



e-FILING REPORT COVER SHEET

COMPANY NAME: Cascade Natural Gas Corporation

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes If yes, submit a redacted public version (or a cover letter) by email. Submit the confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

Select report type: RE (Electric) RG (Gas) RW (Water) RT (Telecommunications)
 RO (Other, for example, industry safety information)

Did you previously file a similar report? No Yes, report docket number: RG-36

Report is required by: OAR 860-022-0070
 Statute
 Order 98-543/04-203

Note: A one-time submission required by an order is a compliance filing and not a report (file compliance in the applicable docket)

Other
(For example, federal regulations, or requested by Staff)

Is this report associated with a specific docket/case? No Yes, docket number:

List Key Words for this report. We use these to improve search results.

Spring Earnings Review - Statement of Operations

Send the completed Cover Sheet and the Report in an email addressed to PUC.FilingCenter@state.or.us

Send confidential information, voluminous reports, or energy utility Results of Operations Reports to PUC Filing Center, PO Box 1088, Salem, OR 97308-1088 or by delivery service to 201 High Street SE Suite 100, Salem, OR 97301.



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April 30, 2021

Oregon Public Utility Commission
P.O. Box 1088
Salem, OR 97308-1088

Subject: RG-36(9) Spring Earnings Review and Statement of Operations and Rate of
Return - Twelve Months Ended December 31, 2020

Enclosed for filing is Cascade Natural Gas Corporation's Spring Earnings Review and Statement of Operations and Rate of Return Report for the Twelve Months Ended December 31, 2020 for the State of Oregon.

The Spring Earnings Review has been prepared pursuant to the Earnings Sharing Stipulation approved in OPUC Order No. 98-543, as amended in Order No. 04-203 and in accordance with OAR 860-022-0070. A list of Type 1 adjustments that should be included in the earnings review were attached to Order No. 99-272 as appendix B. Based upon that list, this report contains normalizing adjustments (Type I Adjustments) to normalize Cascade's earnings. The resulting normalized earnings are compared to the Earnings Threshold for the reporting period. For Cascade, the normalized earnings result in an implied return on equity of 7.11%, which is below the current earnings threshold of 10.40%.

Additionally, the remaining portion of the report shows that Cascade's implied return on equity would be 8.20% after "Type II" or annualizing adjustments.

If there are any questions regarding these documents or the filing in general, please contact me at (509) 734-4593.

Sincerely,

/s/ Michael Parvinen

Michael Parvinen
Director, Regulatory Affairs
Cascade Natural Gas Corporation
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Attachments

In the Community to Serve®

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2020

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2020
Description of Adjustments

Type I Adjustments

(a) Removal of Promotional Advertising Expense

Removes all promotional advertising for the test period

(b) Removal of of Membership Fees

Removes Membership Fees paid in the test period

(c) Normalize Uncollectible Expense

Restates uncollectible expense to the 3 year average of actual net write-offs

(d) Incentive Compensation Adjustment

Adjusts test period expense for Officers and Employees incentive compensation

(e) Interest Coordination Adjustment

Adjusts interest expense to the level associated with the current weighted average cost of debt

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2020
Description of Adjustments

Type II Adjustments

(a) Annualized Wage Rate

Adjusts the reporting period operating expenses to reflect the effects of the general wage increase as if it had been in effect for the entire period.

(b) PGA Commodity Sharing Adjustment

Adjusts test period revenue to add the revenues associated with the sharing of commodity costs through the PGA mechanism.

Cascade Natural Gas Corporation
Earnings Deferral
 State of Oregon
Twelve Months Ending December 31, 2020

Adjusted overall rate of return	6.09%
Less return required for:	
Long term debt	-2.38%
Preferred stock	0.00%
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Return available for common	3.71%
Capitalization ratio for common	46.69%
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Implied ROE (common return / ratio)	7.95%
Threshold per OPUC order 20-220	10.40%
	<hr/>
Return on Equity in excess of threshold	-2.45%
Capitalization ratio for common	46.69%
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Overall Return in excess of threshold	-1.15%
Average rate base	\$ 133,391,460
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Excess earnings	\$ (1,534,002)
Net to Gross Conversion Factor	0.70798
Pre-Tax over the threshold Earnings	\$ (2,166,731)
	<hr/> <hr/>
Earnings sharing percentage	33.00%
	<hr/>
Earnings Sharing for CY 20	\$ (715,021)
	<hr/> <hr/>

