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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:

Report is required by: ☒ OAR 860-027-0100, 860-027-0048
☐ Statute
☐ Order
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: RG-44(4)

List Key Words for this report. We use these to improve search results.

Affiliated Interest

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 3930 Fairview Industrial Drive SE, Salem, OR 97302.

Print

Cascade Natural Gas Corporation®
A Subsidiary of MDU Resources Group, Inc.

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

May 31, 2016

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

Attn: Filing Center

RE: RG-44(4), Cascade Natural Gas Corporation's 2015 Affiliated Interest Report

Pursuant to OAR 860-027-0100, Cascade Natural Gas Corporation ("Cascade" or the "Company") submits the attached 2015 Affiliated Interest Report. In accordance with the requirements in OAR 860-027-0048(6), Attachment C to this report is the Company's Cost Allocation Manual.

Please contact me at (509) 734-4593 if you have any questions regarding this filing.

Sincerely,

Michael Parvinen
Director, Regulatory Affairs

Enclosures

CASCADE NATURAL GAS CORPORATION

Affiliated Interest Report for the
Calendar Year 2015

I. An Organizational chart showing the parent company, all subsidiaries, and the percentage of ownership for each.

Please see Attachment A.

A. Changes in the list of directors and, or other changes in the list of directors and or officers in common to the regulated utility and the affiliated interest.

Please see the Attachment B. Common directors and officers among Cascade Natural Gas Corporation, IGC, MDU, Knife River and Centennial Holdings Capital LLC are named in bold font.

B. Changes in successive ownership between the regulated utility and the affiliated interest.

Please see Attachment A for organizational chart for Cascade's affiliates & subsidiaries.

C. A narrative description of the affiliated entity with which the regulated utility does business.

- MDU Resources Group Inc. - Parent Company to Cascade Natural Gas Corporation. Provides management/consulting/legal services to Cascade Natural Gas Corporation.
- Knife River Corporation - A subsidiary of MDU Resources. Provides asphalt services for Cascade Natural Gas Corporation. In addition, Cascade leases part of the facility with Knife River and provides distribution system transportation (Tariff Schedule 163) for a Knife River subsidiary company in Central Oregon.
- Centennial Holdings Capital LLC - A subsidiary of MDU Resources. Carries various liability insurance policies on behalf of Cascade Natural Gas Corporation.
- Montana-Dakota Utilities Co. (MDU) – A subsidiary of MDU Resources. Cascade provides 24/7 gas control monitoring of MDU's distribution system and provides notification to the appropriate personnel when a problem is detected.
- Intermountain Gas Co. (IGC) - A subsidiary of MDU Resources. Cascade provides 24/7 gas control monitoring of IGC's distribution system and provides notification to the appropriate personnel when a problem is detected.

- FutureSource Capital Corp. – A subsidiary of Centennial Holdings Capital. Owner of MDUR corporate office buildings and land.

D. A balance sheet and income statement for the twelve months ending December 31, 2015.

Knife River Corporation is part of MDU Resources Construction Materials and Contracting. Below is the Income Statement and Balance Sheet for Construction Materials and Contracting.

Construction Materials and Contracting	
Year ended December 31,	**2015**
Income statement data (Dollars in millions)	
Operating revenues	$1,904.3
Operating expenses:	
Operation and maintenance	$1,652.3
Depreciation, depletion and amortization	$65.9
Taxes, other than income	$40.1
Total operating expenses	$1,758.3
Operating income	$146.0
Interest expense	$15.2
Income (loss) before taxes	$130.8
Income taxes	$41.6
Earnings (loss) on common stock	$89.2

Construction Materials and Contracting	
Year ended December 31,	**2015**
Balance sheet data (000's)	
Property, plant and equipment	$1,553.4
Less accumulated depreciation, depletion and amortization	$866.2
Net property, plant and equipment	$687.2
Other assets	$591.9
Total identifiable assets	$1,279.1

Montana-Dakota Utilities Co.

Year ended December 31,	**2015**
Income statement data (000's)	
Operating revenues	$541,923
Operating expenses:	
Purchased natural gas sold	$325,231
Operations	$98,776
Depreciation and amortization	$46,512
Taxes other Than Income	$37,553
Total operating expenses	$508,072
Operating income	$33,851
Other income (expense)	$23,331
Other Income	$9,916
Income (loss) before taxes	$20,436
Income taxes	$7,019
Net Income	$13,417

Year ended December 31,	**2015**
Balance sheet data (000's)	
Property, plant and equipment	$1,483,735
Less accumulated depreciation, depletion and amortization	$(533,176)
Net property, plant and equipment	$950,559
Other assets	$451,484
Total identifiable assets	$1,402,043

Centennial Holdings Capital LLC

Year ended December 31,	**2015**
Income statement data	
Operating revenues	$9,190,965
Operating expenses:	
Operations	$704,139
Depreciation	$2,070,308.04
Taxes other Than Income	$91,011
Gain on Disp. Of Property	$(8,483.74)
Loss on Disp. Of Property	$1,927,661.55
Total operating expenses	$4,784,635
Operating income	$4,406,329
Other income	$807,079
Other Income Deductions	$236,749
Income (loss) before taxes	$4,976,659
Income taxes	$2,109,452
Net Income	$2,867,207

Year ended December 31,	**2015**
Balance sheet data	
Property, plant and equipment	$49,497,274
Less accumulated depreciation, depletion and amortization	$(13,753,546)
Net property, plant and equipment	$ 35,743,728
Other assets	$10,406,296
Total identifiable assets	$46,150,024

Intermountain Gas Company

Year ended December 31,	2015
Income statement data (000's)	
Operating revenues	$258,368
Operating expenses:	
Purchased natural gas sold	$168,926
Operations	$45,587
Depreciation and amortization	$18,829
Taxes other Than Income	$10,710
Total operating expenses	$244,052
Operating income	$14,316
Other income (expense)	$3,509
Other Income	$301
Income (loss) before taxes	$11,108
Income taxes	$4,080
Net Income	$7,028

Year ended December 31,	2015
Balance sheet data (000's)	
Property, plant and equipment	$602,793
Less accumulated depreciation, depletion and amortization	(228,488)
Net property, plant and equipment	374,305
Other assets	21,702
Total identifiable assets	$396,007

