

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Complainant,

v.

CASCADE NATURAL GAS CORPORATION,

Respondent.

DOCKET UG-200568

**WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT
CROSS-EXAMINATION EXHIBIT
FOR CASCADE WITNESS, ANN E. BULKLEY**

EXHIBIT AEB-__X

Cascade's Response to Public Counsel Data Request No. 78, with Attachment A

February 18, 2021

Washington Utilities and Transportation Commission
v.
Cascade Natural Gas Corporation
Public Counsel Data Request
UG-200568

Request No. 78

Date prepared: February 1, 2021

Preparer: Ann Bulkley

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PC-78 Re: Cost of Capital – Rate of Return.

Please confirm the following:

- a) Whether you are familiar with the publisher of the information in the article in Attachment A to this data request, which is “S&P Global Market Intelligence;”
- b) Whether you have reviewed the article in Attachment A, and if so, when; and
- c) Whether the information provided in the charts and graphs in the article in Attachment A reflects data collected from electric and gas utility rate cases that took place in 2020.

Response:

- a) Ms. Bulkley is familiar with the “S&P Global Market Intelligence” and the RRA data that is available through this service.
- b) Ms. Bulkley reviews the RRA data that is referenced in the article that has been provided as Attachment A on a regular basis, but only reviewed this specific article as of the receipt of this discovery request.
- c) Ms. Bulkley has not attempted to replicate the analyses in the report provided in Attachment A and cannot verify the accuracy of those analyses. As noted in each heading, the author indicates that the data is from 2020.

RRA REGULATORY FOCUS

Authorized energy returns hit all-time low in 2020 amid COVID-19 fallout

Wednesday, January 13, 2021 9:26 AM ET

By Lisa Fontanella
Market Intelligence

The onslaught of COVID-19 cases, mandated lockdowns and economic fallout of the virus had an unprecedented impact on the regulatory landscape in 2020, with moratoriums on utility service disconnections implemented at some point in each of the jurisdictions followed by Regulatory Research Associates, a group within S&P Global Market Intelligence.

In order to ease the economic hardship for ratepayers during these unprecedented times, some utilities voluntarily delayed the implementation of approved rate changes and in other instances rate cases were postponed or procedural schedules were extended. Despite the crisis, there was a significant amount of rate case activity, with numerous return on equity determinations in 2020.

Preliminary calculations, as of Jan. 12, reveal a significant drop in authorized ROEs for both electric and gas utilities, according to RRA.

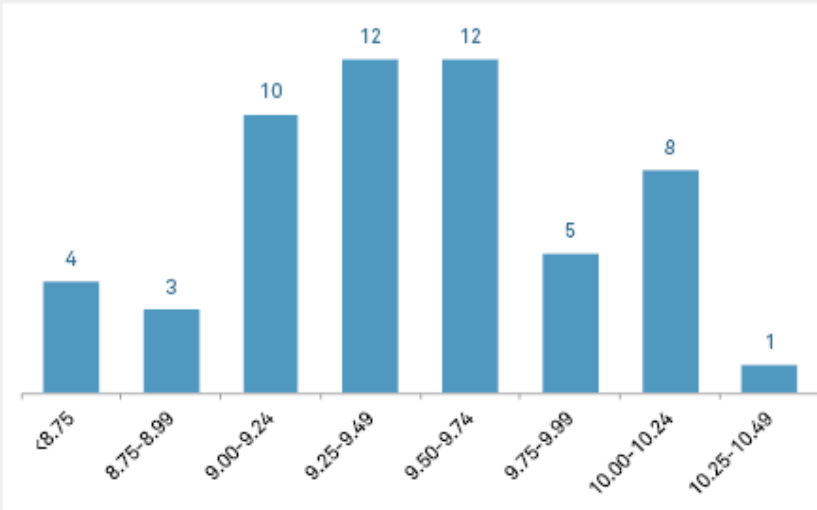
The average authorized electric and gas returns approved in cases decided during 2020 were the lowest in RRA's rate case database, which includes all major rate cases decided since 1980.