Cascade Natural Gas Corporation
ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/20
State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/20 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/20 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/20 (f)
	OPERATING REVENUES					
1	Natural Gas Sales	\$ 40,476,714	\$ 0	\$ 40,476,714	\$ 0	\$ 40,476,714
2	Gas Transportation Revenue	26,008,385	0	26,008,385	0	26,008,385
3	Other Operating Revenues	5,335,326	0	5,335,326	269,552	5,604,878
4	SUBTOTAL	\$ 71,820,425	\$ 0	\$ 71,820,425	\$ 269,552	\$ 72,089,977
5	LESS: Nat. Gas/Production Costs	33,442,279	0	33,442,279	0	33,442,279
6	Revenue Taxes	3,691,823	0	3,691,823	0	3,691,823
7	OPERATING MARGIN	\$ 34,686,323	\$ 0	\$ 34,686,323	\$ 269,552	\$ 34,955,875
	OPERATING EXPENSES					
8	Production	111,892	0	\$ 111,892	0	111,892
9	Distribution	\$ 6,493,904	0	6,493,904	\$ 0	\$ 6,493,904
10	Customer Accounts	1,945,909	(120,552)	1,825,357	0	1,825,357
11	Customer Service	155,139	0	155,139	0	155,139
12	Sales	6,738	(6,573)	165	0	0
13	Administrative & General	6,773,680	(789,214)	5,984,466	29,121	6,013,587
14	Depreciation & Amortization	8,276,657	0	8,276,657	0	8,276,657
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	2,724,181	0	2,724,181	8,116	2,732,297
17	State & Federal Income Taxes	591,589	403,827	995,416	62,734	1,058,150
18	TOTAL OPERATING EXPENSES	\$ 27,079,689	\$ (512,511)	\$ 26,567,178	\$ 99,971	\$ 26,667,148
19	NET OPERATING INCOME	\$ 7,606,634	\$ 512,511	\$ 8,119,146	\$ 169,581	\$ 8,288,727
	RATE BASE					
20	Total Plant in Service	\$ 275,269,011	\$ 0	\$ 275,269,011	\$ 0	\$ 275,269,011
21	Total Accumulated Depreciation	(115,734,887)	0	(115,734,887)	0	(115,734,887)
22	Contributions in Aid of Construct.	0	0	0	0	0
23	Customer Advances for Construction	(295,833)	0	(295,833)	0	(295,833)
24	Deferred Accumulated Income Taxes	(27,935,466)	0	(27,935,466)	0	(27,935,466)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,088,635	0	2,088,635	0	2,088,635
27	TOTAL RATE BASE	\$ 133,391,460	\$ 0	\$ 133,391,460	\$ 0	\$ 133,391,460
28	RATE OF RETURN	5.70%		6.09%		6.21%
	IMPLIED RETURN ON EQUITY					
29	LESS: Return Required for Long Term Debt	2.38%		2.38%		2.38%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	3.32%		3.71%		3.83%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 46.69%)	7.11%		7.95%		8.20%

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/20**

State of Oregon

Line No.	Description	Promotional Advertising Adjustment (a)	Removal of 50% Membership Fees (b)	Normalize Uncollectible Expense (c)	Incentive Comp. Adjustment (d)	Interest Coordination Adjustment (e)	Total Type I Adjustments
<u>OPERATING REVENUES</u>							
1	Natural Gas Sales	\$ 0	0	0		0	\$ 0
2	Gas Transportation Revenue	0	0	0		0	0
3	Other Operating Revenues	0	0	0		0	0
4	TOTAL OPERATING REVENUES	\$ 0	0	0	0	0	\$ 0
<u>OPERATING EXPENSES</u>							
5	Natural Gas Purchased	\$					\$ 0
6	Manufactured Gas Production						0
7	Distribution						0
8	Customer Accounting			(120,552)		0	(120,552)
9	Customer Service						0
10	Sales	(6,573)					(6,573)
11	Administrative & General		(39,052)		(750,162)	0	(789,214)
12	Depreciation & Amortization						0
13	Regulatory Debits						0
14	Taxes Other Than Income	0	0	0	0	0	0
15	State & Federal Income Tax	1,775	10,546	32,554	202,574	156,378	403,827
16	TOTAL OPERATING EXPENSES	\$ (4,798)	(28,506)	(87,998)	(547,588)	156,378	\$ (512,511)
17	NET OPERATING INCOME	\$ 4,798	28,506	87,998	547,588	(156,378)	\$ 512,511
<u>RATE BASE</u>							
18	Total Plant in Service	\$					\$ 0
19	Total Accumulated Depreciation						0
20	Customer Advances for Construct.						0
21	Contributions in Aid of Construct.						0
22	Deferred Income Taxes - ACRS						0
23	Deferred Income Taxes - Other						0
24	Deferred Debits-Oregon Water						0
25	Heater Program						0
26	Deferred Debits-Astoria Cleanup						0
27	Working Capital Allowance						0
28	TOTAL RATE BASE	\$					\$ 0