II. Service Payments by Cascade to an Affiliate

	MDU Resources Group, Inc.		
Account	**Description**	**Total Company**	**Total Oregon**
	MDU/MDUR Consulting-Cap Exp	$3,502,197.73	$849,983.39
426.1	Donation Expense	$6,586.12	$1,598.43
426.4	Political Activities	$14,489.41	$3,516.58
426.5	Other	$213,883.08	$51,909.43
813	Other Gas Supply Expenses	$208,841.01	$50,685.74
875	Measuring & Regulating Expenses	$111,429.34	$27,043.92
880	Other Expense	$746,653.88	$181,212.89
902	Routine Meter Reading Expense	$156,601.16	$38,007.11
903	Customer Collection Expense	$5,609,929.57	$1,361,530.07
909	Informational & Instructional Advertising Expense	$19,805.30	$4,806.73
913	Promotional Advertising	$115.37	$28.00
920	Administrative & General Salaries	$3,941,952.04	$956,711.83
921	Office Supplies & Expenses	$1,743,769.36	$423,212.79
922	Administrative Expense Capitalized	($4,522.76)	($1,097.67)
923	Outside Services Employed	$309,592.04	$75,137.99
925	Injuries and Damages	$1,222.49	$296.70
926	Employee Pensions & Benefits	$326,605.41	$79,267.18
930.1	General Advertising Expenses	$18,805.33	$4,564.05
930.2	Misc. General Expenses	$175,232.34	$42,528.90
931	Rents	$1,214,385.80	$294,731.52
	Grand Total	**$18,317,574.02**	**$4,445,675.58**

Name	Description	Total Company	Total Oregon
Knife River Corporation	931 Rent/Various Tariff Distribution	$ 94,691.77	$ 94,691.77
Centennial Holdings	928 Injuries & Damages	$1,270,149.02	$308,265.17
Future Source Capital Corp.	921 Office Supplies & Expenses	$13,229.80	$3,210.87

SERVICE PAYMENTS BY THE AFFILIATE TO THE UTILITY			
Name	**Description**	**Total Company**	**Total Oregon**
Knife River Corporation	887 Maint. Of Mains	$ 14,814.77	$ 14,814.77
Intermountain Gas Co.	24/7 gas control monitoring	$791,525.71	$192,103.29
Montana Dakota Utilities Co.	24/7 gas control monitoring	$782,625.63	$189,943.24

Descriptions of Basis Pricing
Attachment C is the Cost Allocation Manual which describes the costing method procedures for Cascade Natural Gas Corporation.

III. Intercompany loans to Cascade from an affiliate or loans from an affiliate to Cascade

A. Month-end amounts outstanding for short term and long term loans.
Cascade made no loans to any of the Affiliates during 2015, and no Affiliate loaned Cascade money in 2015.

B. The highest amount during the year.
Not applicable.

C. A description of the terms and conditions for loans including interest rate.
Not applicable.

D. The total amount of interest charged and the weighted average rate of interest.
Not applicable.

E. Commission Order approving the transactions.
Not applicable.

IV. Parent guaranteed debt of affiliate

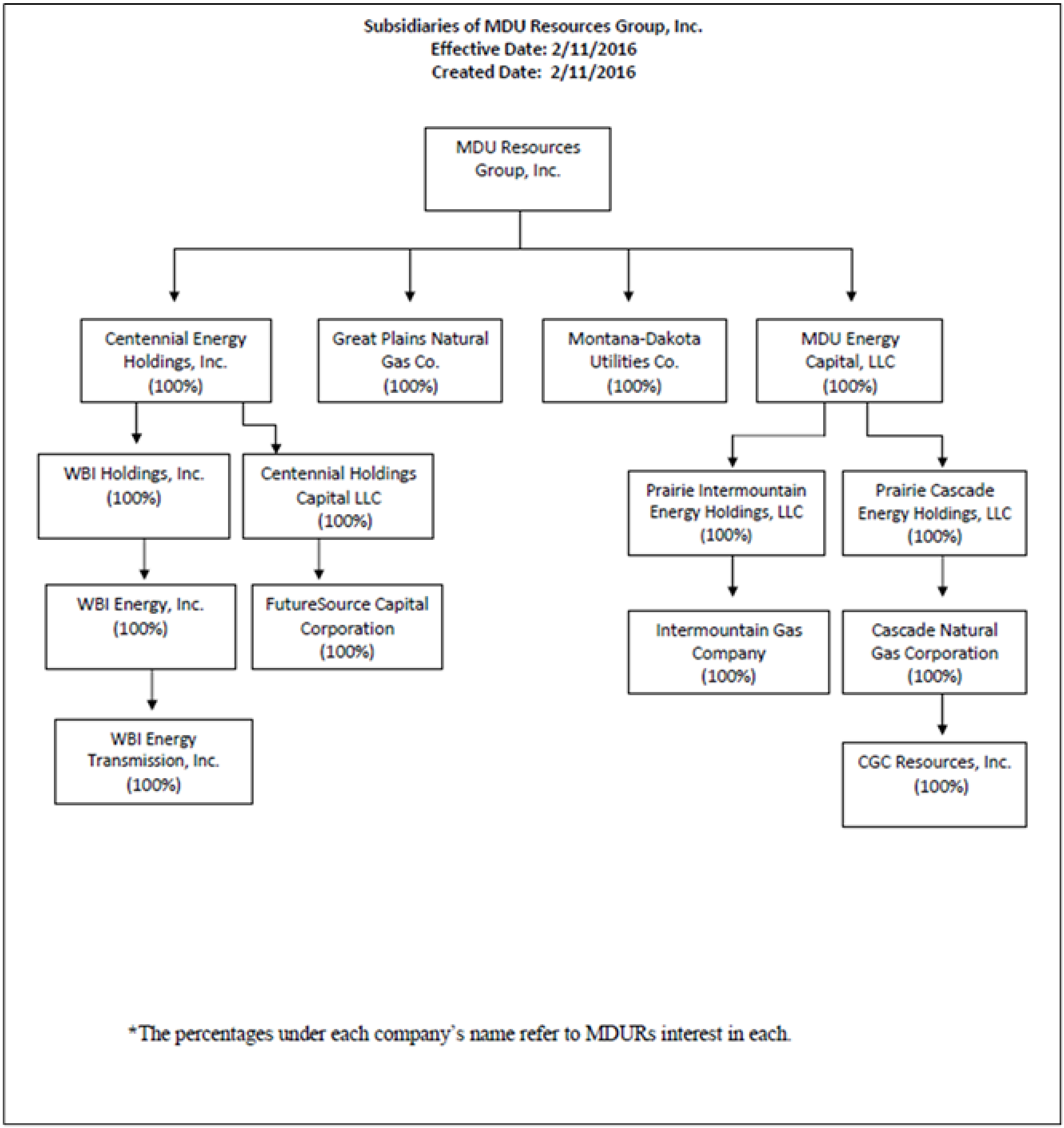
None.

V. Transactions other than services

None.