As per these calculations, the average ROE authorized for electric utilities fell to 9.44% for rate cases decided in 2020, from the 9.65% average for cases decided in 2019. Similarly, the average ROE authorized for gas utilities fell to 9.46% for cases decided during 2020, from the 9.71% observed in 2019.

There were 55 electric ROE determinations reflected in the calculations for 2020 versus 47 in 2019. The accompanying chart and table show the distribution of the 55 new electric ROE determinations in 2020 awarded across 26 regulatory jurisdictions. These authorized equity returns ranged from 8.20% to 10.42%, with an average of 9.44% and a median of 9.45%.

Frequency of authorized electric ROEs, 2020

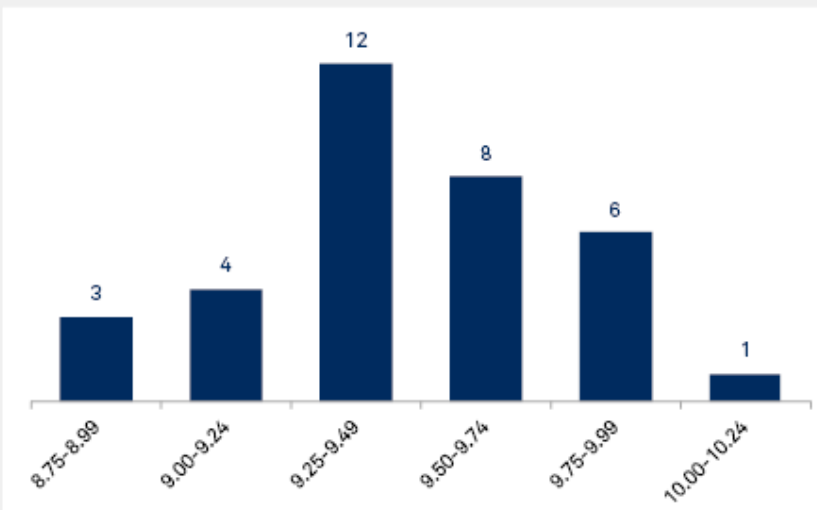
Number of observations



Data as of Jan. 12, 2021, reflects gas ROEs authorized in 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