Cascade Natural Gas Corporation
TYPE II ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/20

State of Oregon

Line No.	Description	Annualizing Wage Rate Adjustment (a)	PGA Commodity Sharing Adjustment (b)	Total Type II Adjustments
	<u>OPERATING REVENUE</u>			
1	Natural Gas Sales	\$ 0	0	\$ 0
2	Gas Transportation Revenue	0	0	0
3	Other Operating Revenue	0	269,552	269,552
4	Total Operating Revenue	\$ 0	269,552	\$ 269,552
	<u>OPERATING EXPENSES</u>			
5	Natural Gas Purchased	\$ 0	0	\$ 0
6	Manufactured Gas Production			0
7	Distribution			0
8	Customer Accounting	0	0	0
9	Customer Service			0
10	Sales			0
11	Administrative & General	29,121	0	29,121
12	Depreciation & Amortization			0
13	Regulatory Debits	0		0
14	Taxes Other Than Income		8,116	8,116
15	State & Federal Income Tax	(7,864)	70,598	62,734
16	Total Operating Expenses	\$ 21,257	78,714	\$ 99,971
17	NET OPERATING INCOME	\$ (21,257)	190,838	\$ 169,581
	<u>RATE BASE</u>			
18	Total Plant in Service	\$		\$ 0
19	Total Accumulated Depreciation			0
20	Customer Advances for Construct.			0
21	Contributions Aiding Construct.			0
22	Deferred Income Taxes - ACRS			0
23	Deferred Income Taxes - Other			0
24	Deferred Debits-Oregon Water			0
25	Heater Program			0
26	Deferred Debits-Astoria Cleanup			0
27	Working Capital Allowance			0
28	TOTAL RATE BASE	\$ 0	0	\$ 0

TYPE I ADJUSTMENTS

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
State of Oregon

FERC 913 Advertising Expense

CY 2020	\$ 6,573
Removal	<u><u>\$ (6,573)</u></u>

Cascade Natural Gas Corporation
MEMBERSHIP & DUES EXPENSE ADJUSTMENT
State of Oregon

CY 2020 Membership Fees	\$	78,105
Removal of 50%	\$	<u>39,052</u>
Total Removal	\$	(39,052.44)

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2018	173,329
Calendar Year 2019	220,101
Calendar Year 2020	151,931
	<u>545,361</u>
3 years of Net Write Offs: 2018 - 2020	<u>545,361</u>
Calendar Year 2018 Total Operating Revenue	59,535,462
Calendar Year 2019 Total Operating Revenue	62,668,726
Calendar Year 2020 Total Operating Revenue	66,485,099
	<u>188,689,287</u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/19	312,711
3 Year Average Net Write Off as a percentage of 2018-2020 Gross Revenues	0.289%
2020 Sales	66,485,099
Proforma Expense	192,159
Adjustment to normalize Uncollectible Expenses	<u><u>-120,552</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY20 Officer Incentive Compensation	\$	552,504
Oregon Total	<u>\$</u>	<u>552,504</u>
Removal	<u>\$</u>	<u>(552,504)</u>

Total 2019 Employee Incentive Accrual (OR)	<u>\$</u>	<u>395,314.38</u>			
Incentive tied to Cyber and Safety Protection (1/3)	\$	131,771.46	50%	\$	65,885.73
Incentive encouraging Reduced O&M Spending (1/3)	\$	131,771.46	50%	\$	65,885.73
Incentive based on Customer Service Satisfaction (1/3)	\$	131,771.46	50%	\$	<u>65,885.73</u>
Total				\$	197,657.19
Removal				\$	(197,657.19)

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-20 to 12-20

OREGON:

	Avg of Avg	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	360,006,917	53.31%	4.47%	2.38%
Preferred Stock	0	0.00%		0.00%
Common Equity	315,361,035	46.69%	9.40%	4.39%
	<u>675,367,952</u>	<u>100.00%</u>		<u>6.77%</u>

Rate Base 12/31/2020	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
133,391,460	2.38%	3,174,717	3,753,809	(579,092)	0.27004	<u><u>156,378</u></u>

TYPE I ADJUSTMENT WORKPAPERS

Source(s): State Allocation Report, Rate Base

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	360,006,917	53.31%	4.47%	2.38%
Preferred Stock	-	0.00%		0.00%
Common Equity-excl Accum OCI	315,361,035	46.69%	9.40%	4.39%
	675,367,952	100.00%		6.77%
Rate base as of	December 31, 2020			133,391,460
Average cost of debt				2.38%
Subtotal				3,174,717
	Period Int Exp: Interest on long-term debt 427.0	3,694,608		
	Period Int Exp: Amort. Of debt discount & exp 428.0	48,983		5
	Period Int. Exp: Amort. Of loss on reacq debt 428.1	10,218		
Adjustment				3,753,809
				(579,092)
Total adjustment @ State & F.I.T of 27%				(156,378)

