

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2017

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2017
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 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, 2017
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
12 months ended December 31, 2017

Adjusted overall rate of return	6.48%
Less return required for:	
Long term debt	-2.79%
Preferred stock	0.00%
	0.00%
Return available for common	3.69%
Capitalization ratio for common	47.55%
	47.55%
Implied ROE (common return / ratio)	7.76%
Threshold per OPUC order 16-481	9.43%
	9.43%
Return on Equity in excess of threshold	-1.67%
Capitalization ratio for common	47.55%
	47.55%
Overall Return in excess of threshold	-0.79%
Average rate base	\$ 86,063,721
	\$ 86,063,721
Excess earnings	\$ (679,903)
Net to Gross Conversion Factor	0.58313
Pre-Tax over the threshold Earnings	\$ (1,165,963)
	\$ (1,165,963)
Earnings sharing percentage	33.00%
	33.00%
Earnings Sharing for CY 17	\$ (384,768)
	\$ (384,768)

Cascade Natural Gas Corporation
ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/17

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/17 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/17 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/17 (f)
	OPERATING REVENUES					
1	Natural Gas Sales	\$ 59,895,194	\$ 0	\$ 59,895,194	\$ 0	\$ 59,895,194
2	Gas Transportation Revenue	4,114,883	0	4,114,883	0	4,114,883
3	Other Operating Revenues	264,704	0	264,704	198,081	462,786
4	SUBTOTAL	\$ 64,274,782	\$ 0	\$ 64,274,782	\$ 198,081	\$ 64,472,863
5	LESS: Nat. Gas/Production Costs	30,733,688	0	30,733,688	0	30,733,688
6	Revenue Taxes	3,015,262	0	3,015,262	0	3,015,262
7	OPERATING MARGIN	\$ 30,525,832	\$ 0	\$ 30,525,832	\$ 198,081	\$ 30,723,913
	OPERATING EXPENSES					
8	Production	101,025	0	101,025	0	101,025
9	Distribution	\$ 6,434,534	0	6,434,534	\$ 0	\$ 6,434,534
10	Customer Accounts	1,904,929	(43,552)	1,861,377	0	1,861,377
11	Customer Service	121,204	0	121,204	0	121,204
12	Sales	913	(913)	0	0	0
13	Administrative & General	6,213,010	(653,700)	5,559,310	29,530	5,588,840
14	Depreciation & Amortization	6,437,588	0	6,437,588	0	6,437,588
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	2,155,564	0	2,155,564	5,763	2,161,327
17	State & Federal Income Taxes	1,875,733	405,267	2,281,000	65,018	2,346,018
18	TOTAL OPERATING EXPENSES	\$ 25,244,500	\$ (292,898)	\$ 24,951,601	\$ 100,311	\$ 25,051,913
19	NET OPERATING INCOME	\$ 5,281,332	\$ 292,898	\$ 5,574,230	\$ 97,770	\$ 5,672,000
	RATE BASE					
20	Total Plant in Service	\$ 209,695,352	\$ 0	\$ 209,695,352	\$ 0	\$ 209,695,352
21	Total Accumulated Depreciation	(99,336,089)	0	(99,336,089)	0	(99,336,089)
22	Contributions in Aid of Construct.	0	0	0	0	0
23	Customer Advances for Construction	(509,450)	0	(509,450)	0	(509,450)
24	Deferred Accumulated Income Taxes	(26,598,592)	0	(26,598,592)	0	(26,598,592)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,812,500	0	2,812,500	0	2,812,500
27	TOTAL RATE BASE	\$ 86,063,721	\$ 0	\$ 86,063,721	\$ 0	\$ 86,063,721
28	RATE OF RETURN	6.14%		6.48%		6.59%
	IMPLIED RETURN ON EQUITY					
29	LESS: Return Required for Long Term Debt	2.79%		2.79%		2.79%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	3.35%		3.69%		3.80%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 47.55%)	7.04%		7.76%		7.99%