Attachments

ATTACHMENT A



ATTACHMENT B

CASCADE NATURAL GAS CORPORATION		
Directors	**David L. Goodin**	
	Nicole A. Kivisto	
	Daniel S. Kuntz	
	Doran N. Schwartz	
Officers	**David L. Goodin**	**Chairman of the Board**
	Garret Senger	Executive Vice President, Regulatory Affairs, Customer Service and Gas Supply
	Mark A. Chiles	Vice President, Regulatory Affairs and Customer Service
	Julie A. Krenz	Assistant Secretary
	Daniel S. Kuntz	**General Counsel and Secretary**
	Scott W. Madison	Executive Vice President, Western Region Operations, Business Development and Strategy
	Jason L. Vollmer	Treasurer
	Eric P. Martuscelli	Vice President, Operations
	Nicole A. Kivisto	President and Chief Executive Officer
	Margaret A. Link	Chief Information Officer
	Ann M. Jones	Vice President, Human Resources
	Karl A. Liepitz	Assistant Secretary
KNIFE RIVER CORPORATION		
Directors	David C. Barney	
	David L. Goodin	
	Doran N. Schwartz	
	Daniel S. Kuntz	
Officers	David C. Barney	President and Chief Executive Officer
	Nancy K Christenson	Vice President, Administration and Treasurer
	Christopher B. Ford	Chief Accounting Officer
	David L. Goodin	Chairman of the Board
	Trevor J. Hastings	Vice President, Business Development and Operations Support
	Daniel S. Kuntz	**General Counsel and Secretary**
	Karl A. Liepitz	Assistant Sectretary

ATTACHMENT B (continued)

INTERMOUNTAIN GAS COMPANY		
Directors	**David L. Goodin**	
	Nicole A. Kivisto	
	Daniel S. Kuntz	
	Doran N. Schwartz	
Officers	**David L. Goodin**	**Chairman of the Board**
	Garret Senger	Executive Vice President, Regulatory Affairs, Customer Service and Gas Supply
	Mark A. Chiles	Vice President, Regulatory Affairs and Customer Service
	Julie A. Krenz	Assistant Secretary
	Daniel S. Kuntz	**General Counsel and Secretary**
	Scott W. Madison	Executive Vice President, Western Region Operations, Business Development and Strategy
	Jason L. Vollmer	Treasurer
	Hart Gilchrist	Vice President, Operations
	Nicole A. Kivisto	**President and Chief Executive Officer**
	Margaret A. Link	Chief Information Officer
	Ann M. Jones	Vice President, Human Resources
	Karl A. Liepitz	Assistant Secretary
MONTANA-DAKOTA UTILITIES CO.		
Members	**David L. Goodin**	
	Nicole A. Kivisto	
	Daniel S. Kuntz	
	Doran N. Schwartz	
Officers	Patrick C. Darras	Vice President, Operations
	Kristi B. Hourigan	Assistant Secretary
	Daniel S. Kuntz	**General Counsel and Secretary**
	Ann M. Jones	Vice President, Human Resources
	Nicole A. Kivisto	**President and Chief Executive Officer**

ATTACHMENT B		
MONTANA-DAKOTA UTILITIES CO (CONTINUED)		
	Margaret A. Link	Chief Information Officer
	Garret Senger	Executive Vice President, Regulatory Affairs, Customer Service and Gas Supply
	Mark A. Chiles	Vice President, Regulatory Affairs and Customer Service
	Julie A. Krenz	Assistant Secretary
	Karl A. Liepitz	Assistant Secretary
	Jay Skabo	Vice President, Electric Supply
	Scott W. Madison	Executive Vice President, Western Region Operations, Business Development and Strategy
CENTENNIAL HOLDINGS CAPITAL LLC		
Managers	**Doran N. Schwartz**	
	David L. Goodin	
	Daniel S. Kuntz	
Officers	Alvin J. Feist	Vice President and Treasurer
	David L. Goodin	**Chairman of the Board**
	Daniel S. Kuntz	**General Counsel and Secretary**
	Doran N. Schwartz	**President and Chief Executive Officer**
	Jason L. Vollmer	Assistant Secretary
FUTURESOURCE CAPITAL CORP.		
Directors	**Doran N. Schwartz**	
	David L. Goodin	
	Daniel S. Kuntz	
Officers	Alvin J. Feist	Vice President and Treasurer
	David L. Goodin	**Chairman of the Board**
	Daniel S. Kuntz	**General Counsel and Secretary**
	Doran N. Schwartz	**President and Chief Executive Officer**
	Jason L. Vollmer	Assistant Treasurer
	Julie A. Krenz	Assistant Secretary

Cascade Natural Gas

Cost Allocation Manual

2015

CASCADE NATURAL GAS CORPORATION

A Subsidiary of MDU Resources Group, Inc.

