ORDER NO. 16 477

ENTERED: DEC 12 2016

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 305

In the Matter of CASCADE NATURAL GAS CORPORATION, Request for a General Rate Revision.	ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On April 29, 2016, Cascade Natural Gas Corporation (Cascade) filed a request for a general rate increase for its Oregon customers. The amount requested was $1,906,285, an increase of 2.76 percent over current rates (including gas costs). On May 2, 2016, we suspended the filing for further investigation until March 1, 2017.[1]

A prehearing conference was held on May 23, 2016. Parties appearing were Cascade, the Commission Staff, the Citizens Utility Board of Oregon (CUB), and Northwest Industrial Gas Users (NWIGU).

On August 11, 2016, Staff, CUB, and NWIGU filed opening testimony proposing adjustments to Cascade's filing. The parties then convened a settlement conference and reached a partial settlement. Cascade next filed its reply testimony, correcting and updating its original filing while also incorporating the results of the partial settlement. The net effect of these changes was to reduce the amount of the rate increase requested to $988,093.

On September 20, 2016, the parties convened a second settlement conference. Those further discussions resulted in the parties reaching a full settlement. On October 6, 2016, the parties filed a stipulation settling all issues in this proceeding. The amount of the rate increase agreed to in the stipulation is $700,000, an overall increase of 1.05 percent (2.36 percent increase not including gas costs).

On October 31, 2016, the parties filed joint testimony in support of their stipulation. Subsequently, each of the parties filed a motion for the admission into evidence of the testimony sponsored by their respective witnesses. Those motions are granted. The stipulation and all the proffered testimony are received into evidence. The stipulation is attached to this Order as Appendix A.

[1] Order No. 16-161.

II. THE STIPULATION AND SUPPORTING TESTIMONY

Witnesses for each of the parties jointly sponsored testimony in support of the stipulation. In their testimony, the witnesses describe the process resulting in the settlement and summarize the result. They note that their participation in the stipulation does not signal that the parties necessarily agree on all the methodologies used to determine each adjustment. However, the parties do agree that the adjustments represent a reasonable financial settlement of the issues in this case and that, taken together, the adjustments result in rates that are fair, just and reasonable.

A. Revenue Requirement

The $700,000 increase to Cascade's Oregon revenue-requirement is based on the parties' agreement that Cascade's original request should be reduced by a total of $1,206,000, based on a number of specific adjustments. The witnesses provide the following table that shows each of their proposed adjustments to Cascade's proposed revenue requirement increase:

Summary of Settlement of Revenue Requirement Adjustments

Company Filed General Rate Case Required Change to Revenue Requirement		**$1,906,000**
Issue No.	**Adjustment**	**Revenue Requirement Effect**
1	Uncollectible Rate	($3,000)
2	Uncollectibles	($121,000)
3	Wage and Salaries	($120,000)
4	MDU Cross-Charge Labor	($169,000)
5	Rate Case Costs	($58,000)
6	Franchise Fee Rate	$26,000
7	Other Benefits	($18,000)
8	Interest Synchronization	$13,000
9	Inflation	($23,000)
10	Long-Term Debt	($32,000)
11	Load Forecast Revenue and Other Revenue	($290,000)
12	Gas Storage in Rate Base	($4,000)
13	Meals and Entertainment; Memberships, Dues, and Donations; Travel; Customer Accounts	($143,000)
14	Materials and Supplies	($7,000)
15	Administrative and General	($16,000)
16	Plant	($217,000)
17	Accumulated Depreciation	($42,000)
18	Allocations and Affiliates	($62,000)
19	Accumulated Deferred Income Tax	$80,000
	Total adjustments	**($1,206,000)**
	Incremental Revenue Requirement	**$700,000**

Significant adjustments are summarized as follows:

(a) Revenue Sensitive Uncollectible Rate and Uncollectibles. A correction to the amounts included in the initial filing and a revision to the company's uncollectible rate result in a revenue requirement reduction of $124,000.

(b) Wages and Salaries. A reduction to expenses and a reduction to rate base to reflect the results of Staff's model for wages and salaries and to reflect the actual test period employee count results in a reduction to revenue requirement of $120,000.