Frequency of authorized gas ROEs, 2020

Number of observations



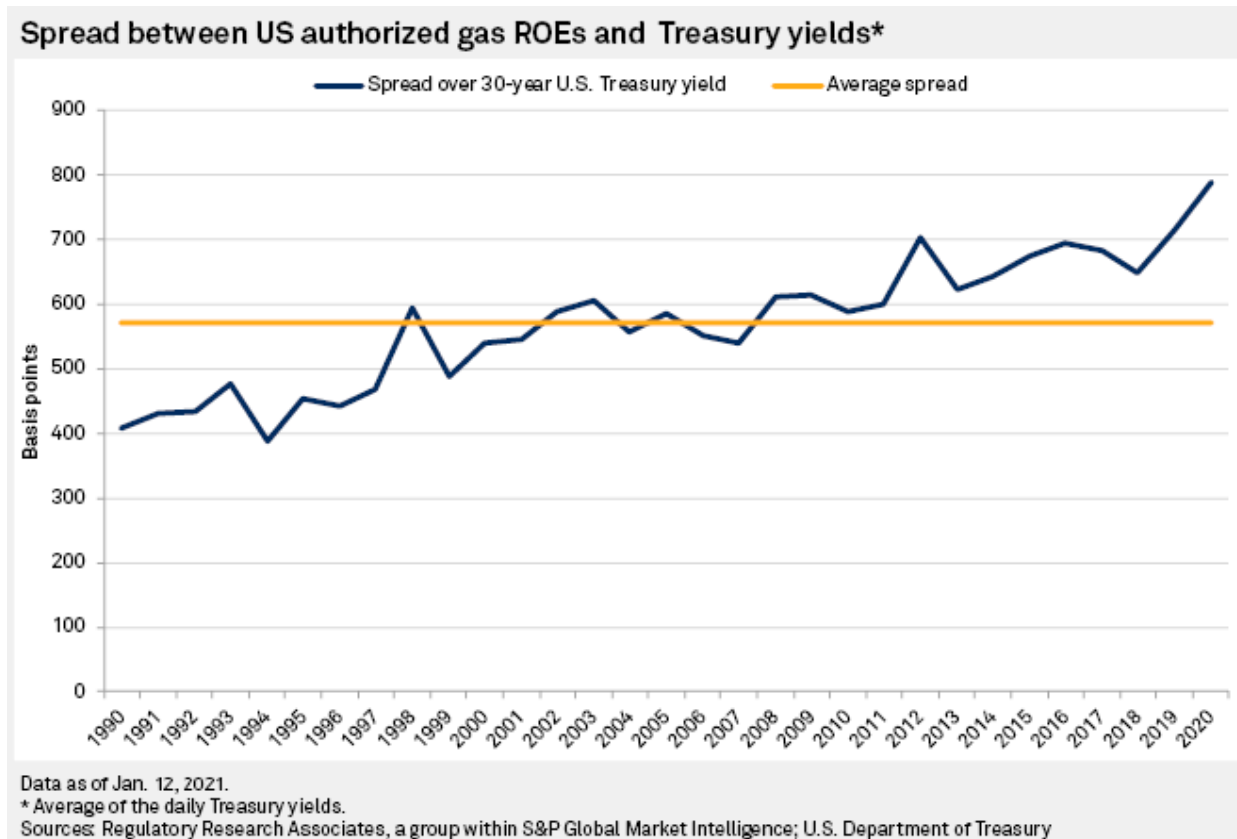
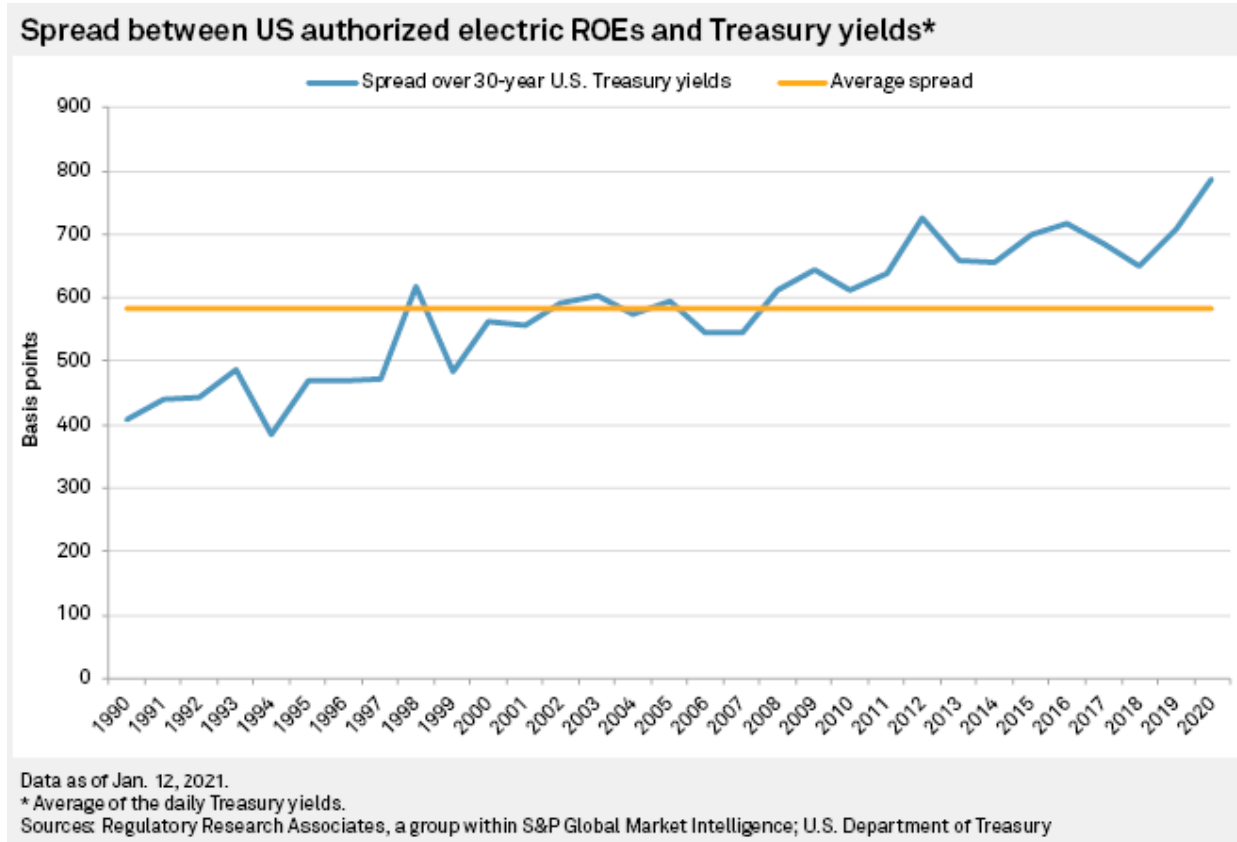
Data as of Jan. 12, 2021, reflects gas ROEs authorized in 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