In the Community to Serve®

CASCADE NATURAL GAS CORPORATION

Table of Contents

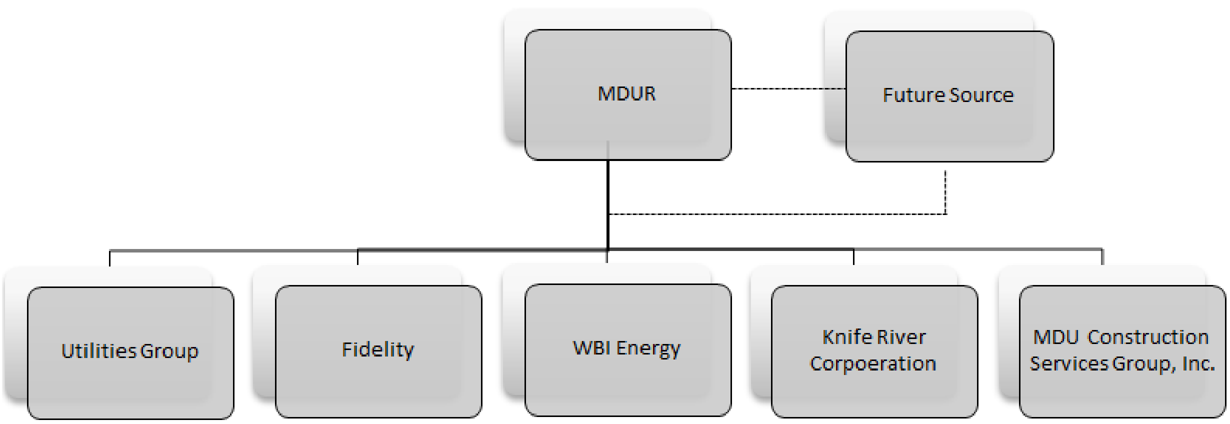
CASCADE NATURAL GAS CORPORATION

Overview

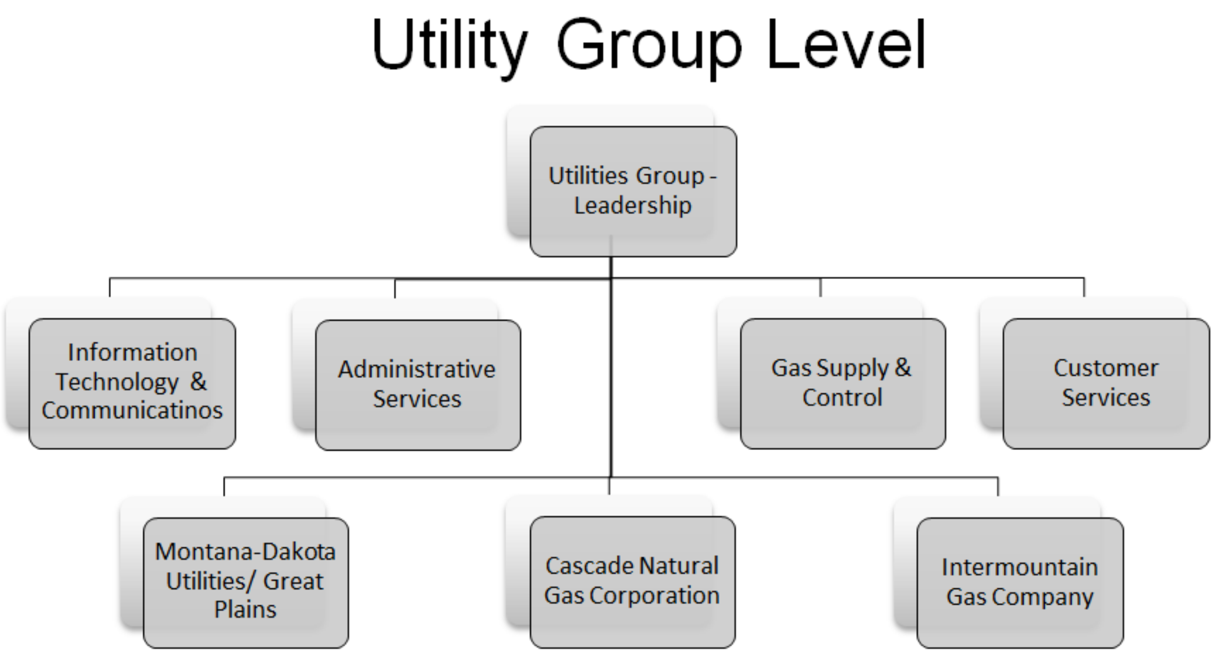
Cascade Natural Gas Corporation (Cascade), a subsidiary of MDU Resources Group, Inc. (MDUR), conducts business in two states with regulated gas distribution operations.

Below is an overview of the operational structure for the purpose of assigning costs. The diagrams presented are intended to provide an overview for cost allocation only and are not intended to represent the legal structure of the Corporation. Note that costs from MDUR and FutureSource are directly assigned or allocated and charged to the operating companies (i.e. Utilities Group, WBI Energy, etc.)

Corporate Level



CASCADE NATURAL GAS CORPORATION



This document is intended to provide an overview of the different types of allocations and the processes employed to direct costs to the proper utility and state jurisdiction for Cascade.

This document will discuss the allocations from:

- MDUR and FutureSource to Cascade Natural Gas
- Montana-Dakota/Great Plains (MDU) and Intermountain Gas Company (IGC) to Cascade Natural Gas
- Cascade to MDU and IGC
- State jurisdictions

Overall, the approach to allocating costs at each level is to directly assign costs when applicable and to allocate costs based on the function or driver of the cost.

MDU Resources Group, Inc. (MDUR) Allocations

The MDUR corporate staff consists of shared services departments (payroll, procurement and enterprise technology) and administrative and general departments.

CASCADE NATURAL GAS CORPORATION

Shared Services

MDU Resources Group, Inc. has several departments that provide specific services to the operating companies. These departments have developed a pricing methodology which is updated annually for the allocation of costs to the MDUR operating companies that utilize their services. (See Exhibit III)

These departments include:

Payroll Shared Services

Payroll Shared Services department provides comprehensive payroll services for MDUR companies and employees. It processes payroll in compliance with appropriate federal, state and local tax laws and regulations. Payroll Shared Services is also responsible for preparation, filing and payment of all payroll related federal, state and local tax returns. It also maintains and facilitates payments and accurate reporting to payroll vendors for employee benefits and other payroll deductions. For Cascade, the payroll shared services department is also responsible for the accumulation of time entry records and maintenance of employee records. Cascade does not have any departments that provide these payroll related services.

Procurement Shared Services

Procurement Shared Services creates and maintains the Corporation’s national accounts for the purchase of products, goods and services. National accounts take advantage of the combined purchasing power of all of the Corporation’s operating companies. National accounts, or preferred vendor agreements, typically are negotiated at the corporate level rather than at the local company level. Procurement Shared Services also is responsible for monitoring the level of services, quantities, discounts and rebates associated with established national accounts. Cascade has a single procurement department that places specific purchase requests for materials and services required to conduct business with approved vendors.

Enterprise Technology Service

Enterprise Technology Services (ETS) provides policy guidance, infrastructure related IT functions and security-focused governance. ETS seeks to increase the return on investment in technology through consolidation of common IT systems and services, while eliminating waste and duplication. ETS works to increase the quality and consistency of technology, increase functionality and service to the enterprise, provide governance for managing and controlling risk and reduce costs through economies of scale.

Cascade’s IT department consists of Montana-Dakota/Great Plains employees physically located in Kennewick, Washington, Boise, Idaho, and Bismarck, North Dakota. This Department is responsible for supporting applications specific to the utility group such as the Customer Care & Billing System, the JD Edwards financial software, Scada and mobile applications, Enterprise GIS, and PowerPlan which is the project and fixed asset accounting software. In addition the utility group IT department develops business continuity plans in the case of disaster recovery.

General and Administrative Services

Administrative and general functions performed by MDUR for the benefit of the operating companies include the following departments:

- Corporate governance, accounting & planning
- Communications & public affairs
- Human resources
- Internal audit
- Investor relations
- Legal
- Risk management
- Tax and compliance
- Travel
- Treasury services

Cascade receives an allocation of these corporate costs. Corporate Policy No. 50.9 states "*It is the policy of the Company to allocate MDU Resources Group, Inc.'s (MDU) administrative costs and general expenses to the MDU's business units*". Business units described in the policy have been referred to as operating companies in this document. The policy states that costs that directly relate to a business unit will be directly assigned to the applicable business unit and only the remaining unassigned expenses will be allocated to the operating companies using the corporate allocation methodology. The allocation factor developed to apportion MDUR's unassigned administrative costs is a capitalization factor which is based on 12 month average capitalization at March 31, effective July 1 and at September 30, effective January 1 each year. Capitalization includes total equity and current and non-current long-term debt (including capital lease obligations). The computation of the Corporate Overhead Allocation Factors is shown in Exhibit I.

Cascade is reflected as CNGC in the Corporate Overhead Allocation Factors in Exhibit I. Operating companies that receive allocated costs on a monthly basis from MDUR include:

- Montana Dakota – Electric utility segment
- Montana Dakota/Great Plains – Gas utility segment
- Cascade Natural Gas Corporation (CNGC)
- Intermountain Gas Company (IGC)
- Fidelity

- WBI Energy Transmission
- WBI Midstream
- Knife River (KR)
- MDU Construction Services Group, Inc.