(c) MDU Cross-Charged Labor.[2] A reduction to expenses and a reduction to rate base, a correction of Cascade's initial filing, and removal or reduction of incentives results in a reduction to revenue requirement of $169,000.

(d) Rate Case Costs. A reduction to reflect a three-year amortization of rate case costs results in a reduction to revenue requirement of $58,000.

(e) Load Forecast and Other Revenue. An adjustment based on a compromise between Cascade and Staff regarding load forecast and based on Cascade's agreement to conduct a load study for all schedules (except Schedule 201, special contracts) results in a reduction of $290,000.

(f) Meals and Entertainment; Memberships, Dues, and Donations; Travel; and Customer Accounts. An adjustment to reflect a compromise between Cascade and Staff results in a reduction to revenue requirement of $143,000.

(g) Plant. An adjustment to rate base to reflect updates to project expenses and remove plant not in service by the rate effective date results in a reduction to revenue requirement of $217,000.

(h) Allocations. An adjustment to reflect removal of certain non-recoverable expenses including fixed costs of the corporate airplane results in a reduction to revenue requirement of $62,000.

(j) Accumulated Deferred Income Tax (ADIT). An adjustment to rate base to reflect a correction to Cascade's calculation of ADIT results in an increase to the revenue requirement of $80,000.

B. Cost of Capital

The stipulating parties agree to a rate of return of 7.284 percent, which is based on a capital structure of 49 percent equity and 51 percent long-term debt, with a return on equity of 9.4 percent and a debt cost of 5.295 percent. In their testimony, the witnesses describe Staff's "substantial independent analysis" that resulted in a reduction to Cascade's long-term debt cost as part of the overall cost of capital, as shown in the table.

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[2] Cascade is a subsidiary of MDU Resources Group, Inc.

C. Rate Spread and Rate Design

The parties agreed to raise the basic charge from $3.00 to $4.00 per month and to spread the remaining increase among residential, commercial, industrial, and large volume service customers. There is no rate increase for general distribution, interruptible, or special contracts customers.

The witnesses view the increase in the basic charge as a "reasonable compromise" between Cascade's proposal to retain the $3.00 charge and Staff's recommendation to increase the basic charge to $5.00. Regarding the increase to the volumetric charge, they consider their proposed rate design a compromise that fairly balances the interests of the parties.

D. Housekeeping Revisions to Tariffs

The parties agreed to accept the revision to Cascade's tariffs presented in the company's reply filing. In their testimony, the witnesses describe the "housekeeping revisions" as necessary to conform the tariffs with applicable Oregon administrative rules and statutes, correct minor errors, reorganize several sections of the tariffs, clarify confusing or awkward language, update formatting, and adjust pagination.

E. Allocations

In its opening testimony, Staff had raised issues regarding Cascade's allocation of expenses to and from its parent corporation, MDU Resources and affiliates. In the stipulation, the parties agreed that Cascade will hold a workshop regarding its allocations process no later than May 31, 2017, to address allocation issues raised by Staff, including:

- Reviewing MDU Resources' corporate structure;
- Reviewing Cascade's current processes for allocating labor-related costs performed by employees of MDU Resources and MDU Utilities who are responsible for customer service functions and proposing changes to ensure that such costs are allocated based on objective factors;
- Explaining proposed changes to Cascade's allocations methodologies to be implemented in 2017;
- Evaluating the treatment of combination gas and electric customers with Cascade presenting its findings as part of the allocations workshop;
- Providing detailed explanations as to how allocated costs are treated and coded using the applicable software to ensure that all allocated costs can be identified and traced in the system;
- Providing a spreadsheet demonstrating several examples of costs allocated, directly assigned, or otherwise charged to Cascade from affiliates, with journal descriptions of the original charge, the amount of the original charge, and the basis for the amount charged to Cascade;
- If any charges to Cascade are based on time, Cascade will provide several examples of time-based allocations and provide supporting documentation;

- If any charges to Cascade result from discretionary choices by affiliate employees or management, Cascade will provide several examples of such allocations and provide supporting documentation; and
- An explanation of MDU Resources' and affiliates' capitalization.

In their testimony, the witnesses explain the process for further investigation of these matters.

