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REPORT NAME: Revised Spring Earnings Review and Statement of Operations and Rate of Rtn

COMPANY NAME: Cascade Natural Gas Corporation

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: RE (Electric) RG (Gas) RW (Water) RO (Other)

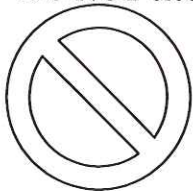
Report is required by: OAR 860-022-0070
Statute Enter statute number
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August 14, 2013

Oregon Public Utility Commission
550 Capitol Street NE
Salem, OR 97310-1380

ATTN: Ms. Kathy Williams

Subject: **REVISED** Spring Earnings Review and Statement of Operations and Rate of Return - Twelve Months Ended December 31, 2012 **RG 36(1)**

Dear Ms. Williams:

Enclosed filing is Cascade Natural Gas Corporation's **REVISED** Spring Earnings Review and Statement of Operations and Rate of Return Report for the Twelve Months Ended December 31, 2012 for the State of Oregon.

The revised report includes a minor revision to a Type I Adjustment, Interest Coordination Adjustment.

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

Sincerely,

Michael Parvinen
Director, Regulatory Affairs

Attachments

We make warm neighbors

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2012

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2012
Description of Adjustments

Type I Adjustments

(a) CAP Deferral Adjustment

Removes out of period Oregon CAP deferrals accrued during Calendar Year 2012

(b) Removal of Promotional Advertising Expense

Removes all promotional advertising for the test period

(c) Removal of 25% of Membership Fees

Removes 25% of Membership Fees paid in the test period

(d) Normalize Uncollectible Expense

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

(e) Incentive Compensation Adjustment

Adjusts test period expense for Officer incentive compensation

(f) Interest Coordination Adjustment

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

(g) UM 1283 A&G Expense Adjustment

Adjusts administrative & general expense to the lower of the benchmark for A&G expenses as detailed in UM 1283 (Commitment 10) or Cascade's adjusted actual A&G expenses. No adjustment was necessary in 2012 since Cascade's adjusted A&G expenses were below the benchmark.

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2012
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.

(c) Removal of Retiree Medical Credits

Adjusts administrative & general expense to remove the credits Cascade received during 2012 for the retiree medical plan.

Cascade Natural Gas Corporation

Earnings Deferral

State of Oregon

12 months ended December 31, 2012

Adjusted overall rate of return	8.75%
Less return required for:	
Long term debt	-3.37%
Preferred stock	0.00%
	<hr/>
Return available for common	5.38%
Capitalization ratio for common	52.01%
	<hr/>
Implied ROE (common return / ratio)	10.35%
Threshold per OPUC order	10.94%
	<hr/>
Return on Equity in excess of threshold	-0.59%
Capitalization ratio for common	52.01%
	<hr/>
Overall Return in excess of threshold	-0.31%
Average rate base	\$ 65,499,305
	<hr/>
Excess earnings	\$ (203,048)
Net to Gross Conversion Factor	0.58298
Pre-Tax over the threshold Earnings	\$ (348,294)
	<hr/> <hr/>
Earnings sharing percentage	33.00%
	<hr/>
Earnings Sharing for CY 12	\$ (114,937)
	<hr/> <hr/>