The corporate costs allocated to Cascade are subsequently allocated to the state jurisdictions. Corporate costs are recorded in the administrative and general (A&G) function for Cascade. (See state jurisdictional allocation discussion on page 8.)

Montana-Dakota/Great Plains Allocation of Cost to/from Others

Allocations to/from other MDUR Companies

Certain Montana-Dakota/Great Plains owned assets, such as the General Office/Annex facility, located at the utility headquarters in Bismarck, and the assets associated with the contribution made for FutureSource assets, are also used for the benefit of other MDUR operating companies. To cover the cost of ownership and operating costs associated with these owned assets, a revenue requirement (asset return plus annual operating expenses) is computed for the shared assets. The expense component included in the return is composed of operating and maintenance costs, depreciation, income tax and property tax expenses. The resulting revenue requirement is billed to the other MDUR operating companies, including CNGC and IGC, as a monthly fee. The costs are allocated based on the number of customers served by each utility.

Intermountain Gas owns the customer care center located in Meridian, ID. To cover the cost of ownership and operating costs associated with that owned asset, a revenue requirement (asset return plus annual operating expenses) is computed similarly to Montana-Dakota owned assets. The expense component included in the return is composed of operating and maintenance costs, depreciation, income tax and property tax expenses. The resulting revenue requirement is billed to the Montana-Dakota/Great Plains and Cascade as a monthly fee. The costs are allocated based on the number of customers served by each utility.

Certain Cascade owned assets, such as the portion of the General Office facility used for Shared Services (i.e. Gas Control, IT), located at the utility headquarters in Kennewick, are also used for the benefit of other MDUR operating companies. To cover the cost of ownership and operating costs associated with these owned assets, a revenue requirement (asset return plus annual operating expenses) is computed for the shared assets. The expense component included in the return is composed of operating and maintenance costs, depreciation, income tax and property tax expenses. The resulting revenue requirement is billed to the other MDUR operating companies, including MDU and IGC, as a monthly fee. The costs are allocated based on the number of customers served by each utility.

CASCADE NATURAL GAS CORPORATION

Allocations to other Utility Companies

Montana-Dakota/Great Plains has several departments that provide services to all four utility operating companies (Montana-Dakota, Great Plains, Cascade Natural Gas Co. and Intermountain Gas Company). These departments include:

- Leadership Group - composed of the Executive Group and Directors that oversee shared utility specific functions
- Customer Services - (Call Center, Scheduling and Online Services)
- Information Technology and Communications- (Management Information Systems, Technology and Compliance)
- Administrative Services - (Procurement, Office Services, Fleet Operations)
- Gas Supply & Control

These operational groups have calculated the proper allocation to use to allocate the costs to the utility companies based on services performed for each utility company. The allocation methodology is included in Exhibit IV.

Standard Labor Distributions

Labor/Reimbursable expense allocations

The development of standard labor distributions for Cascade employees is described below based on the type of employee. Standard labor distributions are used for all employees to account for certain expenses as detailed below.

Labor, benefit costs and reimbursable expenses are directly assigned to a jurisdiction where possible. If the expense is not direct, the appropriate jurisdiction is charged as follows:

Union Employees

Time tickets are required for productive time. The employee specifies the proper location and FERC account based on work performed. To account for non-productive time, standard payroll labor distributions are established for all employees. These standard labor distributions are calculated for union employees based on the historical actual charges.

Non-Union Employees

Non-union employees are not required to submit detailed time tickets with applicable general ledger accounts specified. Rather each employee has a “standard” set of general ledger accounts that split the labor costs based on an expected ratio of work. This split can be unique and is based on the employee's position. Costs are distributed based on this standard labor distribution for each employee, and the allocations are reviewed periodically.

Cascade Allocations to State Jurisdictions

Cascade utilizes an automated allocation process each month to record the income statement and rate base account activity to the financial ledger (state jurisdiction) to facilitate regulatory reporting. This process is based on the general ledger account structure used in the financial software (JD Edwards). As with other items, costs are directly assigned to a jurisdiction when possible. Costs common to more than one state jurisdiction are allocated between jurisdictions. The primary driver of the allocation is the Business Unit component of the general ledger account; however, the FERC account associated with the charge is also used to determine the proper allocation method. The allocation process creates a Journal Entry to the JD Edwards jurisdictional ledgers established by state.

The allocation methodology is as follows:

The JD Edwards (JDE) software is used by Cascade for recording financial transactions as well as the jurisdictional allocation process for all accounts except those related to fixed assets.

The account structure within JDE consists of the following components:

Business Unit **-** The Business Unit is one of the primary components used for identifying the regulatory allocation of costs. It usually defines a location such as an operating region, operating district or facility (i.e. gas regulator station), or department (i.e. human resources, engineering).

Object **–** The object for operations and maintenance (O&M) expense accounts represents the resource consumed (i.e. payroll or materials). For balance sheet accounts, the object represents the FERC account.

Subsidiary **–** The subsidiary portion of the account for O&M accounts identifies the utility segment (2 represents gas) and the FERC account. For balance sheet accounts the subsidiary represents a further breakdown of the account such as which bank for a cash account.

CASCADE NATURAL GAS CORPORATION

Revenue Accounts – Revenues are directly assigned to the jurisdiction when possible. The applicable FERC account is part of the account structure. It is the combination of the business unit, and FERC that drive the allocation factor used. An example of revenue that is allocated to the jurisdictions is revenue from the cost of service calculation which is assigned an allocable location (Business Unit).

Operation and Maintenance (O&M) accounts – As costs are incurred, the approver of the expense assigns the general ledger account structure.

It is the combination of the location (Business Unit), and FERC that drive the allocation factor utilized. Locations are assigned a factor based on the geographic area for which they serve and the FERC function assigned. For example, location (Business Unit) 47041 represents the geographic location of the Bend, Oregon District. The Bend District is therefore directly assigned to Oregon for all FERC accounts.

Another example is location 4767000, representing the Credit and Collections Department. The allocation of costs is based on the FERC range of accounts. The location may also be a responsibility, or department. An allocation code is used to split the costs between the states. The most common allocation factor is the 3-factor formula (customer, employee and plant). However, the customer ratio, employee ratio, gross plant ratio, and rate base ratio are also used. See Exhibit II for the allocation factor calculations.