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/17**

State of Oregon

Line No.	Description	Promotional Advertising Adjustment (a)	Removal of 25% Membership Fees (b)	Normalize Uncollectible Expense (c)	Incentive Comp. Adjustment (d)	Interest Coordination Adjustment (e)	Total Type I Adjustments
<u>OPERATING REVENUES</u>							
1	Natural Gas Sales	\$ 0	0	0		0	\$ 0
2	Gas Transportation Revenue	0	0	0		0	0
3	Other Operating Revenues	0	0	0		0	0
4	TOTAL OPERATING REVENUES	\$ 0	0	0	0	0	\$ 0
<u>OPERATING EXPENSES</u>							
5	Natural Gas Purchased	\$					\$
6	Manufactured Gas Production						
7	Distribution						
8	Customer Accounting			(43,552)		0	(43,552)
9	Customer Service						
10	Sales	(913)					(913)
11	Administrative & General		(16,837)		(636,863)	0	(653,700)
12	Depreciation & Amortization						
13	Regulatory Debits						
14	Taxes Other Than Income	0	0	0	0	0	0
15	State & Federal Income Tax	365	6,725	17,395	254,363	126,419	405,267
16	TOTAL OPERATING EXPENSES	\$ (548)	(10,112)	(26,157)	(382,500)	126,419	\$ (292,898)
17	NET OPERATING INCOME	\$ 548	10,112	26,157	382,500	(126,419)	\$ 292,898
<u>RATE BASE</u>							
18	Total Plant in Service	\$					\$
19	Total Accumulated Depreciation						
20	Customer Advances for Construct.						
21	Contributions in Aid of Construct.						
22	Deferred Income Taxes - ACRS						
23	Deferred Income Taxes - Other						
24	Deferred Debits-Oregon Water						
25	Heater Program						
26	Deferred Debits-Astoria Cleanup						
27	Working Capital Allowance						
28	TOTAL RATE BASE	\$					\$

Cascade Natural Gas Corporation
TYPE II ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/17

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	198,081	198,081
4	Total Operating Revenue	\$ 0	198,081	\$ 198,081
	<u>OPERATING EXPENSES</u>			
5	Natural Gas Purchased	\$ 0	0	\$ 0
6	Manufactured Gas Production			0
7	Distribution			0
8	Customer Accounting	0	0	0
9	Customer Service			0
10	Sales			0
11	Administrative & General	29,530	0	29,530
12	Depreciation & Amortization			0
13	Regulatory Debits	0		0
14	Taxes Other Than Income		5,763	5,763
15	State & Federal Income Tax	(11,794)	76,812	65,018
16	Total Operating Expenses	\$ 17,736	82,575	\$ 100,311
17	NET OPERATING INCOME	\$ (17,736)	115,506	\$ 97,770
	<u>RATE BASE</u>			
18	Total Plant in Service	\$		\$ 0
19	Total Accumulated Depreciation			0
20	Customer Advances for Construct.			0
21	Contributions Aiding Construct.			0
22	Deferred Income Taxes - ACRS			0
23	Deferred Income Taxes - Other			0
24	Deferred Debits-Oregon Water			0
25	Heater Program			0
26	Deferred Debits-Astoria Cleanup			0
27	Working Capital Allowance			0
28	TOTAL RATE BASE	\$ 0	0	\$ 0

TYPE I ADJUSTMENTS

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
State of Oregon

FERC 913 Advertising Expense

CY 2017	\$ 913
Removal	<u><u>\$ (913)</u></u>

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

CY 2017 Membership Fees	\$ 67,348
Removal of 25% of Total	<u><u>\$ (16,837)</u></u>

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2015	169,224
Calendar Year 2016	197,056
Calendar Year 2017	<u>226,924</u>
	<u>593,204</u>
3 years of Net Write Offs: 2013 - 2015	<u><u>593,204</u></u>
Calendar Year 2015 Natural Gas Sales	63,397,033
Calendar Year 2016 Natural Gas Sales	59,573,715
Calendar Year 2017 Natural Gas Sales	<u>59,895,194</u>
	<u><u>182,865,942</u></u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/17	237,848
3 Year Average Net Write Off as a percentage of 2015-2017 Gross Revenues	0.324%
2017 Sales	59,895,194
Proforma Expense	194,296
Adjustment to normalize Uncollectible Expenses	<u><u>-43,552</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY17 Officer Incentive Compensation	\$ 309,033
Oregon Total	<u>\$ 309,033</u>
Removal	<u><u>\$ (309,033)</u></u>

