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COMPANY NAME:

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April 28, 2023

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, 2022

Enclosed for filing is Cascade Natural Gas Corporation's ("Cascade" or "Company") Spring Earnings Review and Statement of Operations and Rate of Return Report for the Twelve Months Ended December 31, 2022, 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 1 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 5.03%, 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 6.95% 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.
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Attachments

In the Community to Serve®

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2022

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2022
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, 2022
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, 2022

Adjusted overall rate of return	4.70%
Less return required for:	
Long term debt	-2.26%
Preferred stock	0.00%
	<hr/>
Return available for common	2.44%
Capitalization ratio for common	48.52%
	<hr/>
Implied ROE (common return / ratio)	5.03%
Threshold per OPUC order 22-262	10.40%
	<hr/>
Return on Equity in excess of threshold	-5.37%
Capitalization ratio for common	48.52%
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Overall Return in excess of threshold	-2.61%
Average rate base	\$ 139,401,298
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Excess earnings	\$ (3,638,374)
Net to Gross Conversion Factor	0.70818
Pre-Tax over the threshold Earnings	\$ (5,137,665)
	<hr/> <hr/>
Earnings sharing percentage	33.00%
	<hr/>
Earnings Sharing for CY 2022	\$ (1,695,429)
	<hr/> <hr/>

Cascade Natural Gas Corporation
**ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/22**

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/22 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/22 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/22 (f)
	OPERATING REVENUES					
1	Natural Gas Sales	\$ 92,445,738	\$ 0	\$ 92,445,738	\$ 0	\$ 92,445,738
2	Gas Transportation Revenue	3,710,146	0	3,710,146	0	3,710,146
3	Other Operating Revenues	311,712	0	311,712	0	311,712
4	SUBTOTAL	\$ 96,467,596	\$ 0	\$ 96,467,596	\$ 0	\$ 96,467,596
5	LESS: Nat. Gas/Production Costs	53,542,556	0	53,542,556	(1,795,907)	51,746,649
6	Revenue Taxes	5,276,436	0	5,276,436	0	5,276,436
7	OPERATING MARGIN	\$ 37,648,604	\$ 0	\$ 37,648,604	\$ 1,795,907	\$ 39,444,511
	OPERATING EXPENSES					
8	Production	0	0	0	0	0
9	Distribution	\$ 6,984,374	0	6,984,374	0	6,984,374
10	Customer Accounts	1,932,053	26,236	1,958,289	0	1,958,289
11	Customer Service	105,598	0	105,598	0	105,598
12	Sales	13,911	(6,342)	7,569	0	7,569
13	Administrative & General	7,330,167	(582,667)	6,747,500	31,215	6,778,715
14	Depreciation & Amortization	8,905,405	0	8,905,405	0	8,905,405
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	2,942,741	0	2,942,741	0	2,942,741
17	State & Federal Income Taxes	3,102,943	340,824	3,443,767	476,538	3,920,305
18	TOTAL OPERATING EXPENSES	\$ 31,317,192	\$ (221,949)	\$ 31,095,243	\$ 507,753	\$ 31,602,996
19	NET OPERATING INCOME	\$ 6,331,412	\$ 221,949	\$ 6,553,361	\$ 1,288,154	\$ 7,841,515
	RATE BASE					
20	Total Plant in Service	\$ 288,855,257	\$ 0	\$ 288,855,257	\$ 0	\$ 288,855,257
21	Total Accumulated Depreciation	(124,549,305)	0	(124,549,305)	0	(124,549,305)
22	Contributions in Aid of Construct.	(285,368)	0	(285,368)	0	(285,368)
23	Customer Advances for Construction	0	0	0	0	0
24	Deferred Accumulated Income Taxes	(27,512,052)	0	(27,512,052)	0	(27,512,052)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	2,892,766	0	2,892,766	0	2,892,766
27	TOTAL RATE BASE	\$ 139,401,298	\$ 0	\$ 139,401,298	\$ 0	\$ 139,401,298
28	RATE OF RETURN	4.54%		4.70%		5.63%
	IMPLIED RETURN ON EQUITY					
29	LESS: Return Required for Long Term Debt	2.26%		2.26%		2.26%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	2.28%		2.44%		3.37%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 48.52%)	4.70%		5.03%		6.95%