This electric data includes several limited-issue rider cases. Excluding these cases from the data, the average authorized ROE was 9.39% in electric base rate cases decided in 2020, significantly below the 9.64% base-rate-case average for 2019.

RRA's calculations reveal that there were 34 gas rate case decisions that included an ROE determination during 2020 versus 32 in 2019. The accompanying chart and table show the distribution of the 34 ROE determinations in 2020 awarded across 19 regulatory jurisdictions. These authorized equity returns ranged from 8.80% to 10.00%, with an average of 9.46% and a median of 9.42%.

Interest rates, including long-term U.S. Treasury bond yields that are used to represent the risk-free rate in utility ratemaking, have remained historically low, exerting downward pressure on authorized ROEs over the past several years. The COVID-19 pandemic and the U.S. Federal Reserve's measures to alleviate the economic fallout contributed to the continuation of ultra-low yields in 2020. However, despite the historically low interest rates, the spread between

authorized ROEs and U.S. Treasury yields widened last year, with the spread between the two averages at its highest ever.



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A detailed report regarding major rate case decisions rendered in 2020 as well as historical ROE authorizations is expected to be issued later this month.

Authorized electric ROEs, 2020						
ROE interval	Rate case completed date	Company name	State	Authorized return on equity (%)	Decision type	Case type
<8.75	02/19/20	Central Maine Power Co.	ME	8.25	Fully litigated	Distribution
	08/27/20	Green Mountain Power Corp.	VT	8.20	Fully litigated	Vertically integrated
	12/09/20	Ameren Illinois Co.	IL	8.38	Fully litigated	Distribution
	12/09/20	Commonwealth Edison Co.	IL	8.38	Fully litigated	Distribution
8.75-8.99	01/16/20	Consolidated Edison Co. of New York Inc	NY	8.80	Settled	Distribution
	11/19/20	New York State Electric & Gas Corp.	NY	8.80	Settled	Distribution
	11/19/20	Rochester Gas and Electric Corp.	NY	8.80	Settled	Distribution
9.00-9.24	02/03/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	02/03/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	03/20/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	04/13/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	06/30/20	Liberty Utilities (Granite State Electric) Corp.	NH	9.10	Settled	Distribution
	07/01/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	07/30/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	09/04/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	11/24/20	Appalachian Power Co.	VA	9.20	Fully litigated	Vertically integrated
	12/22/20	Tucson Electric Power Co.	AZ	9.15	Fully litigated	Vertically integrated
9.25-9.49	02/11/20	Public Service Co. of Colorado	CO	9.30	Fully litigated	Vertically integrated
	02/14/20	CenterPoint Energy Houston Electric LLC	TX	9.40	Settled	Distribution
	02/27/20	AEP Texas Inc.	TX	9.40	Settled	Distribution
	03/25/20	Avista Corp.	WA	9.40	Settled	Vertically integrated
	04/27/20	Duke Energy Kentucky Inc	KY	9.25	Fully litigated	Vertically integrated
	05/20/20	Southwestern Public Service Co.	NM	9.45	Settled	Vertically integrated
	05/21/20	Appalachian Power Co.	VA	9.42	Fully litigated	Limited-Issue rider
	07/01/20	Empire District Electric Co.	MO	9.25	Settled	Vertically integrated
	07/08/20	Puget Sound Energy Inc	WA	9.40	Fully litigated	Vertically integrated
	08/27/20	Southwestern Public Service Co.	TX	9.45	Settled	Vertically integrated
9.50-9.74	12/10/20	Nevada Power Co.	NV	9.40	Settled	Vertically integrated
	12/15/20	Public Service Co. of New Hampshire	NH	9.30	Settled	Distribution
	01/22/20	Rockland Electric Co.	NJ	9.50	Settled	Distribution
	03/11/20	Indiana Michigan Power Co.	IN	9.70	Fully litigated	Vertically integrated
	04/17/20	Fitchburg Gas and Electric Light Co.	MA	9.70	Settled	Distribution
	06/29/20	Duke Energy Indiana LLC	IN	9.70	Fully litigated	Vertically integrated
	07/14/20	Delmarva Power & Light Co.	MD	9.60	Fully litigated	Distribution
	07/28/20	Hawaii Electric Light Co. Inc	HI	9.50	Settled	Vertically integrated
	10/22/20	Hawaiian Electric Co. Inc	HI	9.50	Settled	Vertically integrated
	10/28/20	Jersey Central Power & Light Co.	NJ	9.60	Settled	Distribution
9.75-9.99	12/14/20	PacifiCorp	WA	9.50	Settled	Vertically integrated
	12/16/20	Baltimore Gas and Electric Co.	MD	9.50	Fully litigated	Distribution
	12/18/20	PacifiCorp	OR	9.50	Fully litigated	Vertically integrated
	12/30/20	PacifiCorp	UT	9.65	Fully litigated	Vertically integrated
	01/23/20	Indiana Michigan Power Co.	MI	9.86	Settled	Vertically integrated
	02/24/20	Virginia Electric and Power Co.	NC	9.75	Settled	Vertically integrated
	05/08/20	DTE Electric Co.	MI	9.90	Fully litigated	Vertically integrated
10.00-10.25	11/24/20	Madison Gas and Electric Co.	WI	9.80	Settled	Vertically integrated
	12/17/20	Consumers Energy Co.	MI	9.90	Fully litigated	Vertically integrated
	01/08/20	Interstate Power and Light Co.	IA	10.02	Settled	Vertically integrated
	02/03/20	Virginia Electric and Power Co.	VA	10.20	Fully litigated	Limited-Issue rider
	02/03/20	Virginia Electric and Power Co.	VA	10.20	Fully litigated	Limited-Issue rider

10.00-10.24	02/06/20	PacifiCorp	CA	10.00	Fully litigated	Vertically integrated
	02/18/20	Virginia Electric and Power Co.	VA	10.20	Fully litigated	Limited-Issue rider
	06/23/20	Virginia Electric and Power Co.	VA	10.20	Settled	Limited-Issue rider
	08/27/20	Liberty Utilities (CalPeco Electric) LLC	CA	10.00	Fully litigated	Vertically integrated
	12/23/20	Wisconsin Power and Light Co.	WI	10.00	Fully litigated	Vertically integrated
10.25-10.49	02/25/20	Appalachian Power Co.	VA	10.42	Fully litigated	Limited-Issue rider
Average ROE				9.44		
Average ROE (excluding Limited-Issue rider proceedings)				9.39		