Total 2017 Employee Incentive Accrual (OR)	\$ 561,994.14		
Incentive tied to Financial Performance (1/3)	<u>\$ 187,331.38</u>	75%	\$ 140,498.54
Incentive encouraging reduced spending (1/3)	\$ 187,331.38	50%	\$ 93,665.69
Incentive fbased on Customer Satisfaction (1/3)	\$ 187,331.38	50%	<u>\$ 93,665.69</u>
Total			\$ 327,829.92
Removal			\$ (327,829.92)

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-17 to 12-17

OREGON:

	Avg of Avg	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	222,697,250	52.45%	5.32%	2.79%
Preferred Stock	0	0.00%		0.00%
Common Equity	201,924,712	47.55%	9.40%	4.47%
	<u>424,621,962</u>	<u>100.00%</u>		<u>7.26%</u>

Rate Base 12/31/2017	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
86,063,721	2.79%	2,401,178	2,717,700	(316,522)	0.39940	<u>126,419</u>

TYPE I ADJUSTMENT WORKPAPERS

**Cascade Natural Gas Corporation
Oregon
Type 1 Adjustment
Memberships & Dues
CY 2017**

<u>Location</u>	Professional/ Organization Dues (5811 & 5912)	<u>Total OR</u>
Oregon Direct	4,929	4,929
General Office	62,419	62,419
Total		<u>67,348</u>
Removal of 25% of Total		(16,837)

Source(s): State Allocation Report, Rate Base

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	222,697,250	52.45%	5.32%	2.79%
Preferred Stock	-	0.00%		0.00%
Common Equity-excl Accum OCI	201,924,712	47.55%	9.40%	4.47%
	424,621,962	100.00%		7.26%
Rate base as of	December 31, 2017			86,063,721
Average cost of debt				2.79%
Subtotal				2,401,178
Period Int Exp: Interest on long-term debt 427.0	2,604,546			
Period Int Exp: Amort. Of debt discount & exp 428.0	103,796			
Period Int. Exp: Amort. Of loss on reacq debt 428.1	9,358			2,717,700
Adjustment				(316,522)
Total adjustment @ State & F.I.T of 39.94%				(126,419)

	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	LOC	TOTAL DEBT	COMMON EQUITY	BALANCE SHEET EQUITY
Jan-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	197,284,967	197,284,967
Feb-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	197,667,785	197,667,785
Mar-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	201,071,623	201,071,623
Apr-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	201,800,060	201,800,060
May-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	199,779,622	199,779,622
Jun-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	198,115,355	198,115,355
Jul-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	6,750,000	221,221,000	196,345,946	196,345,946
Aug-17	20,000,000	15,000,000	24,446,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	17,950,000	232,396,000	191,285,068	191,285,068
Sep-17	20,000,000	15,000,000	24,446,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	10,000,000	224,446,000	210,403,949	210,403,949
Oct-17	20,000,000	15,000,000	24,446,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	21,450,000	235,896,000	210,597,255	210,597,255
Nov-17	20,000,000	15,000,000	24,431,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	34,050,000	248,481,000	210,212,155	210,212,155
Dec-17	20,000,000	15,000,000	24,431,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	17,300,000	231,731,000	224,513,351	224,513,351
Dec-16	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	192,552,179	192,552,179
Avg of Avgs	20,000,000	15,000,000	24,459,750	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	8,237,500	222,697,250	201,924,712	201,924,712
Annual Rate	7.4800%	7.0980%	5.2500%	5.2100%	5.7900%	4.1100%	4.3600%	4.0900%	4.2400%	4.0900%	4.2400%	3.1700%	5.32%		
Cost	1,496,000	1,064,700	1,284,137	781,500	2,316,000	1,027,500	1,090,000	511,250	530,000	511,250	530,000	261,191			

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY17 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	29,530
Adjustment to Annualize & Restate	\$	<u>29,530</u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2017 PGA Commodity Sharing Revenue	\$ (198,081)
Adjustment	<u><u>\$ 198,081</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2017

