



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.



8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON 99336-7166
TELEPHONE 509-734-4500 FACSIMILE 509-737-9803
www.cngc.com

April 29, 2022

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

Subject: RG-36 Spring Earnings Review and Statement of Operations and Rate of
Return - Twelve Months Ended December 31, 2021

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, 2021, 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 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 9.09%, 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 10.31% after "Type II" or annualizing adjustments.

If there are any questions regarding this report, please contact me at (208) 377-6015.

Sincerely,

/s/ Lori A. Blattner

Lori A. Blattner
Director, Regulatory Affairs
Cascade Natural Gas Corporation
8113 W. Grandridge Blvd.
Kennewick, WA 99336-7166
Lori.blattner@intgas.com

Attachments

In the Community to Serve®

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2021

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2021
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, 2021
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, 2021

Adjusted overall rate of return	6.85%
Less return required for:	
Long term debt	-2.20%
Preferred stock	0.00%
	<hr/>
Return available for common	4.65%
Capitalization ratio for common	48.71%
	<hr/>
Implied ROE (common return / ratio)	9.55%
Threshold per OPUC order 21-228	10.40%
	<hr/>
Return on Equity in excess of threshold	-0.85%
Capitalization ratio for common	48.71%
	<hr/>
Overall Return in excess of threshold	-0.42%
Average rate base	\$ 131,783,458
	<hr/>
Excess earnings	\$ (553,491)
Net to Gross Conversion Factor	0.70795
Pre-Tax over the threshold Earnings	\$ (781,824)
	<hr/> <hr/>
Earnings sharing percentage	33.00%
	<hr/>
Earnings Sharing for CY 2021	\$ (258,002)
	<hr/>

Cascade Natural Gas Corporation

**ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/21**

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/21 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/21 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/21 (f)
OPERATING REVENUES						
1	Natural Gas Sales	\$ 73,001,191	\$ 0	\$ 73,001,191	\$ 0	\$ 73,001,191
2	Gas Transportation Revenue	4,364,380	0	4,364,380	0	4,364,380
3	Other Operating Revenues	197,574	0	197,574	0	197,574
4	SUBTOTAL	\$ 77,563,145	\$ 0	\$ 77,563,145	\$ 0	\$ 77,563,145
5	LESS: Nat. Gas/Production Costs	35,558,950	0	35,558,950	(705,636)	34,853,315
6	Revenue Taxes	4,160,040	0	4,160,040	0	4,160,040
7	OPERATING MARGIN	\$ 37,844,155	\$ 0	\$ 37,844,155	\$ 705,636	\$ 38,549,791
OPERATING EXPENSES						
8	Production	150,960	0	\$ 150,960	0	150,960
9	Distribution	\$ 7,203,745	0	7,203,745	\$ 0	\$ 7,203,745
10	Customer Accounts	1,736,275	112,531	1,848,806	0	1,848,806
11	Customer Service	178,261	0	178,261	0	178,261
12	Sales	8,273	(104)	8,169	0	0
13	Administrative & General	7,181,620	(796,969)	6,384,651	29,924	6,414,576
14	Depreciation & Amortization	8,581,491	0	8,581,491	0	8,581,491
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	2,913,695	0	2,913,695	0	2,913,695
17	State & Federal Income Taxes	1,154,051	393,218	1,547,269	182,469	1,729,738
18	TOTAL OPERATING EXPENSES	\$ 29,108,372	\$ (291,324)	\$ 28,817,048	\$ 212,393	\$ 29,029,441
19	NET OPERATING INCOME	\$ 8,735,783	\$ 291,324	\$ 9,027,108	\$ 493,242	\$ 9,520,350
RATE BASE						
20	Total Plant in Service	\$ 275,245,015	\$ 0	\$ 275,245,015	\$ 0	\$ 275,245,015 *
21	Total Accumulated Depreciation	(117,444,901)	0	(117,444,901)	0	(117,444,901) *
22	Contributions in Aid of Construct.	(287,149)	0	(287,149)	0	(287,149)
23	Customer Advances for Construction	0	0	0	0	0
24	Deferred Accumulated Income Taxes	(28,090,151)	0	(28,090,151)	0	(28,090,151)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,360,643	0	2,360,643	0	2,360,643
27	TOTAL RATE BASE	\$ 131,783,458	\$ 0	\$ 131,783,458	\$ 0	\$ 131,783,458
28	RATE OF RETURN	6.63%		6.85%		7.22%
IMPLIED RETURN ON EQUITY						
29	LESS: Return Required for Long Term Debt	2.20%		2.20%		2.20%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	4.43%		4.65%		5.02%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 48.71%)	9.09%		9.55%		10.31%

