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REPORT NAME: Spring Earnings Review and Statement of Operations and Rate of Return

COMPANY NAME: Cascade Natural Gas Corporation

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? [X]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) [X]RG (Gas) []RW (Water) []RO (Other)

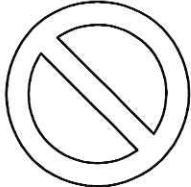
Report is required by: [X]OAR 860-022-0070
[]Statute Enter statute number
[X]Order 98-543/04-203
[]Other Enter reason

Is this report associated with a specific docket/case? [X]No []Yes

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List applicable Key Words for this report to facilitate electronic search:
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April 30, 2014

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

ATTN: Ms. Kathy Williams

Subject: Spring Earnings Review and Statement of Operations and Rate of
Return - Twelve Months Ended December 31, 2013

Dear Ms. Williams:

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, 2013 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 I adjustments that should be included in the earnings review was 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 10.47%, which is below the current earnings threshold of 11.18%.

Additionally, the remaining portion of the report shows that Cascade's implied return on equity would be 9.26% 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,

Michael Parvinen
Director, Regulatory Affairs

Attachment

We make warm neighbors

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2013

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2013
Description of Adjustments

Type I Adjustments

(a) Removal of Promotional Advertising Expense

Removes all promotional advertising for the test period

(b) Removal of 25% of Membership Fees

Removes 25% of 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 Officer 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, 2013
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 2013 for the retiree medical plan.

Cascade Natural Gas Corporation

Earnings Deferral

State of Oregon

12 months ended December 31, 2013

Adjusted overall rate of return	8.97%
Less return required for:	
Long term debt	-3.06%
Preferred stock	0.00%
	<hr/>
Return available for common	5.91%
Capitalization ratio for common	56.46%
	<hr/>
Implied ROE (common return / ratio)	10.47%
Threshold per OPUC order	11.18%
	<hr/>
Return on Equity in excess of threshold	-0.71%
Capitalization ratio for common	56.46%
	<hr/>
Overall Return in excess of threshold	-0.40%
Average rate base	\$ 66,648,335
	<hr/>
Excess earnings	\$ (266,593)
Net to Gross Conversion Factor	0.58328
Pre-Tax over the threshold Earnings	\$ (457,055)
	<hr/> <hr/>
Earnings sharing percentage	33.00%
	<hr/>
Earnings Sharing for CY 13	\$ (150,828)
	<hr/>

Cascade Natural Gas Corporation

**ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/13**

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/13 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/13 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/13 (f)
OPERATING REVENUES						
1	Natural Gas Sales	\$ 61,777,272	\$ 0	\$ 61,777,272	\$ 0	\$ 61,777,272
2	Gas Transportation Revenue	3,966,440	0	3,966,440	0	3,966,440
3	Other Operating Revenues	229,827	0	229,827	177,658	407,484
4	SUBTOTAL	\$ 65,973,538	\$ 0	\$ 65,973,538	\$ 177,658	\$ 66,151,196
5	LESS: Nat. Gas/Production Costs	36,493,270	0	36,493,270	0	36,493,270
6	Revenue Taxes	2,766,198	0	2,766,198	0	2,766,198
7	OPERATING MARGIN	\$ 26,714,071	\$ 0	\$ 26,714,071	\$ 177,658	\$ 26,891,729
OPERATING EXPENSES						
8	Production	91,827	0	91,827	0	91,827
9	Distribution	\$ 5,118,859	0	5,118,859	\$ 0	\$ 5,118,859
10	Customer Accounts	1,480,760	264,541	1,745,302	0	1,745,302
11	Customer Service	862,935	0	862,935	0	862,935
12	Sales	807	(807)	0	0	0%
13	Administrative & General	4,084,688	(40,606)	4,044,082	(145,688)	3,898,394
14	Depreciation & Amortization	4,610,200	0	4,610,200	0	4,610,200
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	1,844,894	0	1,844,894	5,121	1,850,015
17	State & Federal Income Taxes	2,589,139	(173,301)	2,415,838	127,099	2,542,937
18	TOTAL OPERATING EXPENSES	\$ 20,684,109	\$ 49,828	\$ 20,733,936	\$ (13,468)	\$ 20,720,468
19	NET OPERATING INCOME	\$ 6,029,962	\$ (49,828)	\$ 5,980,134	\$ 191,126	\$ 6,171,260
RATE BASE						
20	Total Plant in Service	\$ 168,307,838	\$ 0	\$ 168,307,838	\$ 0	\$ 168,307,838
21	Total Accumulated Depreciation	(80,628,525)	0	(80,628,525)	0	(80,628,525)
22	Contributions in Aid of Construct.	0	0	0	0	0
23	Customer Advances for Construction	(932,414)	0	(932,414)	0	(932,414)
24	Deferred Accumulated Income Taxes	(22,425,510)	0	(22,425,510)	0	(22,425,510)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,326,946	0	2,326,946	0	2,326,946
27	TOTAL RATE BASE	\$ 66,648,335	\$ 0	\$ 66,648,335	\$ 0	\$ 66,648,335
28	RATE OF RETURN	9.05%		8.97%		9.26%
IMPLIED RETURN ON EQUITY						
29	LESS: Return Required for Long Term Debt	3.06%		3.06%		3.06%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	5.99%		5.91%		6.20%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 56.46%)	10.61%		10.47%		10.98%

