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January 2, 2018

Oregon Public Utility Commission
201 High St SE, Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Re: Advice No. CNG/O18-01-01
Contribution in Aid of Construction Federal Income Taxes

Cascade Natural Gas Corporation (Cascade or the Company) files herewith the following revision to its Tariff P.U.C. Or. No. 10, stated to become effective with service on and after February 2, 2018:

Second Revision of Sheet No. 10.1

The purpose of this filing is to revise the tax rate applied to customer contributions in aid of construction. A new customer who needs the main extended to receive gas service must pay the cost of the extension that exceeds the allowance, plus a percentage for taxes. The tax rate for customer contributions is the net present value of the melded federal and Oregon tax rate depreciated over 20 years, which is the tax life of distribution plant. The approval of H.R. 1, Tax Cuts and Jobs Act reduced the federal tax rate from 35% to 21%, thus reducing the tax rate for customer contributions from 20.33% to 11.7%.

Attached is a work paper demonstrating how the Company arrived at the tax rate of 11.7%.

If you have any questions, please call Jennifer Gross at (509) 734-4635.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Parvinen", with a long horizontal flourish extending to the right.

Michael Parvinen
Director, Regulatory Affairs

**RULE 10
MAIN INSTALLATIONS**

MAIN EXTENSIONS

The Company will furnish an extension of its distribution main system free of charge to provide firm natural gas service to any applicant for such service located beyond the existing main system up to an estimated cost of construction to provide such service equal to four and one-half (4-1/2) times the estimated gross annual revenue less cost of gas to be derived therefrom.

The Company will commence construction as soon as is reasonably practical, but the Company is not liable for delays due weather conditions, the Company’s ability to obtain all necessary easements, permits, and government approvals, or delay in receiving all necessary commitments from the customer.

The Company may require a customer to sign a Customer Commitment Contract prior to the installation of a main extension. If the Company provides a main extension and the customer fails to install any or all of the gas appliances which were included in the extension analysis and fails to commence gas usage within 6 (six) months from the date of the Customer Commitment Contract, the Company shall bill the customer for the costs and expenses associated with its extension of the distribution main, based upon the feasibility of the extension with the actually installed appliances, plus an additional 11.7% to compensate for federal income taxes. If requested by the Company, the customer shall provide the Company with a copy of the installation invoice to verify the installation of the gas appliances. In the absence of installation documentation, the customer shall allow reasonable access to customer’s premise for the verification of installation of those appliances, upon the Company’s request. If, subsequent to paying for such costs, the customer installs the agreed upon appliances and commences gas usage within five years from the date of the Customer Commitment Contract, the costs of the distribution facilities paid to the Company by the customer associated with each installed agreed upon appliance shall be refunded without interest.

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The Company may deny any extension if conditions relative to the extension indicate that such service will not be of such permanence as to warrant the expenditure required.

(T)

The Company may require the applicant(s) pay all costs for the main installation that are in excess of the allowance plus 11.7% for federal income taxes. Customer contributions may be subject to refund without interest on the following basis:

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1. An amount equal to four and one-half (4-1/2) times the estimated annual gross margin (gross revenue less cost of gas) to be derived from each additional customer, in excess of the number of customers on which the advance was predicated, whose service line is connected directly to the main extension upon which the advance was made. Such refund shall be granted within thirty (30) days of setting of a meter for such additional customer or customers.

(continued)

Cascade Natural Gas Corporation				
CALCULATION OF THE INCOME TAX FACTOR				
ON CUSTOMER CONTRIBUTIONS				
State of Oregon				
Year	Tax Deprec. Rate		State & Federal	
			Effective Tax Rate	Amount
	(a)		(b)	(c)
1	3.7500%		22.429%	0.008411
2	7.2188%		22.429%	0.016191
3	6.6773%		22.429%	0.014976
4	6.1765%		22.429%	0.013853
5	5.7133%		22.429%	0.012814
6	5.2848%		22.429%	0.011853
7	4.8884%		22.429%	0.010964
8	4.5218%		22.429%	0.010142
9	4.4616%		22.429%	0.010007
10	4.4615%		22.429%	0.010007
11	4.4616%		22.429%	0.010007
12	4.4615%		22.429%	0.010007
13	4.4615%		22.429%	0.010007
14	4.4615%		22.429%	0.010007
15	4.4615%		22.429%	0.010007
16	4.4616%		22.429%	0.010007
17	4.4615%		22.429%	0.010007
18	4.4615%		22.429%	0.010007
19	4.4615%		22.429%	0.010007
20	4.4615%		22.429%	0.010007
21	2.2308%		22.429%	0.005003
22	Authorized Overall Return		7.284%	
23	Present Value			0.119517
24	1-FIT + Present Value			0.895227
25	Multiplier			<u>1.1170</u>