Data as of Jan. 12, 2021, reflects gas ROEs authorized in 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

Authorized gas ROEs, 2020

ROE interval	Rate case completed date	Company name	State	Authorized return on equity (%)	Decision type	Case type
8.75-8.99	01/16/20	Consolidated Edison Co. of New York Inc.	NY	8.80	Settled	Distribution
	11/19/20	New York State Electric & Gas Corp.	NY	8.80	Settled	Distribution
	11/19/20	Rochester Gas and Electric Corp.	NY	8.80	Settled	Distribution
9.00-9.24	02/24/20	Atmos Energy Corp.	KS	9.10	Fully litigated	Distribution
	05/19/20	Black Hills Colorado Gas Inc.	CO	9.20	Fully litigated	Distribution
	10/12/20	Public Service Co. of Colorado	CO	9.20	Settled	Distribution
	12/09/20	Southwest Gas Corp.	AZ	9.10	Fully litigated	Distribution
9.25-9.49	01/15/20	MDU Resources Group Inc.	WY	9.35	Settled	Distribution
	01/24/20	Roanoke Gas Co.	VA	9.44	Fully litigated	Distribution
	02/03/20	Cascade Natural Gas Corp.	WA	9.40	Settled	Distribution
	03/25/20	Avista Corp.	WA	9.40	Settled	Distribution
	03/26/20	Northern Utilities Inc.	ME	9.48	Fully litigated	Distribution
	07/08/20	Puget Sound Energy Inc.	WA	9.40	Fully litigated	Distribution
	08/21/20	Questar Gas Co.	WY	9.35	Settled	Distribution
	09/25/20	Southwest Gas Corp.	NV	9.25	Fully litigated	Distribution
	09/25/20	Southwest Gas Corp.	NV	9.25	Fully litigated	Distribution
	10/16/20	Northwest Natural Gas Co.	OR	9.40	Settled	Distribution
	12/10/20	Avista Corp.	OR	9.40	Settled	Distribution
	12/16/20	New Mexico Gas Co. Inc.	NM	9.38	Settled	Distribution
9.50-9.74	02/25/20	Questar Gas Co.	UT	9.50	Fully litigated	Distribution
	02/28/20	Fitchburg Gas and Electric Light Co.	MA	9.70	Settled	Distribution
	06/16/20	CenterPoint Energy Resources Corp.	TX	9.65	Settled	Distribution
	08/04/20	Texas Gas Service Co. Inc.	TX	9.50	Settled	Distribution
	09/23/20	South Jersey Gas Co.	NJ	9.60	Settled	Distribution
	10/07/20	Eversource Gas Co. of Massachusetts	MA	9.70	Settled	Distribution
	11/07/20	Columbia Gas of Maryland, Incorporated	MD	9.60	Settled	Distribution
9.75-9.99	12/16/20	Baltimore Gas and Electric Co.	MD	9.65	Fully litigated	Distribution
	04/21/20	Atmos Energy Corp.	TX	9.80	Settled	Distribution
	08/20/20	DTE Gas Co.	MI	9.90	Settled	Distribution
	09/10/20	Consumers Energy Co.	MI	9.90	Settled	Distribution
	10/30/20	NSTAR Gas Co.	MA	9.90	Fully litigated	Distribution
	11/19/20	Peoples Gas System	FL	9.90	Settled	Distribution
10.00-10.24	11/24/20	Madison Gas and Electric Co.	WI	9.80	Settled	Distribution
10.00-10.24	12/23/20	Wisconsin Power and Light Co.	WI	10.00	Fully litigated	Distribution
Average ROE				9.46		

Data as of Jan. 12, 2021, reflects gas ROEs authorized in 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

For a full listing of past and pending rate cases, rate case statistics and upcoming events, visit the S&P Global Market Intelligence Energy Research Home Page.

For a complete, searchable listing of RRA's in-depth research and analysis, please go to the S&P Global Market Intelligence Energy Research Home Page.

Intelligence Energy Research Library.

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