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/22**

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 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			26,236		0	26,236
9	Customer Service						0
10	Sales	(6,342)					(6,342)
11	Administrative & General	(8,677)	(39,639)		(534,351)	0	(582,667)
12	Depreciation & Amortization						0
13	Regulatory Debits						0
14	Taxes Other Than Income	0	0	0	0	0	0
15	State & Federal Income Tax	4,056	10,704	(7,085)	144,296	188,853	340,824
16	TOTAL OPERATING EXPENSES	\$ (10,963)	(28,935)	19,151	(390,055)	188,853	\$ (221,949)
17	NET OPERATING INCOME	\$ 10,963	28,935	(19,151)	390,055	(188,853)	\$ 221,949
	<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 12/31/22

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	(1,795,907)	\$ (1,795,907)
6	Manufactured Gas Production			0
7	Distribution			0
8	Customer Accounting	0	0	0
9	Customer Service			0
10	Sales			0
11	Administrative & General	31,215	0	31,215
12	Depreciation & Amortization			0
13	Regulatory Debits	0		0
14	Taxes Other Than Income		0	0
15	State & Federal Income Tax	(8,429)	484,967	476,538
16	Total Operating Expenses	\$ 22,786	(1,310,940)	\$ (1,288,154)
17	NET OPERATING INCOME	\$ (22,786)	1,310,940	\$ 1,288,154
	<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 2022

FERC 913 Advertising Expense - Sales	\$ (6,342)
FERC 930 Advertising Expense - Administrative and General	\$ (8,677)
Removal	<u>\$ (15,019)</u>

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

CY 2022 Membership Fees	\$ 79,278
Removal of 50%	<u>\$ 39,639</u>
Total Removal	\$ (39,639)

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2020	151,931
Calendar Year 2021	220,682
Calendar Year 2022	235,850
	<u>608,463</u>
3 years of Net Write Offs: 2020 - 2022	<u><u>608,463</u></u>
Calendar Year 2020 Total Operating Revenue	66,485,099
Calendar Year 2021 Total Operating Revenue	73,001,191
Calendar Year 2022 Total Operating Revenue	92,445,737
	<u>231,932,027</u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/22	216,291
3 Year Average Net Write Off as a percentage of 2020-2022 Gross Revenues	0.262%
2022 Sales	92,445,737
Proforma Expense	242,527
Adjustment to normalize Uncollectible Expenses	<u><u>26,236</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY 2022 Officer Incentive Compensation	\$	423,943
Oregon Total	<u>\$</u>	<u>423,943</u>
Removal	<u>\$</u>	<u>(423,943)</u>

Total 2022 Employee Incentive Accrual (OR)	<u>\$</u>	<u>220,815</u>		
Incentive tied to Cyber Security (1/3)	\$	73,605.02	50%	\$ 36,802.51
Incentive encouraging Reduced O&M Spending (1/3)	\$	73,605.02	50%	\$ 36,802.51
Incentive based on Customer Service Satisfaction (1/3)	\$	73,605.02	50%	<u>\$ 36,802.51</u>
Total				\$ 110,407.53
Removal				\$ (110,408)

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-22 to 12-22

OREGON:

	Avg of Avg's	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	404,489,583	51.48%	4.40%	2.26%
Preferred Stock	0	0.00%		0.00%
Common Equity	381,279,069	48.52%	9.40%	4.56%
	<u>785,768,652</u>	<u>100.00%</u>		<u>6.82%</u>

Rate Base 12/31/2022	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
139,401,298	2.26%	3,150,469	3,849,820	(699,351)	0.27004	<u>188,853</u>

TYPE I ADJUSTMENT WORKPAPERS

Source(s): Oregon Earnings Sharing

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	404,489,583	51.48%	4.40%	2.26%
Preferred Stock	-	0.00%	-	0.00%
Common Equity-excl Accum OCI	381,279,069	48.52%	9.40%	4.56%
	785,768,652	100.00%		6.82%
Rate base as of	December 31, 2022			139,401,298
Average cost of debt				2.26%
Subtotal				3,150,469
Period Int Exp: Interest on long-term debt 427.0		3,799,516		
Period Int Exp: Amort. Of debt discount & exp 428.0		37,566		
Period Int. Exp: Amort. Of loss on reacq debt 428.1		12,738		
				3,849,820
Adjustment				(699,351)
Total adjustment @ State & F.I.T of 27%				(188,853)