	7.48% MTN Due 9/15/2027	7.098% MTN Due 3/16/2029	5.25% IQN Due 2/1/2035	5.21% MTN Due 9/1/2020	5.79% Snr Nt Due 3/8/2037	4.11% Snr Nt Due 8/23/2025	4.36% Snr Nt Due 8/23/2028	4.09% Snr Nt Due 11/24/2044	4.24% Snr Nt Due 11/24/2054	4.09% Snr Nt DUE 1/15/2045	4.24% Snr Nt DUE 1/15/2055	3.62% Snr Nt DUE 6/13/2029	3.82% Snr Nt DUE 6/13/2034	4.26% Snr Nt DUE 6/13/2049	3.58% Snr Nt DUE 6/15/2050	3.78% Snr Nt DUE 6/15/2060	3.34% Snr Nt DUE 10/30/2060	LOC	TOTAL DEBT	COMMON EQUITY	BALANCE SHEET EQUITY
Jan-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	70,400,000	359,614,000	314,366,051	314,366,051
Feb-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	61,375,000	350,589,000	316,611,463	316,611,463
Mar-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	53,550,000	342,764,000	320,250,364	320,250,364
Apr-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	48,350,000	337,564,000	322,301,121	322,301,121
May-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	46,050,000	335,264,000	319,350,794	319,350,794
Jun-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	-	-	339,214,000	318,028,581	318,028,581
Jul-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	-	15,950,000	355,164,000	314,993,885	314,993,885
Aug-20	20,000,000	15,000,000	24,201,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	-	22,200,000	361,401,000	309,696,940	309,696,940
Sep-20	20,000,000	15,000,000	24,201,000	-	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	-	52,500,000	376,701,000	307,734,460	307,734,460
Oct-20	20,000,000	15,000,000	24,201,000	-	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	25,000,000	45,000,000	394,201,000	308,304,682	308,304,682
Nov-20	20,000,000	15,000,000	-	-	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	25,000,000	76,200,000	401,200,000	310,190,682	310,190,682
Dec-20	20,000,000	15,000,000	-	-	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	25,000,000	54,000,000	379,000,000	336,481,087	336,481,087
Dec-19	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	64,600,000	353,814,000	308,525,705	308,525,705
Ave of Avgs	20,000,000	15,000,000	21,184,000	10,625,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	16,250,000	10,833,333	5,208,333	45,906,250	360,006,917	315,361,035	315,361,035
Annual Rate	7.4800%	7.0980%	5.2500%	5.2100%	5.7900%	4.1100%	4.3600%	4.0900%	4.2400%	4.0900%	4.2400%	3.6200%	3.8200%	4.2600%	3.5800%	3.7800%	3.3400%	2.2100%			
Cost	1,496,000	1,064,700	1,112,160	553,563	2,316,000	1,027,500	1,090,000	511,250	530,000	511,250	530,000	905,000	764,000	1,278,000	581,750	409,500	173,958	1,014,899	4.47%		

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY19 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	29,121
Adjustment to Annualize & Restate	\$	<u>29,121</u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2020 PGA Commodity Sharing Revenue	\$ (269,552)
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Adjustment	<u><u>\$ 269,552</u></u>
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Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2020

2020	Gross Salaries/Wages	% Salary/Wage Increase	Salary/Wage Adjustment Before Taxes	Social Security Tax @ 6.2%	Medicare Tax @ 1.45%	Total Taxes	Adjustment to Restate CY20 Salaries/Wages
January	\$ 1,495,307						
February	\$ 1,054,496						
March	\$ 1,064,249						
CY20 Hourly	<u>\$ 3,614,052</u>	3.00%	\$ 108,422	\$ 6,722	\$ 1,572	\$ 8,294	\$ 116,716
OR 3-Factor Allocation %							24.95%
							\$ 29,121

Note: Salaried increase effective 1/1/20
Hourly increase effective 4/1/20

TYPE II ADJUSTMENT WORKPAPERS

**CASCADE NATURAL GAS
STATE OF OREGON
CY20**

PGA Commodity Sharing (I.e. () loss)

Jan-20	\$ (131,551)
Feb-20	\$ (53,949)
Mar-20	\$ (5,580)
Apr-20	\$ 10,677
May-20	\$ 8,107
Jun-20	\$ 2,921
Jul-20	\$ 628
Aug-20	\$ 1,413
Sep-20	\$ (9,530)
Oct-20	\$ 29,845
Nov-20	\$ (24,918)
Dec-20	\$ (97,616)
Total	<u>\$ (269,552)</u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/20

