

THIS FILING IS

Item 1:  An Initial (Original) Submission OR  Resubmission No. \_\_\_\_\_

Form 2 Approved  
OMB No.1902-0028  
(Expires 09/30/2017)

Form 3-Q Approved  
OMB No.1902-0205  
(Expires 11/30/2016)



# FERC FINANCIAL REPORT

## FERC FORM No. 2: Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR Parts 260.1 and 260.300. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of a confidential nature.

**Exact Legal Name of Respondent (Company)**

Cascade Natural Gas Corporation

**Year/Period of Report**

End of 2016/Q4



# INSTRUCTIONS FOR FILING FERC FORMS 2, 2-A and 3-Q

## GENERAL INFORMATION

### I Purpose

FERC Forms 2, 2-A, and 3-Q are designed to collect financial and operational information from natural gas companies subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be a non-confidential public use forms.

### II. Who Must Submit

Each natural gas company whose combined gas transported or stored for a fee exceed 50 million dekatherms in each of the previous three years must submit FERC Form 2 and 3-Q.

Each natural gas company not meeting the filing threshold for FERC Form 2, but having total gas sales or volume transactions exceeding 200,000 dekatherms in each of the previous three calendar years must submit FERC Form 2-A and 3-Q.

Newly established entities must use projected data to determine whether they must file the FERC Form 3-Q and FERC Form 2 or 2-A.

### III. What and Where to Submit

(a) Submit Forms 2, 2-A and 3-Q electronically through the submission software at <http://www.ferc.gov/docs-filing/eforms/form-2/elec-subm-soft.asp>.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Form 2 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mailing two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders and any annual financial or statistical report regularly prepared and distributed to bondholders, security analysts, or industry associations. Do not include monthly and quarterly reports. Indicate by checking the appropriate box on Form 2, Page 3, List of Schedules, if the reports to stockholders will be submitted or if no annual report to stockholders is prepared. Unless eFiling the Annual Report to Stockholders, mail these reports to the Secretary of the Commission at:

Secretary of the Commission  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

(d) For the Annual CPA certification, submit with the original submission of this form, a letter or report (not applicable to respondents classified as Class C or Class D prior to January 1, 1984) prepared in conformity with the current standards of reporting which will:

(i) Contain a paragraph attesting to the conformity, in all material respects, of the schedules listed below with the Commission's applicable Uniform Systems of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

(ii) be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 158.10-158.12 for specific qualifications.)

Reference	<u>Reference</u> <u>Schedules Pages</u>
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

Filers should state in the letter or report, which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist

(e) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders" and "CPA Certification Statement," have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission website at <http://www.ferc.gov/help/how-to.asp>

(f) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 2 and 2-A free of charge from: <http://www.ferc.gov/docs-filing/eforms/form-2/form-2.pdf> and <http://www.ferc.gov/docs-filing/eforms/form-2a/form-2a.pdf>, respectively. Copies may also be obtained from the Public Reference and Files Maintenance Branch, Federal Energy Regulatory Commission, 888 First Street, NE. Room 2A, Washington, DC 20426 or by calling (202).502-8371

#### **IV. When to Submit:**

FERC Forms 2, 2-A, and 3-Q must be filed by the dates:

- (a) FERC Form 2 and 2-A --- by April 18<sup>th</sup> of the following year (18 C.F.R. §§ 260.1 and 260.2)
- (b) FERC Form 3-Q --- Natural gas companies that file a FERC Form 2 must file the FERC Form 3-Q within 60 days after the reporting quarter (18 C.F.R. § 260.300), and
- (c) FERC Form 3-Q --- Natural gas companies that file a FERC Form 2-A must file the FERC Form 3-Q within 70 days after the reporting quarter (18 C.F.R. § 260.300).

#### **V. Where to Send Comments on Public Reporting Burden.**

The public reporting burden for the Form 2 collection of information is estimated to average 1,623 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the Form 2A collection of information is estimated to average 250 hours per response. The public reporting burden for the Form 3-Q collection of information is estimated to average 165 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

## GENERAL INSTRUCTIONS

- I. Prepare all reports in conformity with the Uniform System of Accounts (USofA) (18 C.F.R. Part 201). Interpret all accounting words and phrases in accordance with the USofA.
- II. Enter in whole numbers (dollars or Dth) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.
- V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions.**
- VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.
- VII. For any resubmissions, submit the electronic filing using the form submission only. Please explain the reason for the resubmission in a footnote to the data field.
- VIII. Footnote and further explain accounts or pages as necessary.
- IX. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.
- X. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.
- XI. Report all gas volumes in Dth unless the schedule specifically requires the reporting in another unit of measurement.

## DEFINITIONS

- I. Btu per cubic foot – The total heating value, expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60°F if saturated with water vapor and under a pressure equivalent to that of 30°F, and under standard gravitational force (980.665 cm. per sec) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state (called gross heating value or total heating value).
- II. Commission Authorization -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.
- III. Dekatherm – A unit of heating value equivalent to 10 therms or 1,000,000 Btu.
- IV Respondent – The person, corporation, licensee, agency, authority, or other legal entity or instrumentality on whose behalf the report is made.

