

**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. 2**

Request No: 2  
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. 2:**

**Re: Return on Equity**

2. Referencing Dr. Woolridge's response testimony at page 4, line 16 through page 5, line 9.
  - a. Is it Dr. Woolridge's opinion that the recent decline in the 30-year Treasury Bond yield should be a primary factor in determining the authorized ROE for Cascade?
  - b. Does Dr. Woolridge believe other market factors such as volatility should also be considered in determining the authorized ROE for Cascade?
  - c. If yes, please confirm that the decline in the 30-year Treasury Bond yield that occurred in 2020 was the direct result of the COVID-19 pandemic?
  - d. If confirmed, would Dr. Woolridge agree that the COVID-19 pandemic resulted in high levels of volatility and uncertainty in the market which would imply an increase in risk and thus the cost of equity? If no, please explain.

**RESPONSE:**

- a. It is Dr. Woolridge's opinion that the decline in the 30-year Treasury Bond yield in 2020 is one factor in the determining the authorized ROE for Cascade.
- b. Yes, and Dr. Woolridge has discussed capital market conditions, including market volatility and related issues on pages 10–17 of his testimony, Exhibit JRW-1Tr.
- c. As shown in Figure 2, Panel A, on page 13 of his testimony, Exhibit JRW-1Tr, referencing the data source at <https://fred.stlouisfed.com>, the 30-year Treasury Bond yield declined from 2.35 percent to 2.00 percent in the first six weeks of 2020 which was prior to the impact of the COVID-19 pandemic. Subsequently, in 2020, the 30-year Treasury yield declined to as low as about 1.0 percent, before increasing to the 1.5 percent range. As a result, Dr. Woolridge agrees the yield fell from 2.0 percent to its current level as a

result of the pandemic. But the initial decline in 2020 was prior to when the financial markets reacted to the coronavirus.

- d. No. Dr. Woolridge discusses the volatility and uncertainty that occurred in 2020 in response to the coronavirus on pages 11–17 of his testimony, and also explains how the market has largely recovered by fourth quarter of 2020, with interest rates stabilizing in the 1.50 percent range, record high stock prices, and the VIX declining back to its historical average of about 20. As a result, Dr. Woolridge disagrees with the assertion that “high levels of volatility and uncertainty in the market which would imply an increase in risk and thus the cost of equity.”