* In December 2021, the company transferred two assets from Oregon to Washington to rectify an immaterial allocation error. The average of monthly averages for plant in service and accumulated depreciation have been retained to include the assets for the entire year.

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/21**

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			112,531		0	112,531
9	Customer Service						0
10	Sales	(104)					(104)
11	Administrative & General	(10,427)	(40,022)		(746,520)	0	(796,969)
12	Depreciation & Amortization						0
13	Regulatory Debits						0
14	Taxes Other Than Income	0	0	0	0	0	0
15	State & Federal Income Tax	2,844	10,808	(30,388)	201,590	208,364	393,218
16	TOTAL OPERATING EXPENSE	\$ (7,687)	(29,214)	82,143	(544,930)	208,364	\$ (291,324)
17	NET OPERATING INCOME	\$ 7,687	29,214	(82,143)	544,930	(208,364)	\$ 291,324
<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 12/31/21**

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	0	0
4	Total Operating Revenue	\$ 0	0	\$ 0
	<u>OPERATING EXPENSES</u>			
5	Natural Gas Purchased	\$ 0	(705,636)	\$ (705,636)
6	Manufactured Gas Production			0
7	Distribution			0
8	Customer Accounting	0	0	0
9	Customer Service			0
10	Sales			0
11	Administrative & General	29,924	0	29,924
12	Depreciation & Amortization			0
13	Regulatory Debits	0		0
14	Taxes Other Than Income		0	0
15	State & Federal Income Tax	(8,081)	190,550	182,469
16	Total Operating Expenses	\$ 21,843	(515,086)	\$ (493,242)
17	NET OPERATING INCOME	\$ (21,843)	515,086	\$ 493,242
	<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

CY 2021

FERC 913 Advertising Expense - Sales	\$ (104)
FERC 930 Advertising Expense - Administrative and General	\$ (10,427)
Removal	<u><u>\$ (10,531)</u></u>

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

CY 2021 Membership Fees	\$	80,044
Removal of 50%	\$	<u>40,022</u>
Total Removal	\$	(40,022.11)

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
 State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2019	220,101
Calendar Year 2020	151,931
Calendar Year 2021	220,682
	<u>592,714</u>
3 years of Net Write Offs: 2019 - 2021	<u><u>592,714</u></u>
Calendar Year 2019 Total Operating Revenue	62,668,726
Calendar Year 2020 Total Operating Revenue	66,485,099
Calendar Year 2021 Total Operating Revenue	73,001,191
	<u>202,155,016</u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/21	101,507
3 Year Average Net Write Off as a percentage of 2019-2021 Gross Revenues	0.293%
2021 Sales	73,001,191
Proforma Expense	214,038
Adjustment to normalize Uncollectible Expenses	<u><u>112,531</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY 2021 Officer Incentive Compensation	\$ 602,604
Oregon Total	<u>\$ 602,604</u>
Removal	<u><u>\$ (602,604)</u></u>

Total 2021 Employee Incentive Accrual (OR)	<u>\$ 287,832.95</u>		
Incentive tied to Cyber Security (1/3)	\$ 95,944.32	50%	\$ 47,972.16
Incentive encouraging Reduced O&M Spending	\$ 95,944.32	50%	\$ 47,972.16
Incentive based on Customer Service Satisfaction	\$ 95,944.32	50%	<u>\$ 47,972.16</u>
Total			\$ 143,916.47
Removal			\$ (143,916.47)

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-21 to 12-21

OREGON:

	Avg of Avg	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	368,885,417	51.29%	4.28%	2.20%
Preferred Stock	0	0.00%		0.00%
Common Equity	350,360,912	48.71%	9.40%	4.58%
	<u>719,246,328</u>	<u>100.00%</u>		<u>6.78%</u>