EXCERPTS FROM THE LAW  
(Natural Gas Act, 15 U.S.C. 717-717w)

"Sec. 10(a). Every natural-gas company shall file with the Commission such annual and other periodic or special reports as the Commission may by rules and regulations or order prescribe as necessary or appropriate to assist the Commission in the proper administration of this act. The Commission may prescribe the manner and form in which such reports shall be made and require from such natural-gas companies specific answers to all questions upon which the Commission may need information. The Commission may require that such reports include, among other things, full information as to assets and liabilities, capitalization, investment and reduction thereof, gross receipts, interest dues and paid, depreciation, amortization, and other reserves, cost of facilities, costs of maintenance and operation of facilities for the production, transportation, delivery, use, or sale of natural gas, costs of renewal and replacement of such facilities, transportation, delivery, use and sale of natural gas..."

"Section 16. The Commission shall have power to perform all and any acts, and to prescribe, issue, make, amend, and rescind such orders, rules, and regulations as it may find necessary or appropriate to carry out the provisions of this act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this act; and may prescribe the form or forms of all statements declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and time within they shall be filed..."

#### General Penalties

The Commission may assess up to \$1 million per day per violation of its rules and regulations. See NGA § 22(a), 15 U.S.C. § 717t-1(a).

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**QUARTERLY/ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES**

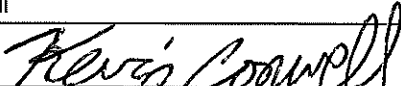
**IDENTIFICATION**

01 Exact Legal Name of Respondent Cascade Natural Gas Corporation		Year/Period of Report End of 2016/Q4	
03 Previous Name and Date of Change (If name changed during year)			
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 8113 West Grandridge Boulevard, Kennewick, WA 99336-7166			
05 Name of Contact Person Kevin Corwell		06 Title of Contact Person Manager, Accounting & Finance	
07 Address of Contact Person (Street, City, State, Zip Code) 8113 West Grandridge Boulevard, Kennewick, WA 99336-7166			
08 Telephone of Contact Person, Including Area Code 509-734-4524		This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	10 Date of Report (Mo, Da, Yr) 12/31/2016

**ANNUAL CORPORATE OFFICER CERTIFICATION**

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

11 Name Kevin Corwell		12 Title Manager, Accounting & Finance	
13 Signature 		14 Date Signed 03/31/2017	

Title 18, U.S.C. 1001, makes it a crime for any person knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

**List of Schedules (Natural Gas Company)**

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
	GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS			
1	General Information	101		
2	Control Over Respondent	102		
3	Corporations Controlled by Respondent	103		
4	Security Holders and Voting Powers	107		
5	Important Changes During the Year	108		
6	Comparative Balance Sheet	110-113		
7	Statement of Income for the Year	114-116		
8	Statement of Accumulated Comprehensive Income and Hedging Activities	117		
9	Statement of Retained Earnings for the Year	118-119		
10	Statements of Cash Flows	120-121		
11	Notes to Financial Statements	122		
	BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)			
12	Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion	200-201		
13	Gas Plant in Service	204-209		
14	Gas Property and Capacity Leased from Others	212		
15	Gas Property and Capacity Leased to Others	213		
16	Gas Plant Held for Future Use	214		
17	Construction Work in Progress-Gas	216		
18	Non-Traditional Rate Treatment Afforded New Projects	217		
19	General Description of Construction Overhead Procedure	218		
20	Accumulated Provision for Depreciation of Gas Utility Plant	219		
21	Gas Stored	220		
22	Investments	222-223		
23	Investments in Subsidiary Companies	224-225		
24	Prepayments	230		
25	Extraordinary Property Losses	230		
26	Unrecovered Plant and Regulatory Study Costs	230		
27	Other Regulatory Assets	232		
28	Miscellaneous Deferred Debits	233		
29	Accumulated Deferred Income Taxes	234-235		
	BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits)			
30	Capital Stock	250-251		
31	Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock	252		
32	Other Paid-in Capital	253		
33	Discount on Capital Stock	254		
34	Capital Stock Expense	254		
35	Securities issued or Assumed and Securities Refunded or Retired During the Year	255		
36	Long-Term Debt	256-257		
37	Unamortized Debt Expense, Premium, and Discount on Long-Term Debt	258-259		