Line No.	Description	Amount	
1	Gross Revenue	1.00000	
2	Less Uncollectibles	<u>(0.00289)</u>	
3	Net Revenue	0.99711	
	Less Revenue Sensitive Costs		
4	Gross Revenue Fee	0.00350	
5	City Franchise Fees	<u>0.02372</u>	
6	Net Before State & Federal Income Taxes	<u>0.96989</u>	3.01%
7	Oregon Income Tax @7.6%	<u>0.07371</u>	
8	Net Before Federal Income Tax	0.89618	
9	Federal Income Tax @ 21%	<u>0.18820</u>	
10	Net to Gross Conversion Factor	<u><u>0.70798</u></u>	

Combo-State & Federal Income Tax	
State	0.07600
Federal	0.21000
Combo (calculated)	<u>0.27004</u>

Revenue Sensitive		
Uncollectibles	0.00289	
OPUC Fees	0.00350	
City Franchise	0.02372	
	0.03011	0.969889741

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2020

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2020
Description of Adjustments

Type I Adjustments

(a) Removal of Promotional Advertising Expense

Removes all promotional advertising for the test period

(b) Removal of of Membership Fees

Removes Membership Fees paid in the test period

(c) Normalize Uncollectible Expense

Restates uncollectible expense to the 3 year average of actual net write-offs

(d) Incentive Compensation Adjustment

Adjusts test period expense for Officers and Employees incentive compensation

(e) Interest Coordination Adjustment

Adjusts interest expense to the level associated with the current weighted average cost of debt

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2020
Description of Adjustments

Type II Adjustments

(a) Annualized Wage Rate

Adjusts the reporting period operating expenses to reflect the effects of the general wage increase as if it had been in effect for the entire period.

(b) PGA Commodity Sharing Adjustment

Adjusts test period revenue to add the revenues associated with the sharing of commodity costs through the PGA mechanism.

Cascade Natural Gas Corporation

Earnings Deferral

State of Oregon

Twelve Months Ending December 31, 2020

Adjusted overall rate of return	6.09%
Less return required for:	
Long term debt	-2.38%
Preferred stock	0.00%
	<hr/>
Return available for common	3.71%
Capitalization ratio for common	46.69%
	<hr/>
Implied ROE (common return / ratio)	7.95%
Threshold per OPUC order 20-220	10.40%
	<hr/>
Return on Equity in excess of threshold	-2.45%
Capitalization ratio for common	46.69%
	<hr/>
Overall Return in excess of threshold	-1.15%
Average rate base	<hr/> <u>\$ 133,391,460</u>
Excess earnings	\$ (1,534,002)
Net to Gross Conversion Factor	0.70798
Pre-Tax over the threshold Earnings	<hr/> <u>\$ (2,166,731)</u>
Earnings sharing percentage	<hr/> <u>33.00%</u>
Earnings Sharing for CY 20	<hr/> <u>\$ (715,021)</u>