Cascade Natural Gas Corporation

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

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/12 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/12 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/12 (f)
	OPERATING REVENUES					
1	Natural Gas Sales	\$ 63,890,533	\$ 107,637	\$ 63,998,170	\$ 0	\$ 63,998,170
2	Gas Transportation Revenue	4,012,257	0	4,012,257	0	4,012,257
3	Other Operating Revenues	229,227	0	229,227	(524,531)	(295,304)
4	SUBTOTAL	\$ 68,132,016	\$ 107,637	\$ 68,239,653	\$ (524,531)	\$ 67,715,122
5	LESS: Nat. Gas/Production Costs	38,315,432	0	38,315,432	0	38,315,432
6	Revenue Taxes	2,889,929	0	2,889,929	0	2,889,929
7	OPERATING MARGIN	\$ 26,926,655	\$ 107,637	\$ 27,034,292	\$ (524,531)	\$ 26,509,761
	OPERATING EXPENSES					
8	Production	53,084	0	\$ 53,084	0	53,084
9	Distribution	\$ 4,721,615	0	\$ 4,721,615	0	\$ 4,721,615
10	Customer Accounts	1,985,349	(115,128)	1,870,222	0	1,870,222
11	Customer Service	599,740	0	599,740	0	599,740
12	Sales	2,591	(2,591)	(0)	0	0%
13	Administrative & General	4,913,861	(92,004)	4,821,858	(23,598)	4,798,260
14	Depreciation & Amortization	4,343,316	0	4,343,316	0	4,343,316
15	Regulatory Debits	368,759	0	368,759	0	368,759
16	Taxes Other Than Income	1,789,145	3,158	1,792,303	(15,390)	1,776,913
17	State & Federal Income Taxes	2,479,871	249,799	2,729,670	(193,926)	2,535,744
18	TOTAL OPERATING EXPENSES	\$ 21,257,332	\$ 43,235	\$ 21,300,567	\$ (232,914)	\$ 21,067,653
19	NET OPERATING INCOME	\$ 5,669,323	\$ 64,402	\$ 5,733,725	\$ (291,617)	\$ 5,442,108
	RATE BASE					
20	Total Plant in Service	\$ 161,875,466	\$ 0	\$ 161,875,466	\$ 0	\$ 161,875,466
21	Total Accumulated Depreciation	(76,856,576)	0	(76,856,576)	0	(76,856,576)
22	Contributions in Aid of Construct.	0	0	0	0	0
23	Customer Advances for Construction	(1,139,541)	0	(1,139,541)	0	(1,139,541)
24	Deferred Accumulated Income Taxes	(20,554,973)	0	(20,554,973)	0	(20,554,973)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,174,929	0	2,174,929	0	2,174,929
27	TOTAL RATE BASE	\$ 65,499,305	\$ 0	\$ 65,499,305	\$ 0	\$ 65,499,305
28	RATE OF RETURN	8.66%		8.75%		8.31%
	IMPLIED RETURN ON EQUITY					
29	LESS: Return Required for Long Term Debt	3.37%		3.37%		3.37%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	5.29%		5.38%		4.94%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 52.01%)	10.17%		10.35%		9.50%

Cascade Natural Gas Corporation								
ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN								
FOR THE TWELVE MONTHS ENDED 12/31/12								
State of Oregon								
Line No.	Description	CAP Deferral Adjustment (a)	Promotional Advertising Adjustment (b)	Removal of 25% Membership Fees (c)	Normalize Uncollectible Expense (d)	Officer's Incentive Comp. Adjustment (e)	Interest Coordination Adjustment (f)	Total Type I Adjustments
<u>OPERATING REVENUES</u>								
1	Natural Gas Sales	\$ 107,637	0	0	0	0	0	\$ 107,637
2	Gas Transportation Revenue	0	0	0	0	0	0	0
3	Other Operating Revenues	0	0	0	0	0	0	0
4	TOTAL OPERATING REVENUES	\$ 107,637	0	0	0	0	0	\$ 107,637
<u>OPERATING EXPENSES</u>								
5	Natural Gas Purchased	\$						\$ 0
6	Manufactured Gas Production							0
7	Distribution							0
8	Customer Accounting				(115,128)		0	(115,128)
9	Customer Service							0
10	Sales		(2,591)					(2,591)
11	Administrative & General			(3,013)		(88,990)	0	(92,004)
12	Depreciation & Amortization							0
13	Regulatory Debits							0
14	Taxes Other Than Income	3,158	0	0	0	0	0	3,158
15	State & Federal Income Tax	41,729	1,035	1,203	45,982	35,543	124,307	249,799
16	TOTAL OPERATING EXPENSES	\$ 44,887	(1,556)	(1,810)	(69,146)	(53,447)	124,307	\$ 43,235
17	NET OPERATING INCOME	\$ 62,750	1,556	1,810	69,146	53,447	(124,307)	\$ 64,402
<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 12/31/12**