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/13**

State of Oregon

Line No.	Description	Promotional Advertising Adjustment (a)	Removal of 25% Membership Fees (b)	Normalize Uncollectible Expense (c)	Officer's 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	\$ 0
2	Gas Transportation Revenue	0	0	0	0	0	0
3	Other Operating Revenues	0	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			264,541		0	264,541
9	Customer Service						0
10	Sales	(807)					(807)
11	Administrative & General		(3,240)		(37,366)	0	(40,606)
12	Depreciation & Amortization						0
13	Regulatory Debits						0
14	Taxes Other Than Income	0	0	0	0	0	0
15	State & Federal Income Tax	322	1,294	(105,658)	14,924	(84,183)	(173,301)
16	TOTAL OPERATING EXPENSES	\$ (485)	(1,946)	158,883	(22,442)	(84,183)	\$ 49,828
17	NET OPERATING INCOME	\$ 485	1,946	(158,883)	22,442	84,183	\$ (49,828)
<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 12/31/13**

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
<u>OPERATING REVENUE</u>					
1	Natural Gas Sales	\$ 0	0	0	\$ 0
2	Gas Transportation Revenue	0	0	0	0
3	Other Operating Revenue	0	177,658	0	177,658
4	Total Operating Revenue	\$ 0	177,658	0	\$ 177,658
<u>OPERATING EXPENSES</u>					
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	16,031	0	(161,719)	(145,688)
12	Depreciation & Amortization				0
13	Regulatory Debits	0			0
14	Taxes Other Than Income		5,121	0	5,121
15	State & Federal Income Tax	(6,403)	68,911	64,591	127,099
16	Total Operating Expenses	\$ 9,628	74,032	(97,128)	\$ (13,468)
17	NET OPERATING INCOME	\$ (9,628)	103,626	97,128	\$ 191,126
<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	\$ 0

TYPE I ADJUSTMENTS

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
State of Oregon

FERC 9130 Advertising Expense

CY 2013	\$ 807
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Removal	<u>\$ (807)</u>
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Cascade Natural Gas Corporation
MEMBERSHIP & DUES EXPENSE ADJUSTMENT
State of Oregon