Rate Base 12/31/2021	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
131,783,458	2.20%	2,899,236	3,670,840	(771,604)	0.27004	<u>208,364</u>
						208,530

TYPE I ADJUSTMENT WORKPAPERS

Source(s): State Allocation Report, Rate Base

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	368,885,417	51.29%	4.28%	2.20%
Preferred Stock	-	0.00%		0.00%
Common Equity-excl Accum OCI	350,360,912	48.71%	9.40%	4.58%
	719,246,328	100.00%		6.78%
Rate base as of	December 31, 2021			131,783,458
Average cost of debt				2.20%
Subtotal				2,899,236
Period Int Exp: Interest on long-term debt 427.0		3,619,547		
Period Int Exp: Amort. Of debt discount & exp 428.0		37,549		
Period Int. Exp: Amort. Of loss on reacq debt 428.1		13,744		3,670,840
Adjustment				(771,604)
Total adjustment @ State & F.I.T of 27%				(208,364)

	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-21	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	50,500,000	375,500,000	343,104,697	343,104,697
Feb-21	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	48,000,000	373,000,000	345,283,644	345,283,644
Mar-21	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	30,350,000	355,350,000	349,274,031	349,274,031
Apr-21	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	30,100,000	355,100,000	350,827,516	350,827,516
May-21	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	25,300,000	350,300,000	346,652,755	346,652,755
Jun-21	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	25,500,000	350,500,000	355,201,303	355,201,303
Jul-21	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	29,200,000	354,200,000	352,623,181	352,623,181
Aug-21	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	34,500,000	359,500,000	351,629,640	351,629,640
Sep-21	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	49,600,000	374,600,000	349,988,397	349,988,397
Oct-21	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	64,200,000	389,200,000	351,369,368	351,369,368
Nov-21	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	76,900,000	401,900,000	353,058,774	353,058,774
Dec-21	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	70,950,000	395,950,000	374,154,175	374,154,175
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
Ave of Avgs	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	43,885,417	368,885,417	350,360,912	350,360,912
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%	2.1600%		4.28%	
Annual Interest Cost	1,496,000	1,064,700	-	-	2,316,000	1,027,500	1,090,000	511,250	530,000	511,250	530,000	905,000	764,000	1,278,000	1,074,000	756,000	835,000	949,141			

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY 2021 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	29,924
Adjustment to Annualize & Restate	\$	<u><u>29,924</u></u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2021 PGA Commodity Sharing	\$(705,636)
Adjustment	<u><u>\$ 705,636</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2021

2021	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 CY21 Salaries/Wages
January	\$ 1,578,404						
February	\$ 1,052,077						
March	\$ 1,059,639						
CY 2021 Hourly	\$ 3,690,120	3.00%	\$ 110,704	\$ 6,864	\$ 1,605	\$ 8,469	\$ 119,173
OR 3-Factor Allocation %							25.11%
							\$ 29,924

Note: Salaried increase effective 1/1/21
Hourly increase effective 4/1/21

**TYPE II
ADJUSTMENT
WORKPAPERS**

**CASCADE NATURAL GAS
STATE OF OREGON
CY 2021**

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

Jan-21	\$ (71,990)
Feb-21	\$ (50,709)
Mar-21	\$ (41,003)
Apr-21	\$ (15,145)
May-21	\$ (23,787)
Jun-21	\$ (16,151)
Jul-21	\$ 1,983
Aug-21	\$ (32,190)
Sep-21	\$ (35,322)
Oct-21	\$ (101,924)
Nov-21	\$ (100,919)
Dec-21	<u>\$ (218,479)</u>
Total	<u>\$ (705,636)</u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/21

Line No. Description	Amount	
1 Gross Revenue	1.00000	
2 Less Uncollectibles	<u>(0.00293)</u>	
3 Net Revenue	0.99707	
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	0.96985	3.02%
7 Oregon Income Tax @7.6%	<u>0.07371</u>	
8 Net Before Federal Income Tax	0.89614	
9 Federal Income Tax @ 21%	<u>0.18819</u>	
10 Net to Gross Conversion Factor	<u><u>0.70795</u></u>	