State of Oregon

Line No.	Description	Annualizing Wage Rate Adjustment (a)	PGA Commodity Sharing Adjustment (b)	Removal of Retiree Medical Credits (c)	Total Type II Adjustments
OPERATING REVENUE					
1	Natural Gas Sales	\$ 0	0	0	\$ 0
2	Gas Transportation Revenue	0	0	0	0
3	Other Operating Revenue	0	(524,531)	0	(524,531)
4	Total Operating Revenue	\$ 0	(524,531)	0	\$ (524,531)
OPERATING EXPENSES					
5	Natural Gas Purchased	\$ 0	0	0	\$ 0
6	Manufactured Gas Production				0
7	Distribution				0
8	Customer Accounting	0	0	0	0
9	Customer Service				0
10	Sales				0
11	Administrative & General	60,666	0	(84,264)	(23,598)
12	Depreciation & Amortization				0
13	Regulatory Debits	0			0
14	Taxes Other Than Income		(15,390)	0	(15,390)
15	State & Federal Income Tax	(24,230)	(203,351)	33,655	(193,926)
16	Total Operating Expenses	\$ 36,436	(218,741)	(50,609)	\$ (232,914)
17	NET OPERATING INCOME	\$ (36,436)	(305,790)	50,609	\$ (291,617)
RATE BASE					
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	\$ 0

TYPE I ADJUSTMENTS

Cascade Natural Gas Corporation
CAP DEFERRAL ADJUSTMENT
State of Oregon

Adjustment to normalize revenues for out of period CAP deferrals 107,637

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
State of Oregon

FERC 9130 Advertising Expense

CY 2012	\$ 2,591
Removal	<u>\$ (2,591)</u>

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

CY 2012 Membership Fees	\$ 12,053
Removal of 25% of Total	<u>\$ (3,013)</u>

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE

State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2010	580,902
Calendar Year 2011	558,095
Calendar Year 2012	784,553
	<u>1,923,550</u>
3 years of Net Write Offs: 2010 - 2012	<u><u>1,923,550</u></u>
Calendar Year 2010 Total Operating Revenue	77,799,851
Calendar Year 2011 Total Operating Revenue	80,606,310
Calendar Year 2012 Total Operating Revenue	68,132,016
	<u>226,538,177</u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/12	693,641
3 Year Average Net Write Off as a percentage of 2010-2012 Gross Revenues	0.849%
2012 Sales	68,132,016
Proforma Expense	578,513
Adjustment to normalize Uncollectible Expenses	<u><u>-115,128</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY12 Officer Incentive Compensation	\$ 366,065
Oregon Allocation %	24.31%
Oregon Total	<u>\$ 88,990</u>
Removal	<u><u>\$ (88,990)</u></u>

Cascade Natural Gas Corporation
Interest Coordination Adjustment

1-12 to 12-12

OREGON:

	Avg of Avg's	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	155,452,875	47.99%	7.02%	3.37%
Preferred Stock	0	0.00%		0.00%
Common Equity	168,443,928	52.01%	11.20%	5.82%
	<u>323,896,803</u>	<u>100.00%</u>		<u>9.19%</u>

Rate Base 12/31/2012	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
65,499,305	3.37%	2,207,327	2,518,562	(311,235)	0.39940	<u>124,307</u>

Cascade Natural Gas Corporation
UM 1283 A&G Expense Adjustment
 State of Oregon

2005 A&G Benchmark (per UM-1283)	\$	6,848,545
CPI Increase		18.65%
		18.65%
2012 A&G Benchmark	\$	8,125,600
		8,125,600
Cascade Actual A&G Expense	\$	6,236,397
A&G Type 1 adjustments	\$	(209,722)
		(209,722)
Cascade Adjusted A&G Expense	\$	6,026,674
		6,026,674
Below Threshold (Yes/No)		YES
A&G Adjustment (if below threshold then no adjustment)	\$	-

TYPE I ADJUSTMENT WORKPAPERS

Cascade Natural Gas
SAP NORMALIZATION ADJUSTMENTS:

	6/25/10:1	7/1/11	7/1/12	7/1/13	7/1/14	7/1/15	7/1/16	7/1/17	7/1/18	7/1/19	7/1/20	7/1/21	7/1/22	7/1/23	7/1/24	7/1/25	7/1/26	7/1/27	7/1/28	7/1/29	7/1/30	7/1/31	YTD 12
P of Custom	35,813	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454
Baseline Con	41.19	29.77	28.16	29.36	28.83	27.27	26.82	27.62	27.82	28.11	28.05	28.11	28.05	28.11	28.05	28.11	28.05	28.11	28.05	28.11	28.05	28.11	28.05
Allowed Ma	2,282,544	1,650,866	1,451,461	1,071,557	887,940	481,057	415,931	319,886	440,945	781,110	1,754,359	2,140,758	1,118,475										
Actual Thern	6,399,378	4,377,478	4,881,712	2,662,191	1,675,464	1,489,410	701,976	1,073,821	901,611	2,374,996	4,104,775	6,431,867											
Margin/Ther	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767											
Actual Com	2,228,941	1,542,778	1,697,225	925,564	581,569	517,823	244,056	373,135	311,463	825,715	1,445,774	2,268,648											
COP Adjustm	(57,603)	(102,268)	245,761	(145,193)	94,543	116,766	(173,935)	53,949	(113,481)	64,605	(282,566)	127,885											
P of Custom	9,412	9,439	9,448	9,430	9,385	9,352	9,312	9,292	9,304	9,403	9,454	9,505											
Baseline Con	115.50	87.18	75.26	55.54	29.65	20.95	18.17	26.72	32.36	46.75	62.88	114.41											
Allowed Ma	1,099,551	829,780	711,056	521,742	276,388	252,036	175,061	248,282	299,589	430,187	764,640	1,087,867											
Actual Thern	4,362,317	3,075,148	3,278,137	1,769,865	1,259,627	1,146,992	693,799	1,034,504	898,618	1,795,789	2,335,984	4,137,205											
Margin/Ther	0.25260	0.25260	0.25260	0.25260	0.25260	0.25260	0.25260	0.25260	0.25260	0.25260	0.25260	0.25260											
Actual Com	1,103,818	778,022	823,384	441,776	314,886	290,249	173,511	240,136	217,356	464,315	1,064,710	1,600,743											
COP Adjustm	13,259	(66,781)	113,337	(75,966)	42,259	34,153	4,919	13,447	(71,238)	34,159	(112,746)	(82,757)											
GRAND TOT	(42,334)	(24,263)	344,091	(221,559)	126,840	154,919	(187,463)	66,896	(24,726)	64,752	(401,332)	105,117											

AS ACTUALLY CALCULATED AND RECORDED:

Manufacture of Ethanol

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Baseline Commodity Marg	42.10	38.26	25.78	15.06	13.10	7.04	7.34	5.48	5.03	16.35	28.13	37.03
Baseline Commodity Marg	128.20	87.20	28.67	12.68	12.70	6.47	7.06	5.51	7.20	16.80	18.80	22.78
Baseline Commodity Marg	114.65	85.01	63.77	62.37	35.21	22.31	21.58	24.33	27.95	48.95	86.02	112.83
Baseline Commodity Marg	56.25	31.64	28.63	19.36	18.99	13.06	6.32	5.55	6.32	2.90	32.12	37.11
Normalized Baseline Com	42.26	29.24	26.70	16.37	10.64	6.89	7.34	5.43	5.11	14.65	23.41	30.68

6/25/10:1

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Baseline Commodity Marg	128.20	87.20	28.67	12.68	12.70	6.47	7.06	5.51	7.20	16.80	18.80	22.78
Baseline Commodity Marg	114.65	85.01	63.77	62.37	35.21	22.31	21.58	24.33	27.95	48.95	86.02	112.83
Baseline Commodity Marg	56.25	31.64	28.63	19.36	18.99	13.06	6.32	5.55	6.32	2.90	32.12	37.11
Normalized Baseline Com	42.26	29.24	26.70	16.37	10.64	6.89	7.34	5.43	5.11	14.65	23.41	30.68

The Baseline Commodity Margins calculated for the period of July 2010-June 2011 appeared to be out the norm of the p