CY 2013 Membership Fees	\$ 12,959
Removal of 25% of Total	<u>\$ (3,240)</u>

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
 State of Oregon

<u>Net Write Offs</u>		
Calendar Year 2011		558,095
Calendar Year 2012		784,554
Calendar Year 2013		369,764
		<u>1,712,413</u>
	3 years of Net Write Offs: 2011 - 2013	<u><u>1,712,413</u></u>
Calendar Year 2011 Total Operating Revenue		80,606,310
Calendar Year 2012 Total Operating Revenue		68,132,016
Calendar Year 2013 Total Operating Revenue		65,973,538
		<u>214,711,864</u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/13		261,624
3 Year Average Net Write Off as a percentage of 2011-2013 Gross Revenues		0.798%
2013 Sales		65,973,538
	Proforma Expense	526,165
Adjustment to normalize Uncollectible Expenses		<u><u>264,541</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY13 Officer Incentive Compensation	\$ 152,204
Oregon Allocation %	24.55%
Oregon Total	<u>\$ 37,366</u>
Removal	<u><u>\$ (37,366)</u></u>

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-13 to 12-13

OREGON:

	Avg of Avg	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	128,388,292	43.54%	7.02%	3.06%
Preferred Stock	0	0.00%		0.00%
Common Equity	166,493,285	56.46%	11.20%	6.32%
	<u>294,881,577</u>	<u>100.00%</u>		<u>9.38%</u>

Rate Base 12/31/2013	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
66,648,335	3.06%	2,039,439	1,828,665	210,774	0.39940	<u>(84,183)</u>

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

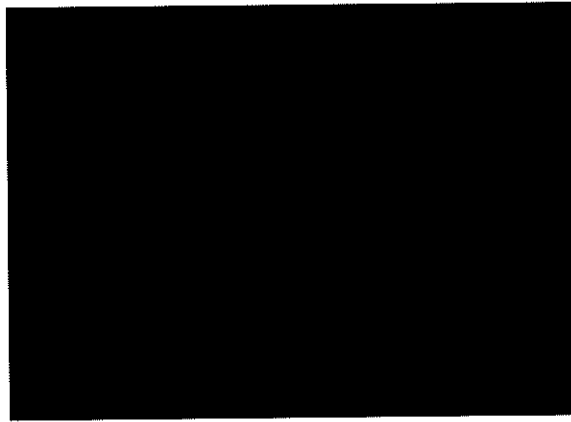
2005 A&G Benchmark (per UM-1283)	\$ 6,848,545
CPI Increase	20.38%
2013 A&G Benchmark	<u>\$ 8,244,620</u>
Cascade Actual A&G Expense	\$ 5,311,406
A&G Type 1 adjustments	<u>\$ 223,129</u>
Cascade Adjusted A&G Expense	<u>\$ 5,534,534</u>
Below Threshold (Yes/No)	YES
A&G Adjustment (if below threshold then no adjustment)	\$ -

TYPE I
ADJUSTMENT
WORKPAPERS

Cascade Natural Gas Corporation
Oregon
Type 1 Adjustment
Memberships & Dues
CY 2013

Location	Professional/ Organization Dues (5811)	Total OR
Oregon Direct	7,785	7,785
General Office	5,174	5,174
		12,959
Removal of 25% of Total		(3,240)

CASCADE NATURAL GAS CORPORATION
CY 2013 Officer Incentive Compensation



Total

\$ 152,204

Cascade Natural Gas
Calculation of Actual A&G Expense
CY 2013 - State of Oregon

	Actual Statement of Operations per Books 12/31/13	Order 99-272 Appendix B Adjustments (Type I)*	Total Adjusted Actuals at 12/31/13
<u>OPERATING EXPENSES</u>			
Customer Accounts	\$ 1,480,760	264,541	\$ 1,745,302
Customer Service	862,935	0	862,935
Sales	807	(807)	-
Administrative & General	4,084,688	(40,606)	4,044,082
Total	<u>\$ 6,429,190</u>	<u>\$ 223,129</u>	<u>\$ 6,652,319</u>
Remove			
Uncollectible Accounts (904)	\$ 261,624	0	\$ 261,624
Cust. Assistance Exp. (908)	856,161	0	856,161
Total (total minus 904 & 908)	<u>\$ 5,311,406</u>	<u>\$ 223,129</u>	<u>\$ 5,534,534</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	210.04%	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
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957	232.366	233.548