2017	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 CY17 Salaries/Wages
January	\$ 1,542,051						
February	\$ 1,006,924						
March	\$ 996,296						
CY16 Hourly	\$ 3,545,271	3.10%	\$ 109,903	\$ 6,814	\$ 1,594	\$ 8,408	\$ 118,311
OR 3-Factor Allocation %							25.0%
							\$ 29,530

Note: Salaried increase effective 1/1/17
Hourly increase effective 4/1/17

TYPE II ADJUSTMENT WORKPAPERS

**CASCADE NATURAL GAS
STATE OF OREGON
CY17**

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

Jan-17	\$ (105,397)
Feb-17	\$ (18,098)
Mar-17	\$ (3,860)
Apr-17	\$ (1,455)
May-17	\$ (11,609)
Jun-17	\$ (18,609)
Jul-17	\$ 18,094
Aug-17	\$ 2,227
Sep-17	\$ 15,532
Oct-17	\$ 7,365
Nov-17	\$ (7,001)
Dec-17	<u>\$ (75,272)</u>
Total	<u><u>\$ (198,081)</u></u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/17

Line No.	Description	Amount	
1	Gross Revenue	1.00000	
2	Less Uncollectibles	<u>(0.00324)</u>	
3	Net Revenue	0.99676	
	Less Revenue Sensitive Costs		
4	Gross Revenue Fee	0.00275	
5	City Franchise Fees	<u>0.02310</u>	
		<u>0.02585</u>	
6	Net Before State & Federal Income Taxes	0.97091	2.91%
7	Oregon Income Tax @7.6%	<u>0.07379</u>	
8	Net Before Federal Income Tax	0.89712	
9	Federal Income Tax @ 35%	<u>0.31399</u>	
10	Net to Gross Conversion Factor	<u><u>0.58313</u></u>	

Combo-State & Federal Income Tax	
State	0.07600
Federal	0.35000
Combo (calculated)	<u>0.3994</u>

Revenue Sensitive		
Uncollectibles	0.00324	
OPUC Fees	0.00275	
City Franchise	0.02310	
	0.02909	0.970906072

INPUT DATA AND CALCULATIONS

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

INPUT ENTRY*****

Test Period Ended	09/30/06		
Unbilled	09/30/05	prior	
Revenue Sensitive			
Uncollectibles	0.00324		
OPUC Fees	0.00275		
City Franchise	0.02310		
	0.02909	0.970906072	
Combo-State & Federal Income Tax			
State	0.07600		
Federal	0.35000		
Combo (calculated)	0.3994		

CASCADE NATURAL GAS CORPORATION

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Twelve Months Ended

December 31, 2017

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CASCADE NATURAL GAS CORPORATION
State of Oregon
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2	Gas Transportation Revenue	4,114,883	0	4,114,883	0	4,114,883
3	Other Operating Revenues	264,704	0	264,704	198,081	462,786
4	SUBTOTAL	\$ 64,274,782	\$ 0	\$ 64,274,782	\$ 198,081	\$ 64,472,863
5	LESS: Nat. Gas/Production Costs	30,733,688	0	30,733,688	0	30,733,688
6	Revenue Taxes	3,015,262	0	3,015,262	0	3,015,262
7	OPERATING MARGIN	\$ 30,525,832	\$ 0	\$ 30,525,832	\$ 198,081	\$ 30,723,913
	OPERATING EXPENSES					
8	Production	101,025	0	101,025	0	101,025
9	Distribution	\$ 6,434,534	0	6,434,534	\$ 0	\$ 6,434,534
10	Customer Accounts	1,904,929	(43,552)	1,861,377	0	1,861,377
11	Customer Service	121,204	0	121,204	0	121,204
12	Sales	913	(913)	0	0	0
13	Administrative & General	6,213,010	(653,700)	5,559,310	29,530	5,588,840
14	Depreciation & Amortization	6,437,588	0	6,437,588	0	6,437,588
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	2,155,564	0	2,155,564	5,763	2,161,327
17	State & Federal Income Taxes	1,875,733	405,267	2,281,000	65,018	2,346,018
18	TOTAL OPERATING EXPENSES	\$ 25,244,500	\$ (292,898)	\$ 24,951,601	\$ 100,311	\$ 25,051,913
19	NET OPERATING INCOME	\$ 5,281,332	\$ 292,898	\$ 5,574,230	\$ 97,770	\$ 5,672,000
	RATE BASE					
20	Total Plant in Service	\$ 209,695,352	\$ 0	\$ 209,695,352	\$ 0	\$ 209,695,352
21	Total Accumulated Depreciation	(99,336,089)	0	(99,336,089)	0	(99,336,089)
22	Contributions in Aid of Construct.	0	0	0	0	0
23	Customer Advances for Construction	(509,450)	0	(509,450)	0	(509,450)
24	Deferred Accumulated Income Taxes	(26,598,592)	0	(26,598,592)	0	(26,598,592)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,812,500	0	2,812,500	0	2,812,500
27	TOTAL RATE BASE	\$ 86,063,721	\$ 0	\$ 86,063,721	\$ 0	\$ 86,063,721
28	RATE OF RETURN	6.14%		6.48%		6.59%
	IMPLIED RETURN ON EQUITY					
29	LESS: Return Required for Long Term Debt	2.79%		2.79%		2.79%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	3.35%		3.69%		3.80%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 47.55%)	7.04%		7.76%		7.99%