RECALCULATED USING NORMALIZED BASELINE COMMODITY MARGINS

	6/25/10:1	7/1/11	7/1/12	7/1/13	7/1/14	7/1/15	7/1/16	7/1/17	7/1/18	7/1/19	7/1/20	7/1/21	7/1/22	7/1/23	7/1/24	7/1/25	7/1/26	7/1/27	7/1/28	7/1/29	7/1/30	7/1/31	YTD 12
P of Custom	35,813	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454
Baseline Con	41.96	29.24	26.70	16.17	10.64	6.83	7.34	5.61	7.11	15.73	30.86	37.18											
Allowed Ma	2,332,213	1,621,660	1,481,238	850,809	387,366	382,115	400,705	307,633	390,958	874,695													
Actual Thern	6,399,378	4,377,478	4,881,712	2,662,191	1,675,464	1,489,410	701,976	1,073,821	901,611	2,374,996	4,104,775	6,431,867											
Margin/Ther	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767	0.34767											
Actual Com	2,228,941	1,542,778	1,697,225	925,564	581,569	517,823	244,056	373,135	311,463	825,715													
COP Adjustm	(100,372)	(79,482)	215,987	30,755	(5,454)	135,707	(156,649)	65,719	(77,494)	(40,940)													
P of Custom	9,412	9,439	9,448	9,430	9,385	9,352	9,312	9,292	9,304	9,403	9,454	9,505											
Baseline Con	122.08	87.83	78.05	47.22	33.81	26.37	24.72	24.59	29.73	46.77	83.41	109.72											
Allowed Ma	1,152,679	829,059	737,416	445,316	317,276	296,643	330,193	232,207	278,577	439,778													
Actual Thern	4,362,317	3,075,148	3,278,137	1,769,865	1,259,627	1,146,992	693,799	1,034,504	898,618	1,795,789	2,335,984	4,137,205											
Margin/Ther	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940											
Actual Com	1,088,111	766,582	817,582	441,408	314,151	286,060	173,033	234,065	224,115	447,870													
COP Adjustm	(62,568)	(82,217)	80,166	(3,912)	31,416	(21,159)	25,794	(24,262)	4,091														
GRAND TOT	(144,940)	(140,993)	246,153	26,403	(4,402)	175,213	(211,644)	61,501	(156,956)	(41,844)													
Actual Com	(144,338)	(134,653)	246,091	221,959	136,440	202,232	(187,620)	64,752	(147,720)	(4,091)													
Variance to	(10,602)	(10,340)	9,062	(45,546)	(46,241)	(49,393)	(11,974)	80,148	(41,844)	(41,844)													

4,226 Total var Nov10-Oct11

Nov-11	Dec-11
50,239	50,239
32.12	37.11
1,778,227	2,054,372
5,157,660	6,124,011
0.34767	0.34767
1,793,766	2,139,135
19,489	74,702
9,398	9,433
86,028	112,81
408,426	1,064,135
3,071,541	4,285,498
0.24940	0.24940
776,482	1,046,803
(51,934)	19,566
(12,466)	94,648

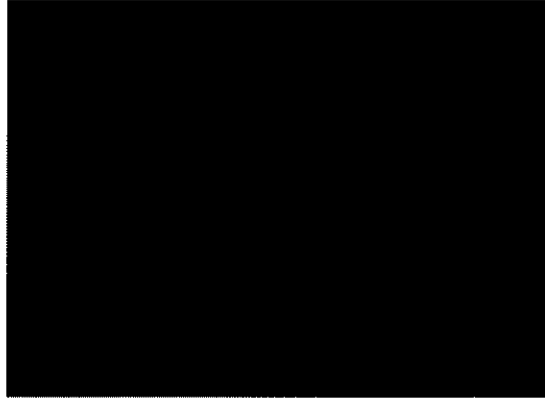
82,223 Total Actual CAP Deferral Nov10-Oct11
80,407

Nov-10	Dec-10
50,239	50,239
30.86	37.38
1,704,481	2,069,135
5,157,660	6,124,011
0.34923	0.34923
1,793,766	2,138,688
89,274	69,553
9,398	9,433
83,41	109,72
783,856	1,035,030
3,071,541	4,285,498
0.24940	0.24940
776,482	1,046,803
(7,234)	13,783
81,960	103,336
(20,443)	84,668
(84,366)	(10,668)

Cascade Natural Gas Corporation
Oregon
Type 1 Adjustment
Memberships & Dues
CY 2012

Location	Professional/ Organization Dues (5811)	Total OR
Oregon Direct	7,500	7,500
General Office	4,553	4,553
		12,053
Removal of 25% of Total		(3,013)