F. Environmental Remediation Amortization

The witnesses explain that the provision in the stipulation regarding environmental remediation amortization relates to a former manufactured gas plant in Eugene, Oregon.

In its 2015 general rate case, Cascade had proposed amortization of its remediation expenses but agreed to continue deferring such expenses as part of the settlement of that case. Cascade has continued to incur remediation expenses and has continued to defer them.

In its initial filing in this case, the company did not propose to begin to amortize such expenses. However, Staff recommended that Cascade begin amortization, based on Staff's experience with Northwest Natural Gas Company's environmental remediation expenses. In the stipulation, the parties agree that Cascade will begin amortization and recovery of environmental remediation expenses over three years in a separate tariff filing coincident with the effective date of this filing. The tariff sheet will allow Cascade to amortize $54,000 in each of the three years.

The revenue requirement impact of the remediation ($54,000 per year) is separate from the $700,000 increase proposed in the stipulation. The witnesses testify that this treatment will avoid the accumulation of a large amount of interest in the deferral account.

G. Tariffs

The parties agree that, upon approval of their stipulation, the rates will go into effect on March 1, 2017.

H. Reasonableness of Stipulation

In support of their view that the settlement is reasonable, the parties describe their settlement process, including their extensive discovery, analysis, and negotiations. They testify that the stipulation represents a reasonable compromise for many reasons, including: (1) it results in an overall average rate increase of about 1 percent; (2) it represents a fair settlement of revenue requirement issues; (3) it avoids litigation on the remaining issues; and (4) the terms of the stipulation provide certainty that the costs proposed in this case will be in service for the benefit of Oregon customers.

Each of the individual witnesses expresses the view that the stipulation is reasonable, based on their parties' perspective.

III. DISCUSSION

The stipulation should be adopted.

The parties have provided extensive testimony to explain their adjustments to revenue requirement and cost of capital and their disposition of other matters. In every instance the basis for the adjustment is clearly stated, and where compromise was reached, the basis for the compromise is provided. We appreciate the parties' efforts and providing us a robust record to support our conclusion that the stipulation is reasonable and will result in rates that are just and reasonable.

IV. ORDER

IT IS ORDERED that

1. The stipulation between Cascade Natural Gas Corporation; the Staff of the Public Utility Commission of Oregon; the Citizens' Utility Board of Oregon; and the Northwest Industrial Gas Users, attached as Appendix A, is adopted.

2. Advice No. O16-04-01 is permanently suspended.

3. Cascade Natural Gas Corporation must file new tariffs consistent with this order no later than February 28, 2017, to be effective no earlier than March 1, 2017.

Made, entered, and effective DEC 12 2016.

Lisa Hardie
Chair

John Savage
Commissioner

Stephen M. Bloom
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UG 305

In the Matter of CASCADE NATURAL GAS CORPORATION Application for a General Rate Revision.	**STIPULATION**

INTRODUCTION

The purpose of this Stipulation is to resolve all issues among Cascade Natural Gas Corporation (Cascade or Company), Staff of the Public Utility Commission of Oregon (Staff), the Citizens' Utility Board of Oregon (CUB), and the Northwest Industrial Gas Users (NWIGU) (collectively, the Stipulating Parties) in Docket No. UG 305, Cascade's Application for a General Rate Revision. The Stipulating Parties are the only parties to this proceeding, and they expect this Stipulation to fully resolve the issues in this docket.

BACKGROUND

On April 29, 2016, Cascade filed a request for a general rate increase and revised tariff sheets to become effective May 30, 2016. The Company's filing (Initial Filing) requested a revision to customer rates that would increase the Company's annual Oregon jurisdictional revenues by $1,906,285, for 2.76 percent over current customer rates. On May 2, 2016, the Commission suspended the filing for further investigation. Administrative Law Judge (ALJ) Michael Grant convened a prehearing conference on May 23, 2016. In accordance with the prehearing conference order, the effective date for rates will be March 1, 2017.