Combo-State & Federal Income Tax

State	0.07600
Federal	0.21000

Combo (calculate 0.27004)

Revenue Sensitive

Uncollectibles	0.00293	
OPUC Fees	0.00350	
City Franchise	<u>0.02372</u>	
	0.03015	0.96985

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2021

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2021
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, 2021
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, 2021

Adjusted overall rate of return	6.85%
Less return required for:	
Long term debt	-2.20%
Preferred stock	0.00%
	<hr/>
Return available for common	4.65%
Capitalization ratio for common	48.71%
	<hr/>
Implied ROE (common return / ratio)	9.55%
Threshold per OPUC order 21-228	10.40%
	<hr/>
Return on Equity in excess of threshold	-0.85%
Capitalization ratio for common	48.71%
	<hr/>
Overall Return in excess of threshold	-0.42%
Average rate base	\$ 131,783,458
	<hr/>
Excess earnings	\$ (553,491)
Net to Gross Conversion Factor	0.70795
Pre-Tax over the threshold Earnings	\$ (781,824)
	<hr/> <hr/>
Earnings sharing percentage	33.00%
	<hr/>
Earnings Sharing for CY 2021	\$ (258,002)
	<hr/>

Cascade Natural Gas Corporation

**ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/21**

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/21 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/21 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/21 (f)
	OPERATING REVENUES					
1	Natural Gas Sales	\$ 73,001,191	\$ 0	\$ 73,001,191	\$ 0	\$ 73,001,191
2	Gas Transportation Revenue	4,364,380	0	4,364,380	0	4,364,380
3	Other Operating Revenues	197,574	0	197,574	0	197,574
4	SUBTOTAL	\$ 77,563,145	\$ 0	\$ 77,563,145	\$ 0	\$ 77,563,145
5	LESS: Nat. Gas/Production Costs	35,558,950	0	35,558,950	(705,636)	34,853,315
6	Revenue Taxes	4,160,040	0	4,160,040	0	4,160,040
7	OPERATING MARGIN	\$ 37,844,155	\$ 0	\$ 37,844,155	\$ 705,636	\$ 38,549,791
	OPERATING EXPENSES					
8	Production	150,960	0	\$ 150,960	0	150,960
9	Distribution	\$ 7,203,745	0	7,203,745	\$ 0	\$ 7,203,745
10	Customer Accounts	1,736,275	112,531	1,848,806	0	1,848,806
11	Customer Service	178,261	0	178,261	0	178,261
12	Sales	8,273	(104)	8,169	0	0
13	Administrative & General	7,181,620	(796,969)	6,384,651	29,924	6,414,576
14	Depreciation & Amortization	8,581,491	0	8,581,491	0	8,581,491
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	2,913,695	0	2,913,695	0	2,913,695
17	State & Federal Income Taxes	1,154,051	393,218	1,547,269	182,469	1,729,738
18	TOTAL OPERATING EXPENSES	\$ 29,108,372	\$ (291,324)	\$ 28,817,048	\$ 212,393	\$ 29,029,441
19	NET OPERATING INCOME	\$ 8,735,783	\$ 291,324	\$ 9,027,108	\$ 493,242	\$ 9,520,350
	RATE BASE					
20	Total Plant in Service	\$ 275,245,015	\$ 0	\$ 275,245,015	\$ 0	\$ 275,245,015 *
21	Total Accumulated Depreciation	(117,444,901)	0	(117,444,901)	0	(117,444,901) *
22	Contributions in Aid of Construct.	(287,149)	0	(287,149)	0	(287,149)
23	Customer Advances for Construction	0	0	0	0	0
24	Deferred Accumulated Income Taxes	(28,090,151)	0	(28,090,151)	0	(28,090,151)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,360,643	0	2,360,643	0	2,360,643
27	TOTAL RATE BASE	\$ 131,783,458	\$ 0	\$ 131,783,458	\$ 0	\$ 131,783,458
28	RATE OF RETURN	6.63%		6.85%		7.22%
	IMPLIED RETURN ON EQUITY					
29	LESS: Return Required for Long Term Debt	2.20%		2.20%		2.20%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	4.43%		4.65%		5.02%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 48.71%)	9.09%		9.55%		10.31%

* In December 2021, the company transferred two assets from Oregon to Washington to rectify an immaterial allocation error. The average of monthly averages for plant in service and accumulated depreciation have been restated to include the assets for the entire year.