Cascade Natural Gas Corporation

**ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/20**

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/20 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/20 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/20 (f)
	<u>OPERATING REVENUES</u>					
1	Natural Gas Sales	\$ 40,476,714	\$ 0	\$ 40,476,714	\$ 0	\$ 40,476,714
2	Gas Transportation Revenue	26,008,385	0	26,008,385	0	26,008,385
3	Other Operating Revenues	5,335,326	0	5,335,326	269,552	5,604,878
4	SUBTOTAL	\$ 71,820,425	\$ 0	\$ 71,820,425	\$ 269,552	\$ 72,089,977
5	LESS: Nat. Gas/Production Costs	33,442,279	0	33,442,279	0	33,442,279
6	Revenue Taxes	3,691,823	0	3,691,823	0	3,691,823
7	OPERATING MARGIN	\$ 34,686,323	\$ 0	\$ 34,686,323	\$ 269,552	\$ 34,955,875
	<u>OPERATING EXPENSES</u>					
8	Production	111,892	0	\$ 111,892	0	111,892
9	Distribution	\$ 6,493,904	0	6,493,904	\$ 0	\$ 6,493,904
10	Customer Accounts	1,945,909	(120,552)	1,825,357	0	1,825,357
11	Customer Service	155,139	0	155,139	0	155,139
12	Sales	6,738	(6,573)	165	0	0
13	Administrative & General	6,773,680	(789,214)	5,984,466	29,121	6,013,587
14	Depreciation & Amortization	8,276,657	0	8,276,657	0	8,276,657
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	2,724,181	0	2,724,181	8,116	2,732,297
17	State & Federal Income Taxes	591,589	403,827	995,416	62,734	1,058,150
18	TOTAL OPERATING EXPENSES	\$ 27,079,689	\$ (512,511)	\$ 26,567,178	\$ 99,971	\$ 26,667,148
19	NET OPERATING INCOME	\$ 7,606,634	\$ 512,511	\$ 8,119,146	\$ 169,581	\$ 8,288,727
	<u>RATE BASE</u>					
20	Total Plant in Service	\$ 275,269,011	\$ 0	\$ 275,269,011	\$ 0	\$ 275,269,011
21	Total Accumulated Depreciation	(115,734,887)	0	(115,734,887)	0	(115,734,887)
22	Contributions in Aid of Construct.	0	0	0	0	0
23	Customer Advances for Construction	(295,833)	0	(295,833)	0	(295,833)
24	Deferred Accumulated Income Taxes	(27,935,466)	0	(27,935,466)	0	(27,935,466)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,088,635	0	2,088,635	0	2,088,635
27	TOTAL RATE BASE	\$ 133,391,460	\$ 0	\$ 133,391,460	\$ 0	\$ 133,391,460
28	RATE OF RETURN	5.70%		6.09%		6.21%
	IMPLIED RETURN ON EQUITY					
29	LESS: Return Required for Long Term Debt	2.38%		2.38%		2.38%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	3.32%		3.71%		3.83%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 46.69%)	7.11%		7.95%		8.20%

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/20**

State of Oregon

Line No.	Description	Promotional Advertising Adjustment (a)	Removal of 50% Membership Fees (b)	Normalize Uncollectible Expense (c)	Incentive Comp. Adjustment (d)	Interest Coordination Adjustment (e)	Total Type I Adjustments
	<u>OPERATING REVENUES</u>						
1	Natural Gas Sales	\$ 0	0	0		0	\$ 0
2	Gas Transportation Revenue	0	0	0		0	0
3	Other Operating Revenues	0	0	0		0	0
4	TOTAL OPERATING REVENUE	\$ 0	0	0	0	0	\$ 0
	<u>OPERATING EXPENSES</u>						
5	Natural Gas Purchased	\$				\$	0
6	Manufactured Gas Production						0
7	Distribution						0
8	Customer Accounting			(120,552)		0	(120,552)
9	Customer Service						0
10	Sales	(6,573)					(6,573)
11	Administrative & General		(39,052)		(750,162)	0	(789,214)
12	Depreciation & Amortization						0
13	Regulatory Debits						0
14	Taxes Other Than Income	0	0	0	0	0	0
15	State & Federal Income Tax	1,775	10,546	32,554	202,574	156,378	403,827
16	TOTAL OPERATING EXPENSE	\$ (4,798)	(28,506)	(87,998)	(547,588)	156,378	\$ (512,511)
17	NET OPERATING INCOME	\$ 4,798	28,506	87,998	547,588	(156,378)	\$ 512,511
	<u>RATE BASE</u>						
18	Total Plant in Service	\$				\$	0
19	Total Accumulated Depreciation						0
20	Customer Advances for Construct.						0
21	Contributions in Aid of Construct.						0
22	Deferred Income Taxes - ACRS						0
23	Deferred Income Taxes - Other						0
24	Deferred Debits-Oregon Water						0
25	Heater Program						0
26	Deferred Debits-Astoria Cleanup						0
27	Working Capital Allowance						0
28	TOTAL RATE BASE	\$				\$	0

Cascade Natural Gas Corporation
**TYPE II ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/20**

State of Oregon

Line No.	Description	Annualizing Wage Rate Adjustment (a)	PGA Commodity Sharing Adjustment (b)	Total Type II Adjustments
	<u>OPERATING REVENUE</u>			
1	Natural Gas Sales	\$ 0	0	\$ 0
2	Gas Transportation Revenue	0	0	0
3	Other Operating Revenue	0	269,552	269,552
4	Total Operating Revenue	\$ 0	269,552	\$ 269,552
	<u>OPERATING EXPENSES</u>			
5	Natural Gas Purchased	\$ 0	0	\$ 0
6	Manufactured Gas Production			0
7	Distribution			0
8	Customer Accounting	0	0	0
9	Customer Service			0
10	Sales			0
11	Administrative & General	29,121	0	29,121
12	Depreciation & Amortization			0
13	Regulatory Debits	0		0
14	Taxes Other Than Income		8,116	8,116
15	State & Federal Income Tax	(7,864)	70,598	62,734
16	Total Operating Expenses	\$ 21,257	78,714	\$ 99,971
17	NET OPERATING INCOME	\$ (21,257)	190,838	\$ 169,581
	<u>RATE BASE</u>			
18	Total Plant in Service	\$		\$ 0
19	Total Accumulated Depreciation			0
20	Customer Advances for Construct.			0
21	Contributions Aiding Construct.			0
22	Deferred Income Taxes - ACRS			0
23	Deferred Income Taxes - Other			0
24	Deferred Debits-Oregon Water			0
25	Heater Program			0
26	Deferred Debits-Astoria Cleanup			0
27	Working Capital Allowance			0
28	TOTAL RATE BASE	\$ 0	0	\$ 0