On August 11, 2016, Staff, CUB, and NWIGU filed opening testimony proposing various adjustments to Cascade's Initial Filing. The parties convened an initial settlement conference on August 17, 2016, which resulted in a partial settlement. Cascade filed its reply testimony on September 13, 2016. In its reply testimony (Reply Filing), the Company provided corrections and updates to its Initial Filing, incorporated the results of the partial settlement, and responded to and accepted certain adjustments proposed by Staff and CUB, resulting in a revised requested increase to Cascade's annual Oregon jurisdictional revenue requirement of $988,093. The Stipulating Parties convened a second settlement conference on September 20, 2016. As a result of those discussions, the Stipulating Parties reached a settlement of all issues in this proceeding. This Stipulation memorializes the Stipulating Parties' agreements reached at the August 17, 2016 and September 20, 2016 settlement conferences.

TERMS OF AGREEMENT

The Stipulation resolves the issues addressed below:

1. <u>Revenue Requirement</u>. The Stipulating Parties agree that the total increase to Cascade's annual Oregon revenue requirement amount is $700,000, as summarized in the table in Appendix A to this Stipulation. The $700,000 annual revenue requirement increase in this proceeding is based on the Stipulating Parties' agreement that the Oregon-allocated increase to annual revenue requirement shall be reduced by a total of $1,206,285 from the Initial Filing of $1,906,285, based on the following adjustments to Cascade's Initial Filing:

(a) <u>Revenue Sensitive Uncollectible Rate and Uncollectibles.</u> A reduction of $118,000 to expense reflects a correction to the uncollectibles amounts included in the Company's Initial Filing and a reduction of $3,000 to revenue requirement to revise the Company's uncollectible rate to 0.3745 percent. This adjustment results in a reduction to revenue requirement of $124,000;

(b) Wages and Salaries. A reduction of $113,000 to expense and a reduction of $29,000 to rate base to reflect the results of Staff's model for wages and salaries and to reflect the actual test period employee count. This adjustment results in a reduction to revenue requirement of $120,000;

(c) MDU Cross-Charged Labor. A reduction of $159,000 to expense and a reduction of $45,000 to rate base to reflect application of Staff's wages and salaries model, a correction to Cascade's Initial Filing to increase the test year salaries for cross-charged employees by the actual 4 percent salary increase approved for 2016, removal of 100 percent of officer incentives, removal of 75 percent of non-officer incentives tied to financial performance and cost reductions, and removal of 50 percent of incentives related to customer service. This adjustment results in a reduction to revenue requirement of $169,000;

(d) Rate Case Costs. A reduction of $56,000 to expense to reflect three-year amortization of rate case costs. This adjustment results in a reduction to revenue requirement of $58,000;

(e) Franchise Fee Rate. An increase of $16,000 to expense to reflect a correction to the franchise fee rate filed by Cascade to 0.2310 percent. This adjustment results in an increase to revenue requirement of $26,000;

(f) Other Benefits. A reduction of $18,000 to expense for actuarial services, investment consultants, and audit fees to reflect use of the Company's 2016 budgeted amount rather than the 2016 test year amount. This adjustment results in a reduction to revenue requirement of $18,000;

(g) Interest Synchronization. An increase of $13,000 to reflect Staff's interest coordination adjustment for change in the weighted cost of long-term debt to 2.678 percent;

(h) Inflation. A reduction of $22,000 to expense to reflect a compromise between Cascade's application of the March 2016 value for the Consumer Price Index (CPI) in the Company's Initial Filing and Staff's proposed application of the June 2016 value for CPI. This adjustment results in a reduction to revenue requirement of $23,000;

(i) Cost of Long Term Debt. A reduction of $32,000 to revenue requirement to revise the Company's cost of long term debt from 5.295 percent as proposed in the Initial Filing to 5.250 percent cost of debt and a weighted cost of long-term debt of 2.678 percent;

(j) Load Forecast Revenue and Other Revenue. A reduction of $290,000 to revenue requirement based on a compromise between the Company's Initial Filing and Staff's recommended adjustments for load forecast revenue and other revenue, and based on Cascade's agreement to conduct a load study for all schedules except Schedule 201 (Special Contracts);

(k) Gas Storage. A reduction of $38,000 to rate base to reflect an average level of storage inventory rather than the 2015 year-end amount. This adjustment results in a reduction to revenue requirement of $4,000;