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/17**

State of Oregon

Line No.	Description	Promotional Advertising Adjustment (a)	Removal of 25% Membership Fees (b)	Normalize Uncollectible Expense (c)	Incentive Comp. Adjustment (d)	Interest Coordination Adjustment (e)	Total Type I Adjustments
<u>OPERATING REVENUES</u>							
1	Natural Gas Sales	\$ 0	0	0		0	\$ 0
2	Gas Transportation Revenue	0	0	0		0	0
3	Other Operating Revenues	0	0	0		0	0
4	TOTAL OPERATING REVENUES	\$ 0	0	0	0	0	\$ 0
<u>OPERATING EXPENSES</u>							
5	Natural Gas Purchased	\$					\$
6	Manufactured Gas Production						
7	Distribution						
8	Customer Accounting			(43,552)		0	(43,552)
9	Customer Service						
10	Sales	(913)					(913)
11	Administrative & General		(16,837)		(636,863)	0	(653,700)
12	Depreciation & Amortization						
13	Regulatory Debits						
14	Taxes Other Than Income	0	0	0	0	0	0
15	State & Federal Income Tax	365	6,725	17,395	254,363	126,419	405,267
16	TOTAL OPERATING EXPENSES	\$ (548)	(10,112)	(26,157)	(382,500)	126,419	\$ (292,898)
17	NET OPERATING INCOME	\$ 548	10,112	26,157	382,500	(126,419)	\$ 292,898
<u>RATE BASE</u>							
18	Total Plant in Service	\$					\$
19	Total Accumulated Depreciation						
20	Customer Advances for Construct.						
21	Contributions in Aid of Construct.						
22	Deferred Income Taxes - ACRS						
23	Deferred Income Taxes - Other						
24	Deferred Debits-Oregon Water						
25	Heater Program						
26	Deferred Debits-Astoria Cleanup						
27	Working Capital Allowance						
28	TOTAL RATE BASE	\$					\$

Cascade Natural Gas Corporation
TYPE II ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/17

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	198,081	198,081
4	Total Operating Revenue	\$ 0	198,081	\$ 198,081
	<u>OPERATING EXPENSES</u>			
5	Natural Gas Purchased	\$ 0	0	\$ 0
6	Manufactured Gas Production			0
7	Distribution			0
8	Customer Accounting	0	0	0
9	Customer Service			0
10	Sales			0
11	Administrative & General	29,530	0	29,530
12	Depreciation & Amortization			0
13	Regulatory Debits	0		0
14	Taxes Other Than Income		5,763	5,763
15	State & Federal Income Tax	(11,794)	76,812	65,018
16	Total Operating Expenses	\$ 17,736	82,575	\$ 100,311
17	NET OPERATING INCOME	\$ (17,736)	115,506	\$ 97,770
	<u>RATE BASE</u>			
18	Total Plant in Service	\$		\$ 0
19	Total Accumulated Depreciation			0
20	Customer Advances for Construct.			0
21	Contributions Aiding Construct.			0
22	Deferred Income Taxes - ACRS			0
23	Deferred Income Taxes - Other			0
24	Deferred Debits-Oregon Water			0
25	Heater Program			0
26	Deferred Debits-Astoria Cleanup			0
27	Working Capital Allowance			0
28	TOTAL RATE BASE	\$ 0	0	\$ 0

