EXHIBIT MPG-21

Standard & Poor's Credit Metrics

September 25, 2024

Cascade Natural Gas Corporation

<u>Standard & Poor's Credit Metrics</u>

Line	Description	Retail Cost of Service Amount (1)	S&P Benchmark (Medial Volatility)			Reference (5)
			Intermediate (2)	Significant (3)	Aggressive (4)	
1	Rate Base	$ 724,414,764				Exhibit JAD-4.
2	Weighted Common Return	4.42%				Page 2, Line 3, Col. 4.
3	Pre-Tax Rate of Return	8.63%				Page 2, Line 4, Col. 5.
4	Income to Common	$ 32,004,644				Line 1 x Line 2.
5	EBIT	$ 62,498,624				Line 1 x Line 3.
6	Depreciation & Amortization	$ 36,076,911				Exhibit JAD-4.
7	Imputed Amortization	$ -				N/A
8	Capitalized Interest	$ (1,474,325)				Exhibit JAD WP-1.1 and PC Data Request No. 87.
9	Deferred Income Taxes & ITC	$ 4,456,659				Exhibit JAD WP-1.1.
10	Funds from Operations (FFO)	$ 71,063,890				Sum of Line 4 and Lines 6 through 9.
11	Imputed Interest Expense	$ -				N/A
12	EBITDA	$ 98,575,535				Sum of Lines 5 through 7 and Line 11.
13	Adjusted Debt*	$ 451,155,870				Page 3, Line 4, Col. 1 x 79% RB Adj. Factor.
14	Total Adjusted Debt Ratio	53.0%				Page 3, Line 4, Col 2.
15	Debt to EBITDA	4.6x	2.5x - 3.5x	3.5x - 4.5x	4.5x - 5.5x	Line 13 / Line 12.
16	FFO to Total Debt	16%	23% - 35%	13% - 23%	9% - 13%	Line 10 / Line 13.
17	Indicative Credit Rating		**A**	**A-**	**BBB**	S&P Methodology, November 19, 2013.

Sources:
Standard & Poor's: "Criteria: Corporate Methodology," November 19, 2013.
*The adjustment factor is based on the WA 2023 rate base as shown on Exhibit JAD-8.

Note:
Based on the November 2023 S&P report, Cascade has a "BBB" credit rating, a "Strong" business profile, an "Aggressive" financial profile, and falls under the 'Medial Volatility' matrix.

S&P Business/Financial Risk Profile Matrix			
Business Risk Profile	Financial Risk Profile		
	3 (intermediate)	4 (significant)	5 (aggressive)
1 (excellent)	a+/a	a-	bbb
2 (strong)	a-/bbb+	bbb	bb+
3 (satisfactory)	bbb/bbb-	bbb-/bb+	bb

Cascade Natural Gas Corporation

Pre-Tax Rate of Return

Line	Description[1]	Amount (1)	Weight (2)	Cost (3)	Weighted Cost (4)	Pre-Tax Weighted Cost (5)
1	Long-Term Debt	$ 510,287,483	47.50%	4.92%	2.34%	2.34%
2	Short-Term Debt	$ 59,102,250	5.50%	7.46%	0.41%	0.41%
3	Common Equity	$ 504,930,518	47.00%	**9.40%**	4.42%	5.88%
4	Total	$ 1,074,320,250	100.00%		7.16%	8.63%
5	Tax Conversion Factor[2]					1.33138

Sources:
[1]Exhibit MPG-3.
[2]Exhibit JAD-5.

Cascade Natural Gas Corporation

Standard & Poor's Credit Metrics
(Financial Capital Structure)

Line	Description	Amount (1)	Weight (2)
1	Long-Term Debt	$ 510,287,483	47.50%
2	Short-Term Debt*	$ 59,102,250	5.50%
3	Off-Balance Sheet Debt*	$ -	0.00%
4	Total Long-Term Debt	$ 569,389,733	53.00%
5	Common Equity	$ 504,930,518	47.00%
6	**Total**	**$ 1,074,320,250**	**100.0%**

Sources:
Exhibit MPG-3.
*Not Applicable.

Cascade Natural Gas Corporation

S&P Adjusted Debt Ratio
Value Line Utility Industry - Operating Subsidiaries
(Electric, Gas, and Water)

| | | % Distribution of 3-Year Average (2021-2023) | | | | Utilities |
Rating	Median	<45	45 to 50	50 to 55	>55	Per Category
AA-	42.4%	100%	0%	0%	0%	1
A+	51.0%	14%	14%	57%	14%	3
A	48.2%	28%	33%	22%	17%	9
A-	49.2%	23%	30%	41%	6%	28
BBB+	50.7%	5%	23%	62%	9%	37
BBB	53.3%	0%	33%	33%	33%	6

Source:
S&P Capital IQ, downloaded July 18, 2024.