	4.11% Snr Nt																LOC	TOTAL DEBT	COMMON EQUITY	BALANCE SHEET EQUITY	
	7.48% MTN Due 9/15/2027	7.098% MTN Due 3/16/2029	5.79% Snr Nt Due 3/8/2037	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	4.26% Snr Nt DUE 6/15/2032	4.60% Snr Nt DUE 6/15/2052				
Jan-22	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	-	-	72,600,000	397,600,000	380,449,487	380,449,487
Feb-22	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	-	-	60,800,000	385,800,000	381,951,230	381,951,230
Mar-22	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	-	-	49,900,000	374,900,000	385,023,796	385,023,796
Apr-22	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	-	-	47,300,000	372,300,000	385,118,507	385,118,507
May-22	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	-	-	47,300,000	372,300,000	384,955,935	384,955,935
Jun-22	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	15,000,000	35,000,000	8,660,000	383,660,000	382,085,256	382,085,256
Jul-22	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	15,000,000	35,000,000	26,980,000	401,980,000	379,461,151	379,461,151
Aug-22	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	15,000,000	35,000,000	39,580,000	414,580,000	372,491,904	372,491,904
Sep-22	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	15,000,000	35,000,000	60,580,000	435,580,000	370,434,139	370,434,139
Oct-22	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	15,000,000	35,000,000	81,800,000	456,800,000	383,507,523	372,050,661
Nov-22	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	15,000,000	35,000,000	75,700,000	450,700,000	383,507,523	383,507,523
Dec-22	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	15,000,000	35,000,000	44,400,000	419,400,000	421,484,304	421,484,304
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
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	8,125,000	18,958,333	52,406,250	404,489,583	381,279,069	381,279,069
Annual Rate	7.4800%	7.0980%	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%	4.2600%	4.6000%	3.3000%		4.40%	
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	346,125	872,083	1,727,860			

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY 2022 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	31,215
Adjustment to Annualize & Restate	\$	<u>31,215</u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2022 PGA Commodity Sharing	\$(1,795,907)
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Adjustment	<u>\$ 1,795,907</u>
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TYPE II
ADJUSTMENT
WORKPAPERS

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2022

2022	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 CY22 Salaries/Wages
January	\$ 1,665,844						
February	\$ 1,109,702						
March	\$ 1,118,681						
CY 2022 Hourly	\$ 3,894,227	3.00%	\$ 116,827	\$ 7,243	\$ 1,694	\$ 8,937	\$ 125,764
OR 3-Factor Allocation %							\$ 24.82%
							\$ 31,215

Note: Salaried increase effective 1/1/22
Hourly increase effective 4/1/22

**CASCADE NATURAL GAS
STATE OF OREGON
CY 2022**

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

Jan-22	\$ (218,492)
Feb-22	\$ (140,162)
Mar-22	\$ (86,267)
Apr-22	\$ (130,491)
May-22	\$ (118,483)
Jun-22	\$ (94,707)
Jul-22	\$ (28,944)
Aug-22	\$ (26,337)
Sep-22	\$ (57,137)
Oct-22	\$ (70,932)
Nov-22	\$ (195,442)
Dec-22	\$ (628,513)
Total	<u>\$ (1,795,907)</u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/22

Line No.	Description	Amount	
1	Gross Revenue	1.00000	
2	Less Uncollectibles	<u>(0.00262)</u>	
3	Net Revenue	0.99738	
	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	0.97016	2.98%
7	Oregon Income Tax @7.6%	<u>0.07373</u>	
8	Net Before Federal Income Tax	0.89643	
9	Federal Income Tax @ 21%	<u>0.18825</u>	
10	Net to Gross Conversion Factor	<u><u>0.70818</u></u>	

Combo-State & Federal Income Tax
State 0.07600
Federal 0.21000

Combo (calculated) 0.27004

Revenue Sensitive
Uncollectibles 0.00262
OPUC Fees 0.00350
City Franchise 0.02372
0.02984 0.97016