TYPE I ADJUSTMENTS

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
State of Oregon

FERC 913 Advertising Expense

CY 2017	\$ 913
Removal	<u><u>\$ (913)</u></u>

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

CY 2017 Membership Fees	\$ 67,348
Removal of 25% of Total	<u><u>\$ (16,837)</u></u>

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2015	169,224
Calendar Year 2016	197,056
Calendar Year 2017	<u>226,924</u>
	<u>593,204</u>
3 years of Net Write Offs: 2013 - 2015	<u><u>593,204</u></u>
Calendar Year 2015 Natural Gas Sales	63,397,033
Calendar Year 2016 Natural Gas Sales	59,573,715
Calendar Year 2017 Natural Gas Sales	<u>59,895,194</u>
	<u><u>182,865,942</u></u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/17	237,848
3 Year Average Net Write Off as a percentage of 2015-2017 Gross Revenues	0.324%
2017 Sales	59,895,194
Proforma Expense	194,296
Adjustment to normalize Uncollectible Expenses	<u><u>-43,552</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY17 Officer Incentive Compensation	\$	309,033
Oregon Total	<u>\$</u>	<u>309,033</u>
Removal	<u>\$</u>	<u>(309,033)</u>

Total 2017 Employee Incentive Accrual (OR)	<u>\$</u>	<u>561,994.14</u>		
Incentive tied to Financial Performance (1/3)	\$	187,331.38	75%	\$ 140,498.54
Incentive encouraging reduced spending (1/3)	\$	187,331.38	50%	\$ 93,665.69
Incentive fbased on Customer Satisfaction (1/3)	\$	187,331.38	50%	<u>\$ 93,665.69</u>
Total				\$ 327,829.92
Removal				\$ (327,829.92)

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-17 to 12-17

OREGON:

	Avg of Avg	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	222,697,250	52.45%	5.32%	2.79%
Preferred Stock	0	0.00%		0.00%
Common Equity	201,924,712	47.55%	9.40%	4.47%
	<u>424,621,962</u>	<u>100.00%</u>		<u>7.26%</u>

Rate Base 12/31/2017	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
86,063,721	2.79%	2,401,178	2,717,700	(316,522)	0.39940	<u>126,419</u>

TYPE I ADJUSTMENT WORKPAPERS

**Cascade Natural Gas Corporation
Oregon
Type 1 Adjustment
Memberships & Dues
CY 2017**

<u>Location</u>	Professional/ Organization Dues (5811 & 5912)	<u>Total OR</u>
Oregon Direct	4,929	4,929
General Office	62,419	62,419
Total		<u>67,348</u>
Removal of 25% of Total		(16,837)

Source(s): State Allocation Report, Rate Base

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	222,697,250	52.45%	5.32%	2.79%
Preferred Stock	-	0.00%		0.00%
Common Equity-excl Accum OCI	201,924,712	47.55%	9.40%	4.47%
	424,621,962	100.00%		7.26%
Rate base as of	December 31, 2017			86,063,721
Average cost of debt				2.79%
Subtotal				2,401,178
Period Int Exp: Interest on long-term debt 427.0	2,604,546			
Period Int Exp: Amort. Of debt discount & exp 428.0	103,796			
Period Int. Exp: Amort. Of loss on reacq debt 428.1	9,358			2,717,700
Adjustment				(316,522)
Total adjustment @ State & F.I.T of 39.94%				(126,419)

