

**Exhibit No. \_\_ (AEB-6)**  
**Docket No. UG-200568**  
**Witness: Ann E. Bulkley**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,  
Complainant,

DOCKET UG-200568

v.

CASCADE NATURAL GAS  
CORPORATION,

Respondent.

**CASCADE NATURAL GAS CORPORATION**

**EXHIBIT OF ANN E. BULKLEY**

**RESPONSES TO CASCADE NATURAL**

**GAS CORP. DATA REQUESTS**

**January 8, 2021**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**Docket UG-200568**

**Washington Utilities & Transportation Commission v. Cascade Natural Gas Corp.**

**RESPONSE OF PUBLIC COUNSEL TO CASCADE NATURAL GAS CORP.  
DATA REQUEST NO. 3**

Request No: 3  
Directed to: Dr. J. Randall Woolridge  
Date Received: December 2, 2020  
Date Produced: December 9, 2020  
Prepared by: Dr. J. Randall Woolridge  
Witnesses: Dr. J. Randall Woolridge

**CASCADE DATA REQUEST NO. 3:**

**Re: Cost of Capital**

3. Referencing Dr. Woolridge's response testimony at page 6, lines 6 through 8. Has the Federal Reserve indicated that it will keep long-term interest rates low? If yes, please provide all supporting documentation.

**RESPONSE:**

No. As discussed in his testimony, Exhibit JRW-1Tr, page 12, Dr. Woolridge notes that the Federal Reserve has indicated it will keep interest rates "near zero until 2023." The Federal Reserve controls and sets the federal funds rate, which is a one-day rate, for short-term loans between financial institutions. The Federal Reserve does not set long-term rates. However, the Federal Reserve has taken action to support the liquidity of the corporate bond market by directly buying corporate bonds. These actions were part of the CARES Act, which was passed in March. This program is briefly summarized in Attachment A to this response.

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**Docket UG-200568**

**Washington Utilities & Transportation Commission v. Cascade Natural Gas Corp.**

**RESPONSE OF PUBLIC COUNSEL TO CASCADE NATURAL GAS CORP.  
DATA REQUEST NO. 8**

Request No: 8  
Directed to: Dr. J. Randall Woolridge  
Date Received: December 2, 2020  
Date Produced: December 9, 2020  
Prepared by: Dr. J. Randall Woolridge  
Witnesses: Dr. J. Randall Woolridge

**CASCADE DATA REQUEST NO. 8:**

**Re: Return on Equity**

8. Referencing Dr. Woolridge's response testimony at page 43, lines 14 through 21.
  - a. Please confirm that the normalized risk-free rate relied on by Dr. Woolridge is an estimate of the expected long-term risk-free rate. If not confirmed, please explain.
  - b. If confirmed, would the fact that the expected long-term risk-free rate is greater than the current risk-free rate imply that the risk-free is expected to increase over the long-term? If no, please explain.

**RESPONSE:**

- a. Confirmed.
- b. As discussed on pages 42–43 of Dr. Woolridge's testimony, Exhibit JRW-1Tr, the risk-free rate and market risk premium are interrelated concepts in that market risk premium estimates are developed in relation to the risk-free rate. The normalized interest rate is the long-term yield on long-term Treasury yields. As noted in his testimony, his normalized risk-free rate does not consider forecasts of higher interest rates, but acknowledges that the long-term yield on long-term Treasury bonds have been above current interest rates.

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**Docket UG-200568**

**Washington Utilities & Transportation Commission v. Cascade Natural Gas Corp.**

**RESPONSE OF PUBLIC COUNSEL TO CASCADE NATURAL GAS CORP.  
DATA REQUEST NO. 9**

Request No: 9  
Directed to: Dr. J. Randall Woolridge  
Date Received: December 2, 2020  
Date Produced: December 9, 2020  
Prepared by: Dr. J. Randall Woolridge  
Witnesses: Dr. J. Randall Woolridge

**CASCADE DATA REQUEST NO. 9:**

**Re: Return on Equity**

9. Referencing Dr. Woolridge's response testimony at page 45, lines 20 through 25.
  - a. Please provide all supporting analyses used to conclude that if technology stocks were traded on the NYSE then market volatility would increase resulting in lower utility Betas.
  - b. Does Dr. Woolridge agree that Beta estimates which use the S&P 500 as the estimate of the market would reflect the effect of technology stocks?