(l) Meals and Entertainment; Memberships, Dues, and Donations; Travel; Customer Accounts. A reduction of $139,000 to expense to reflect a compromise between the Company's Initial Filing and Staff's proposed adjustments for meals and entertainment, memberships, dues, and donations, travel, and customer accounts. This adjustment results in a reduction to revenue requirement of $143,000;

(m) Materials and Supplies. A reduction of $62,000 to rate base to reflect use of a mid-year average of 2015 and 2016 rather than end of year values. This adjustment results in a reduction to revenue requirement of $7,000;

(n) Administrative and General (A&G). A reduction of $16,000 to expense to reflect removal of 50 percent of the insurance expense for directors and officers. This adjustment results in a reduction to revenue requirement of $16,000;

(o) Plant. A reduction of $2,032,000 to rate base to reflect updates to project expenses during this proceeding and to reflect removal of plant that will not be in service and used and useful by the rate effective date, March 1, 2017. This adjustment results in a reduction to revenue requirement of $217,000;

(p) Accumulated Depreciation. A reduction of $390,000 to rate base to reflect a correction to the Company's Initial Filing regarding the calculation of accumulated depreciation. This adjustment results in a reduction to revenue requirement of $42,000;

(q) Allocations. An additional reduction from the Company's Reply Filing to reflect removal of certain miscellaneous non-recoverable expenses including fixed costs of the corporate airplane. This adjustment results in a reduction to revenue requirement of $62,000;

(r) Accumulated Deferred Income Tax (ADIT). An increase of $749,000 to rate base to reflect a correction to Company's calculation of ADIT provided in the

Reply Filing. This adjustment results in an increase to the revenue requirement of $80,000.[1]

2. Cost of Capital. The Stipulating Parties agree to a rate of return of 7.284%, which is based on a 49.0 percent equity and 51.0 percent long term debt capital structure, with a Return on Equity of 9.400% and a debt cost of 5.250%.

Agreed-upon Cost of Capital			
	Percent of Total Capital	Cost	Component
Long-Term Debt	51.0%	5.250%	2.678%
Common Equity	49.0%	9.400%	4.606%
Total	100.0%		7.284%

3. Rate Spread and Rate Design. The agreed upon rate spread is shown in Appendix B to this Stipulation. The Stipulating Parties also agreed to increase the basic charge from $3.00 to $4.00 for Schedules 101 (Residential) and 104 (Commercial).

4. Housekeeping Revisions to Tariffs. The Stipulating Parties agree to accept the revisions to Cascade's tariffs as presented in the Company's Reply Filing in Exhibit CNGC/1103.

5. Allocations. The Stipulating Parties agree that Cascade will hold a workshop for Stipulating Parties regarding the Company's allocations process no later than May 31,

[1] The Company agrees to refund customers savings that may arise if the Company takes bonus depreciation on its 2016 consolidated tax return.

2017 to address issues related to inter-company allocations that were raised by Staff in this case. Specifically, Cascade commits to the following:

- Reviewing MDU Resources' corporate structure;
- Reviewing its current processes for allocating labor-related costs performed by employees of MDU Resources and MDU Utilities who are responsible for customer service functions, and proposing changes to ensure that such costs are allocated based on objective factors;
- Explaining any proposed changes to Cascade's allocations methodologies to be implemented in 2017;
- Evaluating the treatment of combination gas and electric customers and presenting its findings as part of the allocations workshop;
- Providing detailed explanations as to how allocated costs are treated and coded using the applicable software to ensure that all allocated costs can be identified and traced in the system;
- Providing a spreadsheet demonstrating several examples of costs allocated, directly assigned, or otherwise charged to Cascade from affiliates, with journal descriptions of the original charge, the amount of the original charge, and the basis for the amount charged to Cascade;
- If any charges to Cascade are based on time, Cascade will provide several examples of time-based allocations and Cascade will provide supporting documentation;
- If any charges to Cascade result from discretionary choices by affiliate employees or management, Cascade will provide several examples for such allocations and Cascade will provide supporting documentation; and
- Explaining the MDU Resources and affiliates' capitalization.