	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	LOC	TOTAL DEBT	COMMON EQUITY	BALANCE SHEET EQUITY
Jan-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	197,284,967	197,284,967
Feb-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	197,667,785	197,667,785
Mar-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	201,071,623	201,071,623
Apr-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	201,800,060	201,800,060
May-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	199,779,622	199,779,622
Jun-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	198,115,355	198,115,355
Jul-17	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	6,750,000	221,221,000	196,345,946	196,345,946
Aug-17	20,000,000	15,000,000	24,446,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	17,950,000	232,396,000	191,285,068	191,285,068
Sep-17	20,000,000	15,000,000	24,446,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	10,000,000	224,446,000	210,403,949	210,403,949
Oct-17	20,000,000	15,000,000	24,446,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	21,450,000	235,896,000	210,597,255	210,597,255
Nov-17	20,000,000	15,000,000	24,431,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	34,050,000	248,481,000	210,212,155	210,212,155
Dec-17	20,000,000	15,000,000	24,431,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	17,300,000	231,731,000	224,513,351	224,513,351
Dec-16	20,000,000	15,000,000	24,471,000	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000		214,471,000	192,552,179	192,552,179
Avg of Avgs	20,000,000	15,000,000	24,459,750	15,000,000	40,000,000	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000	8,237,500	222,697,250	201,924,712	201,924,712
Annual Rate	7.4800%	7.0980%	5.2500%	5.2100%	5.7900%	4.1100%	4.3600%	4.0900%	4.2400%	4.0900%	4.2400%	3.1700%	5.32%		
Cost	1,496,000	1,064,700	1,284,137	781,500	2,316,000	1,027,500	1,090,000	511,250	530,000	511,250	530,000	261,191			

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY17 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	29,530
Adjustment to Annualize & Restate	\$	<u>29,530</u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2017 PGA Commodity Sharing Revenue	\$ (198,081)
Adjustment	<u><u>\$ 198,081</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2017

2017	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 CY17 Salaries/Wages
January	\$ 1,542,051						
February	\$ 1,006,924						
March	\$ 996,296						
CY16 Hourly	\$ 3,545,271	3.10%	\$ 109,903	\$ 6,814	\$ 1,594	\$ 8,408	\$ 118,311
OR 3-Factor Allocation %							25.0%
							\$ 29,530

Note: Salaried increase effective 1/1/17
Hourly increase effective 4/1/17

TYPE II ADJUSTMENT WORKPAPERS

**CASCADE NATURAL GAS
STATE OF OREGON
CY17**

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

Jan-17	\$ (105,397)
Feb-17	\$ (18,098)
Mar-17	\$ (3,860)
Apr-17	\$ (1,455)
May-17	\$ (11,609)
Jun-17	\$ (18,609)
Jul-17	\$ 18,094
Aug-17	\$ 2,227
Sep-17	\$ 15,532
Oct-17	\$ 7,365
Nov-17	\$ (7,001)
Dec-17	<u>\$ (75,272)</u>
Total	<u><u>\$ (198,081)</u></u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/17

Line No.	Description	Amount	
1	Gross Revenue	1.00000	
2	Less Uncollectibles	<u>(0.00324)</u>	
3	Net Revenue	0.99676	
	Less Revenue Sensitive Costs		
4	Gross Revenue Fee	0.00275	
5	City Franchise Fees	<u>0.02310</u>	
		<u>0.02585</u>	
6	Net Before State & Federal Income Taxes	0.97091	2.91%
7	Oregon Income Tax @7.6%	<u>0.07379</u>	
8	Net Before Federal Income Tax	0.89712	
9	Federal Income Tax @ 35%	<u>0.31399</u>	
10	Net to Gross Conversion Factor	<u><u>0.58313</u></u>	

Combo-State & Federal Income Tax	
State	0.07600
Federal	0.35000
Combo (calculated)	<u>0.3994</u>

Revenue Sensitive		
Uncollectibles	0.00324	
OPUC Fees	0.00275	
City Franchise	0.02310	
	0.02909	0.970906072

INPUT DATA AND CALCULATIONS

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

INPUT ENTRY*****

Test Period Ended	09/30/06		
Unbilled	09/30/05	prior	
Revenue Sensitive			
Uncollectibles	0.00324		
OPUC Fees	0.00275		
City Franchise	0.02310		
	0.02909	0.970906072	
Combo-State & Federal Income Tax			
State	0.07600		
Federal	0.35000		
Combo (calculated)	0.3994		