**RESPONSE:**

- a. Dr. Woolridge is not aware of any such studies. However, the figure below shows the NYSE Index (bottom line - blue) graphed with the S&P 500 Index (top line - black) over the past five years. The S&P 500 index is up 76 percent over 2016–20, while the NYSE Index is only up 37 percent. To measure the relative volatility of the two indexes, Dr. Woolridge computed the coefficient of variation of the two indexes. The coefficient of variation (CV) is computed as the standard deviation of a series of observations divided by the mean (Std. Dev/Mean). As such, the CV is a relative standard deviation. A higher CV indicates a higher relative level of variation, and a lower CD indicates a lower relative level of variation. In the case of the NYSE vs. the S&P 500, a higher CV indicates a higher relative level of volatility or, in this case, risk. The table below the graph provides the CV figures for the NYSE and S&P 500. Since the CV for the S&P of 0.16 is somewhat larger than the CV for the NYSE of 0.09, this indicates that the S&P 500 Index is more volatile than the NYSE Index. The importance relative to utility betas is that since *Value Line* betas are computed using the NYSE Index, the *Value Line* utility betas will be higher because they are computed using a less volatile market index.



Measure	NYSE	S&P, 500
Standard Deviation	1,103.08	422.39
Mean	12,089.64	2,690.87
Coefficient of Variation	0.09	0.16

b. Yes.

**ALLIANCE OF WESTERN ENERGY CONSUMERS**  
**Washington Utilities And Transportation Commission**  
**Docket No. UG-200568**

**Cascade Data Request 07:**  
**Re: Return of Equity**

Referencing Table 4 of Mr. Mullins' response testimony on page 11:

- a. Please identify for each case included in the table, whether the case was fully litigated or settled.
- b. In the event that the cases provided in Table 4 were settled, please explain whether Mr. Mullins believes that the ROE was specifically determined by the Commission in these cases or the ROE part of the settlement.
- c. Please explain whether Mr. Mullins believes that any one element of a settlement can be evaluated outside the context of the overall settlement agreement.

**AWEC Response:**

- a. AWEC objects to this request because the information is publicly available and counsel for Cascade was counsel of record for most of the cases. Notwithstanding, the settlement agreements or commission orders for each of the cases identified in the referenced table may be found on the commission websites in Oregon and Washington.
- b. AWEC objects to this request because the settlement agreements speak for themselves and please see the response to sub part (a).
- c. Where a revenue requirement adjustment, such as ROE, is specifically identified and stipulated in a settlement agreement, it is appropriate to assume that all parties to the settlement found that element of revenue requirement to be reasonable in the context of the overall settlement.

**Response Date:** 12/9/2020

**Witness(es) Most Knowledgeable About Response:**

Brad Mullins

**ALLIANCE OF WESTERN ENERGY CONSUMERS**

**Washington Utilities And Transportation Commission**

**Docket No. UG-200568**

**Cascade Data Request 05:**

**Re: Cost of Capital**

Referencing the response testimony of Mr. Mullins at page 6, lines 8-18:

- a. Does Mr. Mullins believe that the authorized ROE for Cascade in this proceeding should consider an analysis of the cost of equity using financial models based on market data, or should the authorized ROE be based on the most recently approved ROE for other gas distribution companies in Washington and Oregon? Please explain.
- b. Has Mr. Mullins analyzed whether economic and capital market conditions are different or the same as when the authorized return of 9.40% was established for other gas distribution companies in Washington and Oregon? If so, please provide that analysis. If not, please explain the basis for his statements on page 6.
- c. Please cite the basis for Mr. Mullins' assertion that Cascade is required to provide a "compelling reason" to deviate from its current authorized ROE.

**AWEC Response:**

- a. Mr. Mullins believes that the Commission should utilize all information at its disposal in the record to establish the appropriate ROE for Cascade.
- b. Yes. Mr. Mullins has not prepared a formal analysis comparing the market conditions between the various time periods.
- c. Cascade has not met its burden to justify a higher ROE. Cascade's ROE testimony was very similar to the testimony it filed in its last rate case.

**Response Date:** 12/9/2020

**Witness(es) Most Knowledgeable About Response:**

Brad Mullins