

**CASCADE NATURAL GAS CORPORATION**

**Statement of Operations and Rate of Return**

**Twelve Months Ended**

**December 31, 2017**

**State of Washington Operations**

# STATEMENT OF OPERATIONS

**Cascade Natural Gas Corporation**  
**State of Washington**  
**Statement of Operations and Rate of Return**  
**Month and Twelve Months Ended 12/31/2017**

	Month	Twelve Months
<b>OPERATING REVENUES</b>		
Natural Gas Sales	33,084,924	201,859,941
Transportation Revenue	2,105,860	23,274,239
Other Operating Revenue	67,965	1,039,898
	<u>35,258,749</u>	<u>226,174,078</u>
Less: Natural Gas & Production Costs	19,637,637	113,381,089
Revenue Taxes	2,713,488	19,643,139
<b>OPERATING MARGIN</b>	<u>12,907,624</u>	<u>93,149,850</u>
<b>OPERATING EXPENSES</b>		
Production	18,830	294,447
Distribution	1,667,386	18,788,790
Customer Accounts	564,451	6,197,704
Customer Service & Informational	57,859	370,308
Sales	-	3,263
Administrative & General	1,863,453	17,491,298
Depreciation & Amortization	1,791,477	20,609,143
Property, Payroll & Misc. Taxes	367,084	4,242,029
Federal Income Taxes	3,007,777	6,857,365
Total Operating Expenses	<u>9,338,316</u>	<u>74,854,348</u>
<b>NET OPERATING INCOME</b>	<u>3,569,308</u>	<u>18,295,503</u>
<b>RATE BASE</b>	<u>318,199,605</u>	<u>291,217,545</u>
<b>RATE OF RETURN</b>	<u>1.12%</u>	<u>6.28%</u>

**SCHEDULE OF RATE BASE**

Utility Plant In Service	757,648,674	721,672,786
Accumulated Depreciation	(370,895,076)	(361,711,018)
Net Utility Plant	<u>386,753,598</u>	<u>359,961,769</u>
Other:		
Contributions in Aid of Construction	-	-
Customer Advances for Construction	(4,078,923)	(4,078,946)
Accumulated Deferred Income Taxes	(76,684,094)	(75,805,307)
Deferred Debits	-	-
Subtotal	<u>305,990,581</u>	<u>280,077,516</u>
Working Capital	<u>12,209,024</u>	<u>11,140,029</u>
<b>TOTAL RATE BASE</b>	<u>318,199,605</u>	<u>291,217,545</u>

All rate base items represent average of monthly average balances.

# RATE OF RETURN

**Cascade Natural Gas Corporation**  
**SUMMARY OF OPERATIONS & ADJUSTMENTS**  
**FOR THE 12 MONTH PERIOD ENDED 12/31/17**

Line No.	Description (a)	Statement of Operations Per Books (b)	Weather Normalization Adjustment (c)	Advertising Adjustment (d)	Commission Basis Restated Total (e)
	<b>Operating Revenue</b>				
1	Natural Gas Sales	\$ 201,859,941	\$ 1,455,767	0	\$ 203,315,709
2	Gas Transportation Revenue	23,274,239		0	23,274,239
3	Other Operating Revenue	1,039,898		0	1,039,898
4	Subtotal	\$ 226,174,078	\$ 1,455,767	0	\$ 227,629,845
5	LESS: Nat. Gas/Production Costs	113,381,089			113,381,089
6	Revenue Taxes	19,643,139			19,643,139
7	Operating Margin	93,149,850	\$ 1,455,767	0	\$ 94,605,618
	<b>Operating Expenses</b>				
8	Production	294,447			294,447
9	Distribution	18,788,790	0	0	18,788,790
10	Customer Accounts	6,197,704	6,071	0	6,203,775
11	Customer Service & Information	370,308	0	0	370,308
12	Sales	3,263	0	(3,263)	0
13	Administrative & General	17,491,298	0	0	17,491,298
14	Depreciation & Amortization	20,609,143	0	0	20,609,143
15	Prop./Payroll/Misc. Taxes	4,242,029	58,988	0	4,301,016
16	Federal Income Taxes	6,857,365	486,748	1,142	7,345,255
17	Total Operating Expenses	\$ 74,854,348	\$ 551,806	(2,121)	\$ 75,404,033
18	Net Operating Income	\$ 18,295,503	\$ 903,961	2,121	\$ 19,201,585
	<b>Rate Base</b>				
18	Plant In Service	\$ 721,672,786	\$		\$ 721,672,786
19	Accumulated Depreciation	(361,711,018)			(361,711,018)
20	Contributions In Aid	0			0
21	Cust. Adv. For Constr.	(4,078,946)			(4,078,946)
22	Accum. Deferred Income Taxes	(75,805,307)			(75,805,307)
23	Deferred Debits	0			0
24	Working Capital Allowance	3,698,641			3,698,641
25	Total	\$ 283,776,156	\$ 0	0	\$ 283,776,156
26	<b>Rate Of Return</b>	6.45%			6.77%

# WEATHER ANALYSIS

**Cascade Natural Gas Corporation  
 Weather Normalization Adjustment  
 For Twelve Months Ended 12/31/2017  
 State of Washington**

<u>Line No.</u>	<u>Description</u>		<u>Therms</u>	<u>Revenues</u>
<b><u>Residential</u></b>				
1	Rate Schedule No. 503 Therm Adjustment		123,825,348	
2	Weather Normalized Margin	\$ 0.29484		\$ 36,508,666
3	Authorize Margin			\$ (35,322,772)
4	Difference			\$ 1,185,894
<b><u>Commercial</u></b>				
5	Rate Schedule No. 504 Therm Adjustment		84,109,882	
6	Weather Normalized Margin	\$ 0.24608		\$ 20,697,760
7	Authorize Margin			\$ (20,427,886)
7	Difference			\$ 269,874
5	Total Margin Adj.			\$ 1,455,767

# ADJUSTMENTS

Accounting Adjustments  
Twelve Months Ended 12/31/17

The following accounting adjustments are necessary to restate recorded utility operating results for the 12 months ended December 31, 2017.

1. **Advertising Adjustment** – Reduce Sales Expense by \$3,263 to account for below-the-line advertising.

Cascade Natural Gas Corporation <b>PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT</b> State of Washington				
Line No.	Description		CY 2017	Amount
	(a)		(b)	(c)
	<b>Promotional Advertising (WA Only)</b>			
1	Twelve Months Ending 12/31/17		\$ 3,263	
2	Removal			<u>\$ (3,263)</u>