TYPE I ADJUSTMENTS

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
State of Oregon

FERC 913 Advertising Expense

CY 2020	\$ 6,573
Removal	<u>\$ (6,573)</u>

Cascade Natural Gas Corporation
MEMBERSHIP & DUES EXPENSE ADJUSTMENT
State of Oregon

CY 2020 Membership Fees	\$	78,105
Removal of 50%	\$	<u>39,052</u>
Total Removal	\$	(39,052.44)

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
 State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2018	173,329
Calendar Year 2019	220,101
Calendar Year 2020	151,931
	<u>545,361</u>
3 years of Net Write Offs: 2018 - 2020	<u><u>545,361</u></u>
Calendar Year 2018 Total Operating Revenue	59,535,462
Calendar Year 2019 Total Operating Revenue	62,668,726
Calendar Year 2020 Total Operating Revenue	66,485,099
	<u>188,689,287</u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/19	312,711
3 Year Average Net Write Off as a percentage of 2018-2020 Gross Revenues	0.289%
2020 Sales	66,485,099
Proforma Expense	192,159
Adjustment to normalize Uncollectible Expenses	<u><u>-120,552</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY20 Officer Incentive Compensation	\$ 552,504
Oregon Total	<u>\$ 552,504</u>
Removal	<u><u>\$ (552,504)</u></u>

Total 2019 Employee Incentive Accrual (OR)	<u>\$ 395,314.38</u>		
Incentive tied to Cyber and Safety Protection (1/2)	\$ 131,771.46	50%	\$ 65,885.73
Incentive encouraging Reduced O&M Spending	\$ 131,771.46	50%	\$ 65,885.73
Incentive based on Customer Service Satisfaction	\$ 131,771.46	50%	<u>\$ 65,885.73</u>
Total			\$ 197,657.19
Removal			\$ (197,657.19)

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-20 to 12-20

OREGON:

	Avg of Avg	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	360,006,917	53.31%	4.47%	2.38%
Preferred Stock	0	0.00%		0.00%
Common Equity	315,361,035	46.69%	9.40%	4.39%
	<u>675,367,952</u>	<u>100.00%</u>		<u>6.77%</u>

Rate Base 12/31/2020	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
133,391,460	2.38%	3,174,717	3,753,809	(579,092)	0.27004	<u>156,378</u>

TYPE I ADJUSTMENT WORKPAPERS

Source(s): State Allocation Report, Rate Base

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	360,006,917	53.31%	4.47%	2.38%
Preferred Stock	-	0.00%		0.00%
Common Equity-excl Accum OCI	315,361,035	46.69%	9.40%	4.39%
	675,367,952	100.00%		6.77%
Rate base as of	December 31, 2020			133,391,460
Average cost of debt				2.38%
Subtotal				3,174,717
Period Int Exp: Interest on long-term debt 427.0		3,694,608		
Period Int Exp: Amort. Of debt discount & exp 428.0		48,983		5
Period Int. Exp: Amort. Of loss on reacq debt 428.1		10,218		3,753,809
Adjustment				(579,092)
Total adjustment @ State & F.I.T of 27%				(156,378)