FY (OCT-CY 2013)
FY05 Average 193.51
CY13 Average 232.957

CPI % Increase (2005 to 2013) 20.38%

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY13 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	16,031
Adjustment to Annualize & Restate	\$	<u>16,031</u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2013 PGA Commodity Sharing Revenue	\$ (177,658)
Adjustment	<u>\$ 177,658</u>

Cascade Natural Gas Corporation
RETIREE MEDICAL ADJUSTMENT
State of Oregon

CY 2013 Retiree Medical Credits	\$ 658,733
Oregon Allocation %	24.55%
Oregon Total	<u>\$ 161,719</u>
Adjustment	<u><u>\$ (161,719)</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2013

2013	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 CY13 Salaries/Wages
January	\$ 718,830						
February	\$ 628,910						
March	\$ 674,208						
CY13 Hourly	\$ 2,021,948	3.00%	\$ 60,658	\$ 3,761	\$ 880	\$ 4,640	\$ 65,298
OR 3-Factor Allocation %							24.5500%
							\$ 16,031

Note: Salaried increase effective 1/1/13
Hourly increase effective 4/1/13

TYPE II
ADJUSTMENT
WORKPAPERS

**CASCADE NATURAL GAS
STATE OF OREGON
CY13**

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

Jan-13	\$	(52,605.64)
Feb-13	\$	(45,356.54)
Mar-13	\$	(5,304.29)
Apr-13	\$	(27,148.22)
May-13	\$	(4,809.53)
Jun-13	\$	(10,268.82)
Jul-13	\$	49.89
Aug-13	\$	7,304.81
Sep-13	\$	10,873.31
Oct-13	\$	13,384.37
Nov-13	\$	80,380.88
Dec-13	\$	(144,157.95)
Total	\$	<u>(177,657.73)</u>

**Cascade Natural Gas Corp
Removal of Retiree Medical Credits
CY 2013**

Account	Amount	3-factor OR Allocation Factor	Total Oregon
Retiree Medical Credits as per Mercer Actuarial Report	\$ 658,733	0.2455	\$ 161,718.95
	<u>\$ 658,733</u>		<u>\$ 161,718.95</u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/13

Line No.	Description	Amount
1	Gross Revenue	1.00000
2	Less Uncollectibles	0.00798
		<hr/>
3	Net Revenue	0.99202
	Less Revenue Sensitive Costs	
4	Gross Revenue Fee	0.00250
5	City Franchise Fees	0.01835
		<hr/>
6	Net Before State & Federal Income Taxes	0.97117
7	Oregon Income Tax @7.6%	0.07381
		<hr/>
8	Net Before Federal Income Tax	0.89736
9	Federal Income Tax @ 35%	0.31408
		<hr/>
10	Net to Gross Conversion Factor	0.58328
		<hr/> <hr/>

Cascade Natural Gas
2011 Oregon Rate of Return Report

INPUT DATA AND CALCULATIONS

	Annual Thm Sales as of <u>09/30/06</u>	Therms Percentage	Restatement Rates	Weighted Rates	
COMMERCIAL RATES					
R/S 104	23,584,120	0.98955	0.81029	0.80182	
R/S 111-C	249,097	0.01045	0.73502	0.00768	
	23,833,217	1.00000		0.80950	0.80950
WEIGHTED COMMERCIAL RATE				0.80950	0.80950
WACOG RATE - COMMODITY ONLY				0.42807	0.42807
RESIDENTIAL RATE			0.91049	0.91049	0.91049

INPUT ENTRY*****

Test Period Ended	09/30/06		
Unbilled	09/30/05	prior	
Revenue Sensitive			
Uncollectibles	0.00798		
OPUC Fees	0.00250		
City Franchise	0.01835		
	0.02883	0.9711746	
Combo-State & Federal Income Tax		2010	
State	0.07600	0.066	
Federal	0.35000	0.35000	
Combo (calculated)	0.3994	0.3929	