CASCADE NATURAL GAS CORPORATION

	*Co	*Location	*Obj Acct	*FERC Sub 1	*FERC Sub 2	*Start Date	Stop Date	Description	Utility Alloc Code	Utility 01	Allocation Code 01
◉	00047	47041		2870	29359999	200601	203512	Central OR District	00002	2	00038
○	00047	47041		4261	42659999	201208	203512	Bend District-BTL	00002	2	00038
○	00047	47041	4081	0	99999999	200601	203512	Central OR District-4081	00002	2	00038
○	00047	47041	5981	4261	4261	200902	201207	Central OR District	00002	2	00038
○	00047	47041	5984	4263	4263	201111	201207	OR 5984	00002	2	00038

Code 00038 = 100% allocated to Oregon

	*Co	*Location	*Obj Acct	*FERC Sub 1	*FERC Sub 2	*Start Date	Stop Date	Description	Utility Alloc Code	Utility 01	Allocation Code 01
◉	00047	4767000		0000	99999	201101	203512	Customer Service Allocated C...	00002	2	00100
○	00047	4767000	5211	4264	4264	201101	203512	Labor Rel & Comp	00002	2	00100
○	00047	4767000	5984	4263	4263	201108	203512	Corporate 5984	00002	2	00100

	*Co	*Location	*Obj Acct	*FERC Sub 1	*FERC Sub 2	*Start Date	Stop Date	Description	Utility Alloc Code	Utility 01	Allocation Code 01
◉	00047	47042		2870	29359999	200601	203512	Pendleton District	00002	2	00038
○	00047	47042		4261	42659999	200601	203512	Pendleton District-BTL	00002	2	00038
○	00047	47042	4081	0	9999999	200601	203512	Pendleton District-4081	00002	2	00038

Allocation Code 01 Represents the code used to allocate to a Jurisdiction
00038 = Oregon
00048 = Washington
00100 = 3 Factor Formula (customer, employee, plant)
00101 = Customer Ratio
00102 = Employee Ratio
00103 = Gross Plant Ratio

	Co	Juris Alloc Code	Juris Start Date	Juris Stop Date	Description 10	State 01	Percent 01	State 02	Percent 02
◉	00047	00100	201501	201512	3 Factor formula -(customer, employee, plant)	OR	24.270000	WA	75.730000
○	00047	00101	201501	201512	Customer Ratio	OR	24.940000	WA	75.060000
○	00047	00102	201501	201512	Employee Ratio	OR	25.440000	WA	74.560000
○	00047	00103	201501	201512	Gross Plant Ratio	OR	22.420000	WA	77.580000
○	00047	00104	201501	201512	Rate Base Ratio	OR	23.540000	WA	76.460000

Exhibit I- MDUR Corporate Overhead factor

ATTACHMENT C

CASCADE NATURAL GAS CORPORATION

MDU Resources Group Inc.
Corporate Overhead Allocation Factors
January- June 2015

	MDU Electric	MDU/GP Gas	CNGC	IGC	WBI Energy	Fidelity	WBI Non-Regulated	KR	CSG
MDUR corporate factor	10.6%	7.9%	10.4%	6.9%	5.6%	26.9%	4.9%	20.2%	6.6%

	Utilities	WBI Holdings				Construction	
	Group	Transmission	Fidelity	Other	Knife River	Services	Total
Debt and Equity							
Short-term borrowings	$4,725,000						$4,725,000
LTD due within one year	17,881,342	$1,266,056	$6,120,496	$1,110,555	$14,749,607	$5,013,969	46,142,025
Long-term debt	820,826,670	119,857,876	579,428,942	105,136,553	364,144,141	76,620,712	2,066,014,894
Total Debt	**843,433,012**	**121,123,932**	**585,549,438**	**106,247,108**	**378,893,748**	**81,634,681**	**2,116,881,919**
Stockholders' equity:							
Preferred stock	**15,000,000**						**15,000,000**
Common stock	191,925,108	149	720	131	800,000	1,000	192,727,108
Other paid-in capital	1,521,081,527	97,970,621	473,619,385	85,937,560	485,948,676	134,430,866	2,798,988,636
Retained earnings	1,674,807,588	56,537,562	273,319,542	49,593,440	149,530,017	110,166,923	2,313,955,072
Accumulated other comprehensive loss	(40,827,124)	(2,185,717)	(10,566,414)	(1,917,261)	(19,404,583)	(2,153,395)	(77,054,494)
Treasury stock	(3,625,813)						(3,625,813)
Total common stockholders' equity	**3,343,361,287**	**152,322,614**	**736,373,233**	**133,613,870**	**616,874,110**	**242,445,394**	**5,224,990,509**
Total stockholders' equity	**3,358,361,287**	**152,322,614**	**736,373,233**	**133,613,870**	**616,874,110**	**242,445,394**	**5,239,990,509**
Total liabilities and stockholders' equity	**4,201,794,299**	**273,446,546**	**1,321,922,671**	**239,860,979**	**995,767,858**	**324,080,075**	**7,356,872,429**
Investment in Subsidiaries	2,447,121,024						2,447,121,024
Capitalization	**$1,754,673,276**	**$273,446,546**	**$1,321,922,671**	**$239,860,979**	**$995,767,858**	**$324,080,075**	**$4,909,751,405**
	35.8%	5.6%	26.9%	4.9%	20.2%	6.6%	100.0%

	2014 Year End Capitalization	Share of Corp. Allocation	Corporate Allocation	Electric	Gas
Montana-Dakota 1/	$952,540	51.7%	18.5%	10.6%	7.9%
Cascade	537,073	29.1%	10.4%		10.4%
Intermountain	353,195	19.2%	6.9%		6.9%
Total Utilities Group	$1,842,808	100.0%	35.8%	10.6%	25.2%

1/ Electric and gas segments allocated on Montana-Dakota's Corporate Overhead Factor

ATTACHMENT C

CASCADE NATURAL GAS CORPORATION

Exhibit II- Cascade Allocation Factors

Cascade Natural Gas Corportation
CY 2014 Allocation Factors

Cascade Natural Gas Corporation
State Allocation Formulas
2014

	Washington	Oregon	Total
Customers	75.06%	24.94%	100.00%
Employees	74.56%	25.44%	100.00%
Gross Plant	77.58%	22.42%	100.00%
3-Factor Formul	75.73%	24.27%	100.00%
Rate Base Ratio	76.46%	23.54%	100.00%

Cascade Natural Gas Corporation
Average No. of Employees
2014

Source: Customers Per Employee rep				
	Mo-Yr	Washington District Employees (1)	Oregon District Employees (1)	
	Dec-13	154	56	
	Jan-14	165	56	
	Feb-14	165	56	
	Mar-14	166	56	
	Apr-14	166	57	
	May-14	170	57	
	Jun-14	174	58	
	Jul-14	174	60	
	Aug-14	169	57	
	Sep-14	172	58	
	Oct-14	167	59	
	Nov-14	168	59	
	Dec-14	169	55	
		2,179	744	
Average of Monthly Averages		168	57	226
	Percentage	74.56%	25.44%	100.00%

(1) Excludes Interstate employees

Cascade Natural Gas Corporation
Gross Plant Percentage
2014

	Washington Incl. CCNC	Oregon Incl. CCNC	Total
Avg. of Mo. Avg.s	607,126,362	175,487,064	782,613,426
Percentage	77.58%	22.42%	100.00%

Cascade Natural Gas Corporation
Average Number of Customers
2014

	Average No. of Customers	Percentage
Washington	202,195	75.06%
Oregon	67,182	24.94%
Total	269,377	100.00%

Cascade Natural Gas Corporation
Rate Base Ratio
2014

The following percentages are used for allocating interest on debt:

	2014 Average Rate Base	Plant Formula
Washington	228,079,689	76.46%
Oregon	70,217,372	23.54%
	298,297,061	100.00%

CASCADE NATURAL GAS CORPORATION

Exhibit III- MDUR Shared Services Pricing Methodology

MDU Resources Shared Services
Pricing Methodology - Effective for 2015

Note: MDU Resources' use of Shared Services – MDU Resources costs for each shared services function is charged based on the corporate allocation factor.