	7.48% MTN Due 9/15/2027	7.098% MTN Due 3/16/2029	5.25% IQN Due 2/1/2035	5.21% MTN Due 9/1/2020	5.79% Snr Nt Due 3/8/2037	4.11% Snr Nt Due 8/23/2025	4.36% Snr Nt Due 8/23/2028	4.09% Snr Nt Due 11/24/2044	4.24% Snr Nt Due 11/24/2054	4.09% Snr Nt Due 1/15/2045	4.24% Snr Nt Due 1/15/2055	3.62% Snr Nt Due 6/13/2029	3.82% Snr Nt Due 6/13/2034	4.26% Snr Nt Due 6/13/2049	3.58% Snr Nt Due 6/15/2050	3.78% Snr Nt Due 6/15/2060	3.34% Snr Nt Due 10/30/2060	LOC	TOTAL DEBT	COMMON EQUITY	BALANCE SHEET EQUITY
Jan-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	70,400,000	359,614,000	314,366,051	314,366,051
Feb-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	61,375,000	350,589,000	316,611,463	316,611,463
Mar-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	53,550,000	342,764,000	320,250,364	320,250,364
Apr-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	48,350,000	337,564,000	322,301,121	322,301,121
May-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	46,050,000	335,264,000	319,350,794	319,350,794
Jun-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	-	-	339,214,000	318,028,581	318,028,581
Jul-20	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	-	15,950,000	355,164,000	314,993,885	314,993,885
Aug-20	20,000,000	15,000,000	24,201,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	-	22,200,000	361,401,000	309,696,940	309,696,940
Sep-20	20,000,000	15,000,000	24,201,000	-	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	-	52,500,000	376,701,000	307,734,460	307,734,460
Oct-20	20,000,000	15,000,000	24,201,000	-	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	25,000,000	45,000,000	394,201,000	308,304,682	308,304,682
Nov-20	20,000,000	15,000,000	-	-	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	25,000,000	76,200,000	401,200,000	310,190,682	310,190,682
Dec-20	20,000,000	15,000,000	-	-	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	30,000,000	20,000,000	25,000,000	54,000,000	379,000,000	336,481,087	336,481,087
Dec-19	20,000,000	15,000,000	24,214,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	-	-	-	64,600,000	353,814,000	308,525,705	308,525,705
Ave of Avgs	20,000,000	15,000,000	21,184,000	#####	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	25,000,000	20,000,000	30,000,000	16,250,000	10,833,333	5,208,333	45,906,250	360,006,917	315,361,035	315,361,035
Annual Rate	7.4800%	7.0980%	5.2500%	5.2100%	5.7900%	4.1100%	4.3600%	4.0900%	4.2400%	4.0900%	4.2400%	3.6200%	3.8200%	4.2600%	3.5800%	3.7800%	3.3400%	2.2100%	4.47%		
Cost	1,496,000	1,064,700	1,112,160	553,563	2,316,000	1,027,500	1,090,000	511,250	530,000	511,250	530,000	905,000	764,000	1,278,000	581,750	409,500	173,958	1,014,899			

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY19 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	29,121
Adjustment to Annualize & Restate	\$	<u>29,121</u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2020 PGA Commodity Sharing Revenue	\$(269,552)
Adjustment	<u><u>\$ 269,552</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2020

2020	Gross Salaries/Wages	% Salary/Wage Increase	Salary/Wage Adjustment Before Taxes	Social Security Tax @ 6.2%	Medicare Tax @ 1.45%	Total Taxes	Adjustment to Restate CY20 Salaries/Wages
January	\$ 1,495,307						
February	\$ 1,054,496						
March	\$ 1,064,249						
CY20 Hourly	\$ 3,614,052	3.00%	\$ 108,422	\$ 6,722	\$ 1,572	\$ 8,294	\$ 116,716
OR 3-Factor Allocation %							24.95%
							\$ 29,121

Note: Salaried increase effective 1/1/20
Hourly increase effective 4/1/20

**TYPE II
ADJUSTMENT
WORKPAPERS**

**CASCADE NATURAL GAS
STATE OF OREGON
CY20**

PGA Commodity Sharing (I.e. () loss)

Jan-20	\$ (131,551)
Feb-20	\$ (53,949)
Mar-20	\$ (5,580)
Apr-20	\$ 10,677
May-20	\$ 8,107
Jun-20	\$ 2,921
Jul-20	\$ 628
Aug-20	\$ 1,413
Sep-20	\$ (9,530)
Oct-20	\$ 29,845
Nov-20	\$ (24,918)
Dec-20	<u>\$ (97,616)</u>
Total	<u>\$ (269,552)</u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/20

Line No. Description	Amount	
1 Gross Revenue	1.00000	
2 Less Uncollectibles	<u>(0.00289)</u>	
3 Net Revenue	0.99711	
Less Revenue Sensitive Costs		
4 Gross Revenue Fee	0.00350	
5 City Franchise Fees	<u>0.02372</u>	<u>0.02722</u>
6 Net Before State & Federal Income Taxes	0.96989	3.01%
7 Oregon Income Tax @7.6%	<u>0.07371</u>	
8 Net Before Federal Income Tax	0.89618	
9 Federal Income Tax @ 21%	<u>0.18820</u>	
10 Net to Gross Conversion Factor	<u><u>0.70798</u></u>	

Combo-State & Federal Income Tax

State	0.07600
Federal	0.21000

Combo (calculate 0.27004)

Revenue Sensitive

Uncollectibles	0.00289	
OPUC Fees	0.00350	
City Franchise	0.02372	
	0.03011	0.969889741