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June 11, 2018

Mr. Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: UG-180357, WAC 480-90-257, **Revised** Commission Basis Report

Dear Mr. Johnson:

Cascade submits the current report as a replacement to the original report filed on April 27, 2018. During Staff's investigation and analysis of the report, discovered in the report several items were to make the results more accurate.

In this revised report Cascade has removed the Weather Normalization Adjustment and modified the Investor Supplied Working Capital calculation.

Cascade has reviewed its records and is unaware of any items that materially impact its results of operation per the criteria identified in WAC 480-90-257(2)(b).

The attached summary sheets and supporting workpapers, UG-180357 CNGC Commission Basis ARpt 6-11-18r.pdf, UG-180357 CNGC Commission Basis WP 6-11-18r.xlsx, and UG-180357 CNGC Weather Normalization WP 6-11-18r.xlsx detail the procedures used to develop reporting adjustments consistent with WAC "Commission Basis" requirements.

If you have any questions regarding this filing, please contact me at (509) 734-4593.

Sincerely,

/s/ Michael Parvinen

Michael Parvinen
Director, Regulatory Affairs
Cascade Natural Gas Corporation
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Kennewick, WA 99336-7166
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Attachments

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

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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
OPERATING REVENUES		
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
OPERATING MARGIN	<u>12,907,624</u>	<u>93,149,850</u>
OPERATING EXPENSES		
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>
NET OPERATING INCOME	<u>3,569,308</u>	<u>18,295,503</u>
RATE BASE	<u>318,199,605</u>	<u>291,217,545</u>
RATE OF RETURN	<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>
TOTAL RATE BASE	<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)
	Operating Revenue				
1	Natural Gas Sales	\$ 201,859,941	\$ 0	0	\$ 201,859,941
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	\$ 0	0	\$ 226,174,078
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	\$ 0	0	\$ 93,149,850
	Operating Expenses				
8	Production	294,447			294,447
9	Distribution	18,788,790	0	0	18,788,790
10	Customer Accounts	6,197,704	0	0	6,197,704
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	0	0	4,242,029
16	Federal Income Taxes	6,857,365	0	1,142	6,858,507
17	Total Operating Expenses	\$ 74,854,348	\$ 0	(2,121)	\$ 74,852,227
18	Net Operating Income	\$ 18,295,503	\$ 0	2,121	\$ 18,297,624
	Rate Base				
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	6,483,176			6,483,176
25	Total	\$ 286,560,691	\$ 0	0	\$ 286,560,691
26	Rate Of Return	6.38%			6.39%

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>
<u>Residential</u>				
Rate Schedule No. 503				
1	Therm Adjustment		(2,478,501)	
2	Revenue at Restating Rate	\$ 0.79053		\$ (1,959,330)
<u>Commercial</u>				
Rate Schedule No. 504				
3	Therm Adjustment		(1,760,518)	
4	Revenue at Restating Rate	\$ 0.73912		\$ (1,301,234)
5	<u>Totals</u>		<u>(4,239,020)</u>	<u>\$ (3,260,564)</u>
<u>Gas Cost</u>				
6	Change in Gas Cost - Residential (WACOG x Adjustment)	\$ 0.49569	(2,478,501)	\$ (1,228,568)
7	Change in Gas Cost - Commercial (WACOG x Adjustment)	\$ 0.49304	(1,760,518)	\$ (868,006)
8	Totals		<u>(4,239,020)</u>	<u>(2,096,574)</u>

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