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/21**

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			112,531		0	112,531
9	Customer Service						0
10	Sales	(104)					(104)
11	Administrative & General	(10,427)	(40,022)		(746,520)	0	(796,969)
12	Depreciation & Amortization						0
13	Regulatory Debits						0
14	Taxes Other Than Income	0	0	0	0	0	0
15	State & Federal Income Tax	2,844	10,808	(30,388)	201,590	208,364	393,218
16	TOTAL OPERATING EXPENSE	\$ (7,687)	(29,214)	82,143	(544,930)	208,364	\$ (291,324)
17	NET OPERATING INCOME	\$ 7,687	29,214	(82,143)	544,930	(208,364)	\$ 291,324
<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 12/31/21**

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	0	0
4	Total Operating Revenue	\$ 0	0	\$ 0
	<u>OPERATING EXPENSES</u>			
5	Natural Gas Purchased	\$ 0	(705,636)	\$ (705,636)
6	Manufactured Gas Production			0
7	Distribution			0
8	Customer Accounting	0	0	0
9	Customer Service			0
10	Sales			0
11	Administrative & General	29,924	0	29,924
12	Depreciation & Amortization			0
13	Regulatory Debits	0		0
14	Taxes Other Than Income		0	0
15	State & Federal Income Tax	(8,081)	190,550	182,469
16	Total Operating Expenses	\$ 21,843	(515,086)	\$ (493,242)
17	NET OPERATING INCOME	\$ (21,843)	515,086	\$ 493,242
	<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

CY 2021

FERC 913 Advertising Expense - Sales	\$ (104)
FERC 930 Advertising Expense - Administrative and General	\$ (10,427)
Removal	<u><u>\$ (10,531)</u></u>

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

CY 2021 Membership Fees	\$	80,044
Removal of 50%	\$	<u>40,022</u>
Total Removal	\$	(40,022.11)

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
 State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2019	220,101
Calendar Year 2020	151,931
Calendar Year 2021	220,682
	<u>592,714</u>
3 years of Net Write Offs: 2019 - 2021	<u><u>592,714</u></u>
Calendar Year 2019 Total Operating Revenue	62,668,726
Calendar Year 2020 Total Operating Revenue	66,485,099
Calendar Year 2021 Total Operating Revenue	73,001,191
	<u>202,155,016</u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/21	101,507
3 Year Average Net Write Off as a percentage of 2019-2021 Gross Revenues	0.293%
2021 Sales	73,001,191
Proforma Expense	214,038
Adjustment to normalize Uncollectible Expenses	<u><u>112,531</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY 2021 Officer Incentive Compensation	\$ 602,604
Oregon Total	<u>\$ 602,604</u>
Removal	<u><u>\$ (602,604)</u></u>

Total 2021 Employee Incentive Accrual (OR)	<u>\$ 287,832.95</u>		
Incentive tied to Cyber Security (1/3)	\$ 95,944.32	50%	\$ 47,972.16
Incentive encouraging Reduced O&M Spending	\$ 95,944.32	50%	\$ 47,972.16
Incentive based on Customer Service Satisfaction	\$ 95,944.32	50%	<u>\$ 47,972.16</u>
Total			\$ 143,916.47
Removal			\$ (143,916.47)

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-21 to 12-21

OREGON:

	Avg of Avg	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	368,885,417	51.29%	4.28%	2.20%
Preferred Stock	0	0.00%		0.00%
Common Equity	350,360,912	48.71%	9.40%	4.58%
	<u>719,246,328</u>	<u>100.00%</u>		<u>6.78%</u>

Rate Base 12/31/2021	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
131,783,458	2.20%	2,899,236	3,670,840	(771,604)	0.27004	<u>208,364</u>
						208,530