Staff and parties may provide written comments, no later than January 1, 2017, regarding Cascade's allocation methodologies, including suggestions for modifications to the methodologies. Cascade may consider any proposed modifications to its allocations methodologies, but is not obligated to implement such modifications. Cascade will include its proposed changes to its allocations methodologies in any rate case filed in 2017 (rather than waiting for a subsequent rate case filing).

6. Environmental Remediation Amortization. The Stipulating Parties agree that Cascade will begin amortization and recovery of environmental remediation expenses over three years in a separate tariff sheet coincident with the effective date of the current filing.

The Stipulating Parties further agree that the separate tariff sheet will allow Cascade to amortize $54,000 in each of the three years.

7. Tariffs. Upon approval of this Stipulation, Cascade will file revised rate schedules as a compliance filing in Docket No. UG 305, to be effective March 1, 2017, reflecting rates as agreed in this Stipulation.

8. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as appropriate and reasonable resolutions of the identified issues in this docket.

9. The Stipulating Parties agree that this Stipulation is in the public interest, and will result in rates that are fair, just and reasonable, consistent with the standard in ORS 756.040.

10. This Stipulation will be offered into the record as evidence pursuant to OAR 860-001-350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and recommend that the Commission issue an order adopting the Stipulation. The Stipulating Parties also agree to cooperate in drafting and submitting joint testimony or a brief in support of the Stipulation in accordance with OAR 860-001-0350(7).

11. If this Stipulation is challenged, the Stipulating Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation. The Stipulating Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which may include raising issues that are incorporated in the settlements embodied in this Stipulation.

12. The Stipulating Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any of the Stipulating

Parties are entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-001-0350(9). To withdraw from the Stipulation, a Stipulating Party must provide written notice to the Commission and other Stipulating Parties within five days of service of the final order rejecting, modifying or conditioning this Stipulation.

13. By entering into this Stipulation, no Stipulating Party approves, admits, or consents to the facts, principles, methods, or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as specifically identified in this Stipulation.

14. This Stipulation is not enforceable by any Stipulating Party unless and until adopted by the Commission in a final order. Each signatory to this Stipulation avers that they are signing this Stipulation in good faith and that they intend to abide by the terms of this Stipulation unless and until the Stipulation is rejected or adopted only in part by the Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation, the Stipulating Parties reserve the right to seek reconsideration or rehearing of the Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the Commission order under ORS 756.610.

15. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation is entered into by each Stipulating Party on the date entered below such Stipulating Party's signature.

DATED this 5 day of Oct, 2016.

CASCADE NATURAL GAS CORPORATION	STAFF OF PUBLIC UTILITY COMMISSION OF OREGON
By: Lisa Rackner	By:
Date: 10-5-16	Date:
CITIZENS' UTILITY BOARD OF OREGON	NORTHWEST INDUSTRIAL GAS USERS
By:	By:
Date:	Date:

DATED this 6 day of October, 2016.

CASCADE NATURAL GAS CORPORATION

By: ______________________

Date: ______________________

STAFF OF PUBLIC UTILITY COMMISSION OF OREGON

By: Kaylie Klein

Date: 10/6/16

CITIZENS' UTILITY BOARD OF OREGON

By: ______________________

Date: ______________________

NORTHWEST INDUSTRIAL GAS USERS

By: ______________________

Date: ______________________

CASCADE NATURAL GAS CORPORATION	STAFF OF PUBLIC UTILITY COMMISSION OF OREGON
By: ______________________	By: ______________________
Date: ______________________	Date: ______________________
CITIZENS' UTILITY BOARD OF OREGON	NORTHWEST INDUSTRIAL GAS USERS
By: [signature]	By: ______________________
Date: 10/6/16	Date: ______________________

DATED this 6 day of October, 2016.