CASCADE NATURAL GAS CORPORATION
CY 2012 Officer Incentive Compensation



Total	<u>\$ 366,065</u>
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**Cascade Natural Gas
Calculation of Actual A&G Expense
CY 2012 - State of Oregon**

	Actual Statement of Operations per Books 12/31/12	Order 99-272 Appendix B Adjustments (Type I)*	Total Adjusted Actuals at 12/31/12
<u>OPERATING EXPENSES</u>			
Customer Accounts	\$ 1,985,349	-115,128	\$ 1,870,222
Customer Service	599,740	0	599,740
Sales	2,591	(2,591)	(0)
Administrative & General	4,913,861	(92,004)	4,821,858
Total	<u>\$ 7,501,542</u>	<u>\$ (209,722)</u>	<u>\$ 7,291,820</u>
Remove			
Uncollectible Accounts (904)	\$ 693,641	0	\$ 693,641
Cust. Assistance Exp. (908)	571,504	0	571,504
Total (total minus 904 & 908)	<u>\$ 6,236,397</u>	<u>\$ (209,722)</u>	<u>\$ 6,026,674</u>

*Excludes Type 1 Adjustment to Normalize Uncollectible Expense

Cascade Natural Gas

UM 1283 Oregon A&G Expense Benchmark
CPI Increase % Calculation

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0
Not Seasonally Adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100

Download:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2001	175.1	175.8	176.2	176.9	177.7	178	177.5	177.5	178.3	177.7	177.4	176.7	177.1	176.6	177.5
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181	181.3	181.3	180.9	179.9	178.9	180.9
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185	184.5	184.3	184	183.3	184.6
2004	185.2	186.2	187.4	188	189.1	189.7	189.4	189.5	189.9	190.9	191	190.3	188.9	187.6	190.2
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	193.2	197.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	200.6	202.6
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.49	208.936	210.177	21004%	207.342	205.709	208.976
2008	211.08	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	215.303	214.429	216.177
2009	211.143	212.193	212.709	213.24	213.856	215.693	215.351	215.834	215.969	216.177	216.33	215.949	214.537	213.139	215.935
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056	217.535	218.576
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.23	225.672	224.939	223.598	226.28
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594	228.850	230.338

FY (OCT-CY 2012)

FY05 Average 193.51
CY12 Average 229.594

CPI % Increase (2005 to 2012) 18.65%

Source(s): State Allocation Report, Rate Base

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	155,452,875	47.98%	3.37%	3.37%
Preferred Stock	-	0.00%	0.00%	0.00%
Common Equity-excl Accum OCI	168,443,928	52.01%	11.20%	5.82%
	323,896,803	100.00%	9.19%	9.19%
December 31, 2012				
Rate base as of				65,499,305
Average cost of debt				3.37%
Subtotal				2,207,327
Period Int Exp: Interest on long-term debt 427.0	2,430,097			
Period Int Exp: Amort. Of debt discount & exp 428.0	28,866			
Period Int. Exp: Amort. Of loss on reacq debt 428.1	59,599			
Adjustment				2,518,562
Total adjustment @ State & F.I.T of 39.94%				(311,235)
				(124,307)