761 – Payroll Shared Services:

Payroll Shared Services costs are invoiced based on the number of employees paid and stated as a cost per check. The word check, for this purpose, generically refers to paper paychecks, direct deposits and paycard transactions.

Checks are charged on a tiered structure, intended to recognize the fixed or baseline effort associated with maintaining a payroll cycle and associated reporting, regardless of number of people paid. It is also intended to reward consolidation of multiple pay groups and companies where possible and to align charges with the additional effort required to maintain multiple pay groups and pay cycles.

The monthly volume for this step pricing is accumulated individually for each pay cycle processed.

Checks for weekly pay cycles, cost per check based on the number of checks written per month:
$ 4.25 per check for the first 500 checks
$ 0.75 per check for the next 500 checks
$ 0.00 per check for each additional check

Checks for non-weekly pay cycles, cost per check based on the number of checks written per month:
$ 4.25 per check for the first 1000 checks
$ 0.75 per check for the next 1000 checks
$ 0.00 per check for each additional check

Additionally, there will be a $3.00 charge for each tax payment and $240.00 charge for each quarterly tax filing

There is a $500 per month minimum charge for each operating company.

There is a premium charge of $50 per transaction for specific off cycle checks and back-pay calculations. Examples of transactions included in the premium charge schedule are missing hours, refunded deductions, length of service awards submitted too late for inclusion in a scheduled payroll process, and back pay calculation because an increase was submitted after the pay period that includes the effective date. Examples of transactions excluded from the premium charge calculation are bonus payments, final paychecks, certified wage settlements, or any payment required as a result of a Shared Service or system error.

762 –Procurement Shared Services:
Procurement Shared Services costs are invoiced based on five separate factors, all carrying an equal weight of 20%. The factors are:

- Number of Visa Cards as of 8/1/14
- Total Visa Spend for 2013
- National Account Spend for 2013
- Number of Construction Equipment Acquisitions in 2013
- Number of Fleet Acquisitions in 2013

	MDUR	MDU	WBIE	FEPC	KRC	CSG	CNG	IMG	Total
# VISA cards	141	805	364	155	845	659	282	88	3,339
% of VISA cards	4.22%	24.11%	10.90%	4.64%	25.31%	19.74%	8.45%	2.64%	100%
VISA spend	2,158,498	6,589,113	3,337,060	1,464,610	9,190,014	7,644,519	2,984,759	1,567,358	34,935,930
% of Total VISA spend	6.18%	18.86%	9.55%	4.19%	26.31%	21.88%	8.54%	4.49%	100%
National Account Spend	2,026,585	3,244,617	1,831,527	79,372	20,683,247	13,945,478	1,255,335	888,731	43,954,891
% of National Account Spend	4.61%	7.38%	4.17%	0.18%	47.06%	31.73%	2.86%	2.02%	100%

	MDUR	MDU	WBIE	FEPC	KRC	CSG	CNG	IMG	Total
# Construction Equip Acquisitions	0	55	8	2	87	40	14	7	213
% of Construction Equip Acquisitions	0.00%	25.82%	3.76%	0.94%	40.85%	18.78%	6.57%	3.29%	100%
# Fleet Acquisitions	0	43	35	11	189	232	43	19	572
% of Fleet Acquisitions	0.00%	7.52%	6.12%	1.92%	33.04%	40.56%	7.52%	3.32%	100%
Total weighted allocation factor	3.00%	16.74%	6.90%	2.37%	34.51%	26.54%	6.79%	3.15%	100.00%

766 –Time Entry Shared Services:

Service provided 100% to the MDU Utility Group.

767 –Accounts Payable Shared Services:

Accounts Payable Shared Services costs are invoiced based on three factors:

- Number of payments processed based on activity from 7/1/13 through 6/30/14 (25%)
- Number of vouchers processed by AP Shared Services staff based on activity from 7/1/13 through 6/30/14 (75%)

	MDUR	MDU	WBIE	FEPC	KRC	CSG	CNG	IGC	Total
# of Payments	2556	52880	0	0	0	1522	27126	26222	110,306
% of payments	2.32%	47.94%	0.00%	0.00%	0.00%	1.38%	24.59%	23.77%	100%
# of Vouchers	3,046	11,879	0	0	0	1,389	1,333	1,246	18,893
% of vouchers	16.12%	62.88%	0.00%	0.00%	0.00%	7.35%	7.06%	6.60%	100%
Totals	12.7%	59.1%	0.0%	0.0%	0.0%	5.9%	11.4%	10.9%	100.00%

Enterprise Technology Services (ETS):

There are several ETS departments, and each is billed out based on its own criteria. They are as follows:

Application Services (765) 100% of these costs are based on the corporate factor.

Customer Relations (965) – Two factors are used in the invoicing of the enterprise costs associated with customer relations. 85.8% of the costs are associated with the help desk. Those costs are invoiced based upon the number of devices supported by customer relations. The metric used to determine device counts is devices that have checked into active directory during a 60 day period in the summer of 2014. The remaining 14.2% of the costs are for costs specific to the AS/400 are invoiced upon the AS/400 allocation as agreed to by MDU and WBI.

	MDUR	MDU	WBIE	FEPC	KRC	CSG	CNG	IMG	Total
Device Counts	287	1,080	460	313	1,820	1305	432	626	6,323
% of Device Counts	4.54%	17.08%	7.28%	4.95%	28.78%	20.64%	6.83%	9.90%	100%
Totals	4.54%	17.08%	7.28%	4.95%	28.78%	20.64%	6.83%	9.90%	100.00%

Communications & Security (971) – Now includes 977.

Enterprise charges for the communications group are invoiced using three separate factors. They and their estimated % of work are:

1. Wide Area Network/Local Area Network/Metropolitan Area Network- Number of business unit locations (20%)
2. Internet/Security – Number of user accounts (30%)
3. Handsets – Number of IP devices(50%)

Each of these three areas is assigned a percentage (identified above). Those portions of the costs are invoiced via the above identified denominators.