TYPE I ADJUSTMENT WORKPAPERS

Source(s): State Allocation Report, Rate Base

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	368,885,417	51.29%	4.28%	2.20%
Preferred Stock	-	0.00%	-	0.00%
Common Equity-excl Accum OCI	350,360,912	48.71%	9.40%	4.58%
	719,246,328	100.00%		6.78%
Rate base as of	December 31, 2021			131,783,458
Average cost of debt				2.20%
Subtotal				2,899,236
Period Int Exp: Interest on long-term debt 427.0		3,619,547		
Period Int Exp: Amort. Of debt discount & exp 428.0		37,549		
Period Int. Exp: Amort. Of loss on reacq debt 428.1		13,744		3,670,840
Adjustment				(771,604)
Total adjustment @ State & F.I.T of 27%				(208,364)

	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-21	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	50,500,000	375,500,000	343,104,697	343,104,697
Feb-21	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	48,000,000	373,000,000	345,283,644	345,283,644
Mar-21	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	30,350,000	355,350,000	349,274,031	349,274,031
Apr-21	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	30,100,000	355,100,000	350,827,516	350,827,516
May-21	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	25,300,000	350,300,000	346,652,755	346,652,755
Jun-21	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	25,500,000	350,500,000	355,201,303	355,201,303
Jul-21	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	29,200,000	354,200,000	352,623,181	352,623,181
Aug-21	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	34,500,000	359,500,000	351,629,640	351,629,640
Sep-21	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	49,600,000	374,600,000	349,988,397	349,988,397
Oct-21	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	64,200,000	389,200,000	351,369,368	351,369,368
Nov-21	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	76,900,000	401,900,000	353,058,774	353,058,774
Dec-21	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	70,950,000	395,950,000	374,154,175	374,154,175
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
Ave of Avgs	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	43,885,417	368,885,417	350,360,912	350,360,912
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%	2.1600%	4.28%		
Annual Interest Cost	1,496,000	1,064,700	-	-	2,316,000	1,027,500	1,090,000	511,250	530,000	511,250	530,000	905,000	764,000	1,278,000	1,074,000	756,000	835,000	949,141			

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY 2021 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	29,924
Adjustment to Annualize & Restate	\$	<u>29,924</u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2021 PGA Commodity Sharing	\$(705,636)
Adjustment	<u><u>\$ 705,636</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2021

2021	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 CY21 Salaries/Wages
January	\$ 1,578,404						
February	\$ 1,052,077						
March	\$ 1,059,639						
CY 2021 Hourly	\$ 3,690,120	3.00%	\$ 110,704	\$ 6,864	\$ 1,605	\$ 8,469	\$ 119,173
OR 3-Factor Allocation %							25.11%
							\$ 29,924

Note: Salaried increase effective 1/1/21
Hourly increase effective 4/1/21

TYPE II
ADJUSTMENT
WORKPAPERS

**CASCADE NATURAL GAS
STATE OF OREGON
CY 2021**

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

Jan-21	\$ (71,990)
Feb-21	\$ (50,709)
Mar-21	\$ (41,003)
Apr-21	\$ (15,145)
May-21	\$ (23,787)
Jun-21	\$ (16,151)
Jul-21	\$ 1,983
Aug-21	\$ (32,190)
Sep-21	\$ (35,322)
Oct-21	\$ (101,924)
Nov-21	\$ (100,919)
Dec-21	<u>\$ (218,479)</u>
Total	<u>\$ (705,636)</u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/21

Line No. Description	Amount	
1 Gross Revenue	1.00000	
2 Less Uncollectibles	<u>(0.00293)</u>	
3 Net Revenue	0.99707	
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	0.96985	3.02%
7 Oregon Income Tax @7.6%	<u>0.07371</u>	
8 Net Before Federal Income Tax	0.89614	
9 Federal Income Tax @ 21%	<u>0.18819</u>	
10 Net to Gross Conversion Factor	<u><u>0.70795</u></u>	

Combo-State & Federal Income Tax

State	0.07600
Federal	0.21000

Combo (calculate 0.27004)

Revenue Sensitive

Uncollectibles	0.00293	
OPUC Fees	0.00350	
City Franchise	<u>0.02372</u>	
	0.03015	0.96985