CASCADE NATURAL GAS CORPORATION	STAFF OF PUBLIC UTILITY COMMISSION OF OREGON
By: ______________________	By: ______________________
Date: ______________________	Date: ______________________
CITIZENS' UTILITY BOARD OF OREGON	NORTHWEST INDUSTRIAL GAS USERS
By: ______________________	By: [signature]
Date: ______________________	Date: 10/6/2016

Appendix A: SUMMARY OF ADJUSTMENTS TO REVENUE RQUIREMENT AND RATE BASE ($000'S OF DOLLARS)					
		Revenue	Expense	Rate Base	Revenue Requirement Effect
Amount as filed:				**$ 84,872**	**$ 1,906**
Adjustments		**Revenue**	**Expense**	**Rate Base**	**Revenue Requirement Effect**
(a)	Uncollectible Rate				(3)
(a)	Uncollectibles		(118)		(121)
(b)	Wages & Salaries		(113)	(29)	(120)
(c)	MDU Cross-Charged Labor		(159)	(45)	(169)
(d)	Rate Case Costs		(56)		(58)
(e)	Franchise Fee Rate		16		26
(f)	Other Benefits		(18)		(18)
(g)	Interest Synchronization				13
(h)	Inflation		(22)		(23)
(i)	Rate of Return - Cost of LT Debt				(32)
(j)	Load Forecast Revenue & Other Revenue	290			(290)
(k)	Gas Storage in Rate Base			(38)	(4)
(l)	Meals and Entertainment, Memberships, Dues and Donations, Travel, Customer Accounts		(139)		(143)
(m)	Material and Supplies			(62)	(7)
(n)	A&G		(16)		(16)
(o)	Plant			(2,032)	(217)
(p)	Accumulated Depreciation			(390)	(42)
(q)	Allocations & Affiliates				(62)
(r)	ADIT - 2015-2016 deferred tax related to depreciation book/tax timing difference				80
(r)	ADIT - 2016 deferred tax related to bonus depreciation			-	-
	Total Adjustments:	**$ 290**	**$ (624)**	**$ (2,596)**	**$ (1,206)**
Adjusted Base Revenue Requirement & Rate Base - Effective March 1, 2017:				**$ 82,275**	**$ 700**
	Separate Tariff - Amortization and recovery of environmental remediation expenses:				$ 54
Net Revenue Increase Effective March 1, 2017:				**$ 82,275**	**$ 754**

Cascade Natural Gas Corp.
Oregon Jurisdiction

Parties' Settlement Agreement

Line	Description	Total	101 Residential Service	104 Commercial Service	105 Industrial Service	111 Large Volume Service	163 General Distribution	170 Interruptible	900 Special Contracts
			core	core	core	core	non-core	core	non-core
1	Customer Count	70,743	60,662	9,901	128	13	31	4	4
2	Non-Gas Revenue at Current Rates	$ 29,640,042	$ 16,926,173	$ 7,741,020	$ 505,501	$ 242,548	$ 2,159,441	$ 300,244	$ 1,765,115
3	**Incremental Non-gas Revenue Requirement**	**$ 700,000**							
4	Step 1								
5	Increase multiple relative to system average			-	3.00	3.00	-	-	-
6	Percent Increase	2.36%		0.00%	7.09%	7.09%	0.00%	0.00%	0.00%
7	Increase Step 1	$ 52,999		$ -	$ 35,815	$ 17,185	$ -	$ -	$ -
	Step 1a								
	Customers			**9,901**					
	Increased Revenues at $1 per customer-month			**$ 118,811**					
8	Increase Step 1 plus Step 1a	$ 171,810		$ 118,811	$ 35,815	$ 17,185			
9	Step 2			$ -	$ -	$ -	$ -	$ -	$ -
10	Total Non-gas Revenue Increase	$ 700,000							
11	Increase after Steps 1 and 1a	$ 528,190							
12	**Total Non-gas Revenue Increase**	**$ 700,000**	**$ 528,190**	**$ 118,811**	**$ 35,815**	**$ 17,185**	**$ -**	**$ -**	**$ -**
13	**Non-Gas Revenue after Revenue Increase**	**$ 30,340,042**	**$ 17,454,363**	**$ 7,859,831**	**$ 541,316**	**$ 259,733**	**$ 2,159,441**	**$ 300,244**	**$ 1,765,115**
	Percent Increase (Non-gas Rev. Req.)	**2.36%**	**3.12%**	**1.53%**	**7.09%**	**7.09%**	**0.00%**	**0.00%**	**0.00%**
	Final Percentage Increase Relative to System Average		1.32	0.65	3.00	3.00	0.00	0.00	0.00