For 2014 the costs are invoiced based on the following percentages:

	MDUR	MDU	WBIE	FEPC	KRC	CSG	CNG	IMG	Total
WAN/LAN/MAN	2	40	100	8	190	59	18	13	430
% of Business Unit Locations	0.47%	9.30%	23.26%	1.86%	44.19%	13.72%	4.19%	3.02%	100%
Internet Access/Firewall	287	1080	460	313	1820	1305	432	626	6323
% of User Accounts	4.54%	17.08%	7.28%	4.95%	28.78%	20.64%	6.83%	9.90%	100%
Security									
% of Handsets	16.50%	16.70%	16.70%	16.70%	16.70%	16.70%	0.00%	0.00%	100%
Totals	9.70%	15.33%	15.19%	10.21%	25.82%	17.29%	2.89%	3.57%	100.00%

Operations (972) – Enterprise costs for the operations group are invoiced based upon the number of servers that are supported for a particular business unit.

For 2014 the costs are invoiced based on the following percentages:

	MDUR	MDU	WBIE	FEPC	KRC	CSG	CNG	IMG	Total
Full Service Servers	178	147	85	64	196	104	33	90	897
% of Full Service Servers	19.84%	16.39%	9.48%	7.13%	21.85%	11.59%	3.68%	10.03%	100%
Totals	19.84%	16.39%	9.48%	7.13%	21.85%	11.59%	3.68%	10.03%	100%

Security (977) – This is now included in 971.

Finance and Administration (982) –. Costs for the finance and administration group are invoiced based upon the combined methodologies of the four previously identified ETS groups.

	MDUR	MDU	WBIE	FEPC	KRC	CSG	CNG	IMG	Total
% of Total Finance & Administration	21.32%	14.35%	11.24 %	7.29%	22.70%	13.78%	3.49%	5.83%	100%

Exhibit IV- Utility Operations Support Allocation Methodology

Utility Operations Support

Labor Distribution Allocation Methodology

Leadership Group:

- Includes Executive Vice Presidents & Directors
- Oversees all shared, utility specific functions in the following areas:
  - Customer Services
  - Administrative Services
  - Information Technology & Communications
  - Engineering and Operations Procedures
  - Gas Supply and Gas Control
- Allocation methodology:
  - Equal portion allocated to each utility company, or brand
  - For portion allocated to Montana-Dakota/Great Plains, if there is involvement with non-utility work allocate 1% (including 0.25% for Great Plains) to non-utility based on historical estimates, with remainder allocated to gas and electric based on meter count.
  - For portion allocated to Montana-Dakota/Great Plains, if there is no involvement with non-utility work, allocate between gas and electric based on meter count.

Customer Services:

- Director
  - 35% to CNG, 30% to IGC, 35% Montana-Dakota/Great Plains [1] (1% to non-utility) and remainder split between gas and electric meter count.
- Management team
  - Supervisors: Front line supervision for Customer Service Center
    - 30% to CNG, 30% to IGC, 40% Montana-Dakota/Great Plains [1] (2% to non-utility) and remainder allocated to gas and electric based on the estimate of time required to supervise
  - Manager: Customer service
    - 30% CNG, 20% IGC, 50% Montana-Dakota/Great Plains [1] (2% to non –utility) and remainder allocated to gas and electric meter count.
- Credit
  - Responsible for credit and collections for the Utility Group
  - Allocation Methodology
    - Most agents only handle credit activity for one brand, they charge all time to that brand
    - For agents that handle multiple brands, time is charged based on how much time is spent on each brand

[1] Based on estimated time using history

    - For agents that only handle credit activity for Montana-Dakota/Great Plains:
      - Allocated to gas and electric based on meter count

      For agents that handle credit for Montana-Dakota/Great Plains and another brand, the portion is allocated to each utility based on average time spent in each utility with the Montana-Dakota/Great Plains portion allocated to gas and electric based on meter count.

- Scheduling
  - Responsible for scheduling field work for employees performing work in the field for the Utility Group
  - Responsible for emergency response 24/7
  - Allocation Methodology:
  - Management team:
    - Manager 20% IGC, 30% CNG, 50% Montana-Dakota/Great Plains[1] allocated to gas and electric based on meter count.
    - Team Leads 25% IGC, 25% CNG, 50% Montana-Dakota/Great Plains[1] allocated to gas and electric based on meter count.
    - For employees that only schedule one brand, charge time to that brand
    - For employees that schedule both IGC and CNG, split time 50/50 based on estimated time required
    - For employees who schedule all brands, split evenly
    - For employees that only schedule Montana-Dakota/Great Plains:
      - Allocated between gas and electric based on meter count
    - For employees that schedule credit for Montana-Dakota/Great Plains and another brand, the portion is allocated to each utility based on the shared utility. The Montana-Dakota/Great Plains allocation is based on the gas and electric meter count.

- Customer Service
  - Responsible for handling all inbound calls during regular operating hours
  - Allocation Methodology:
    - Teams leads and Customer Care Representatives (CCR's) when only responsible for one brand, charge all that time to one brand
    - For employees covering multiple brands, estimates are routinely made for allocations for the pay period
    - For employees responsible for Montana-Dakota/Great Plains:
      - 3% (including 0.5% for Great Plains) is charged to non-utility for credit activity associated with non-utility charges, based on best estimate of time required
      - Remainder is allocated between gas and electric based on meter count

        - For employees responsible for Montana-Dakota/Great Plains and another brand, the portion allocated to non-utility is reduced accordingly to 3% (including 0.5% for Great Plains) of the total associated with Montana-Dakota/Great Plains.

- Customer Programs & Support
    - Responsible for inbound self-service, web help, customer program transactions, and analytical support for the Utility Group
    - Allocation Methodology:
    - Manager
        - 30% IGC, 30% CNG, 40% Montana-Dakota/Great Plains[1] (allocate to gas and electric based on meter count)
            - Based on additional time for Montana-Dakota/Great Plains on social media updates & Credit Dept. responsibilities
    - Supervisor, Team Lead, and Support Staff
        - Equal portion allocated to each brand
        - For portion allocated to Montana-Dakota/Great Plains, if there is involvement with non-utility work allocate 1% (including 0.25% for GPNG) to non-utility, based on historical estimates, with remainder allocated to gas and electric based on meter count.
        - For portion allocated to Montana-Dakota/Great Plains, if there is no involvement with non-utility work, allocated to gas and electric based on meter count.

- Note: Exceptions may be made on an individual basis from these guidelines
    - Employees may be assigned special projects, and allocation methodology may be changed accordingly.
    - Labor allocation may always be made on an actual time spent basis rather than these guidelines.
    - Supervisors may alter these guidelines based on their individual scenario.