	8.06% MTN Due 9/4/2012	8.10% MTN Due 10/8/2012	8.11% MTN Due 10/8/2012	8.01% MTN Due 2/4/2013	7.95% MTN Due 2/12/2013	7.95% MTN Due 2/25/2013	7.48% MTN Due 9/15/2027	7.10% MTN Due 3/16/2029	5.25% ION Due 2/1/2035	5.21% MTN Due 9/1/2020	5.79% MTN Due 3/8/2037	40,000,000	TOTAL DEBT	COMMON EQUITY	BALANCE SHEET EQUITY
Jan-12	25,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,469,000	15,000,000	40,000,000	40,000,000	161,469,000	173,350,579	173,350,579
Feb-12	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,340,000	15,000,000	40,000,000	40,000,000	161,340,000	172,789,060	172,789,060
Mar-12	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,340,000	15,000,000	40,000,000	40,000,000	161,340,000	175,374,754	175,374,754
Apr-12	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,340,000	15,000,000	40,000,000	40,000,000	161,340,000	175,617,071	175,617,071
May-12	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,102,000	15,000,000	40,000,000	40,000,000	161,102,000	170,830,580	170,830,580
Jun-12	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,102,000	15,000,000	40,000,000	40,000,000	161,102,000	169,544,237	169,544,237
Jul-12	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,102,000	15,000,000	40,000,000	40,000,000	161,102,000	167,942,424	167,942,424
Aug-12	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,090,000	15,000,000	40,000,000	40,000,000	161,090,000	162,660,374	162,660,374
Sep-12	-	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,090,000	15,000,000	40,000,000	40,000,000	147,090,000	162,182,395	162,182,395
Oct-12	-	-	-	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,090,000	15,000,000	40,000,000	40,000,000	139,090,000	162,430,139	162,430,139
Nov-12	-	-	-	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,090,000	15,000,000	40,000,000	40,000,000	139,090,000	161,254,558	161,254,558
Dec-12	-	-	-	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,090,000	15,000,000	40,000,000	40,000,000	139,090,000	165,989,164	165,989,164
Jan-13	9,916,667	3,958,333	2,375,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,202,875	15,000,000	40,000,000	40,000,000	161,469,000	168,712,762	168,712,762
Rate	9.1216%	8.2032%	8.2133%	9.6465%	9.7411%	9.6465%	7.5650%	7.1800%	5.4643%	5.3286%	5.8071%	5.8071%	155,452,875	168,443,928	168,443,928
Cost	904,559	324,710	195,066	385,840	974,410	964,600	1,513,000	1,077,000	1,377,165	799,295	2,322,854	2,322,854	10,835,498		11.20%

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY12 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	60,666
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Adjustment to Annualize & Restate	\$	<u>60,666</u>
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Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2012 PGA Commodity Sharing Revenue	\$	524,531
Adjustment	\$	<u>(524,531)</u>

Cascade Natural Gas Corporation
RETIREE MEDICAL ADJUSTMENT
State of Oregon

CY 2012 Retiree Medical Credits	\$	343,514
Oregon Allocation %		24.53%
Oregon Total	\$	<u>84,264</u>
Adjustment	\$	<u><u>(84,264)</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2012

2012	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 CY12 Salaries/Wages
January	\$ 643,997						
February	\$ 601,667						
March	\$ 632,845						
CY12 OR Hourly	\$ 1,878,509	3.00%	\$ 56,355	\$ 3,494	\$ 817	\$ 4,311	\$ 60,666

Note: Salaried increase effective 1/1/12
Hourly increase effective 4/1/12

TYPE II ADJUSTMENT WORKPAPERS

**CASCADE NATURAL GAS
STATE OF OREGON
CY12**

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

Jan-12	\$	72,757.00
Feb-12	\$	104,721.00
Mar-12	\$	133,822.00
Apr-12	\$	47,021.00
May-12	\$	53,457.00
Jun-12	\$	43,120.00
Jul-12	\$	16,134.00
Aug-12	\$	39,081.00
Sep-12	\$	38,608.00
Oct-12	\$	35,575.00
Nov-12	\$	16,887.00
Dec-12	\$	(76,652.00)
Total	\$	<u>524,531.00</u>

**Cascade Natural Gas Corp
Removal of Retiree Medical Credits
CY 2012**

Account	Amount	3-factor OR Allocation Factor	Total Oregon
Retiree Medical Credits as per Mercer Actuarial Report	\$ 343,514	0.2453	\$ 84,263.98
	<u>\$ 343,514</u>		<u>\$ 84,263.98</u>

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

Line No.	Description	Amount
1	Gross Revenue	1.00000
2	Less Uncollectibles	0.00849
		<hr/>
3	Net Revenue	0.99151
	Less Revenue Sensitive Costs	
4	Gross Revenue Fee	0.00250
5	City Franchise Fees	0.01835
		<hr/>
6	Net Before State & Federal Income Taxes	0.97066
7	Oregon Income Tax @7.6%	0.07377
		<hr/>
8	Net Before Federal Income Tax	0.89689
9	Federal Income Tax @ 35%	0.31391
		<hr/>
10	Net to Gross Conversion Factor	0.58298
		<hr/> <hr/>