**List of Schedules (Natural Gas Company) (continued)**

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule  (a)	Reference Page No.  (b)	Date Revised  (c)	Remarks  (d)
38	Unamortized Loss and Gain on Recquired Debt	260		
39	Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	261		
40	Taxes Accrued, Prepaid, and Charged During Year	262-263		
41	Miscellaneous Current and Accrued Liabilities	268		
42	Other Deferred Credits	269		
43	Accumulated Deferred Income Taxes-Other Property	274-275		
44	Accumulated Deferred Income Taxes-Other	276-277		
45	Other Regulatory Liabilities	278		
	INCOME ACCOUNT SUPPORTING SCHEDULES			
46	Monthly Quantity & Revenue Data by Rate Schedule	299		
47	Gas Operating Revenues	300-301		
48	Revenues from Transportation of Gas of Others Through Gathering Facilities	302-303		
49	Revenues from Transportation of Gas of Others Through Transmission Facilities	304-305		
50	Revenues from Storage Gas of Others	306-307		
51	Other Gas Revenues	308		
52	Discounted Rate Services and Negotiated Rate Services	313		
53	Gas Operation and Maintenance Expenses	317-325		
54	Exchange and Imbalance Transactions	328		
55	Gas Used in Utility Operations	331		
56	Transmission and Compression of Gas by Others	332		
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58	Miscellaneous General Expenses-Gas	335		
59	Depreciation, Depletion, and Amortization of Gas Plant	336-338		
60	Particulars Concerning Certain Income Deduction and Interest Charges Accounts	340		
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61	Regulatory Commission Expenses	350-351		
62	Employee Pensions and Benefits (Account 926)	352		
63	Distribution of Salaries and Wages	354-355		
64	Charges for Outside Professional and Other Consultative Services	357		
65	Transactions with Associated (Affiliated) Companies	358		
	GAS PLANT STATISTICAL DATA			
66	Compressor Stations	508-509		
67	Gas Storage Projects	512-513		
68	Transmission Lines	514		
69	Transmission System Peak Deliveries	518		
70	Auxiliary Peaking Facilities	519		
71	Gas Account-Natural Gas	520		
72	Shipper Supplied Gas for the Current Quarter	521		
73	System Map	522		
74	Footnote Reference	551		
75	Footnote Text	552		
76	Stockholder's Reports (check appropriate box)			
	<input type="checkbox"/> Four copies will be submitted <input type="checkbox"/> No annual report to stockholders is prepared			

Name of Respondent

Cascade Natural Gas Corporation

This Report Is:

(1)  An Original

(2)  A Resubmission

Date of Report  
(Mo, Da, Yr)

12/31/2016

Year/Period of Report

End of 2016/Q4

**General Information**

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Kevin Conwell  
Manager, Accounting & Finance  
8113 West Grandridge Boulevard  
Kennewick, Washington 99336-7166

2. Provide the name of the State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Incorporated in the State of Washington - January 2, 1953

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not applicable

4. State the classes of utility and other services furnished by respondent during the year in each State in which the respondent operated.

Natural gas distribution in the states of Washington and Oregon

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1)  Yes... Enter the date when such independent accountant was initially engaged:

(2)  No

**Control Over Respondent**

1. Report in column (a) the names of all corporations, partnerships, business trusts, and similar organizations that directly, indirectly, or jointly held control (see page 103 for definition of control) over the respondent at the end of the year. If control is in a holding company organization, report in a footnote the chain of organization.

2. If control is held by trustees, state in a footnote the names of trustees, the names of beneficiaries for whom the trust is maintained, and the purpose of the trust.

3. In column (b) designate type of control over the respondent. Report an "M" if the company is the main parent or controlling company having ultimate control over the respondent. Otherwise, report a "D" for direct, an "I" for indirect, or a "J" for joint control.

Line No.	Company Name (a)	Type of Control (b)	State of Incorporation (c)	Percent Voting Stock Owned (d)
1	MDU Resources Group, Inc. (MDUR)	M	DE	100.00
2	MDU Energy Capital, LLC	I	DE	100.00
3	Praire Cascade Energy Holdings, LLC (PCEH)	D	DE	100.00
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**Corporations Controlled by Respondent**

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.
4. In column (b) designate type of control of the respondent as "D" for direct, an "I" for indirect, or a "J" for joint control.

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**DEFINITIONS**  
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1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary that exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Type of Control (b)	Kind of Business (c)	Percent Voting Stock Owned (d)	Footnote Reference (e)
1	None				<i>Not used</i>
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**Security Holders and Voting Powers**

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes that each could cast on that date if a meeting were held. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the company did not close the stock book or did not compile a list of stockholders within one year prior to the end of the year, or if since it compiled the previous list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement how such security became vested with voting rights and give other important details concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish details concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets any officer, director, associated company, or any of the 10 largest security holders is entitled to purchase. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants, or rights were

<p>1. Give date of the latest closing of the stock book prior to end of year, and, in a footnote, state the purpose of such closing:</p>	<p>2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy.</p> <p>Total:</p> <p>By Proxy:</p>	<p>3. Give the date and place of such meeting:</p>
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Line No.	Name (Title) and Address of Security Holder (a)	VOTING SECURITIES			
		4. Number of votes as of (date):			
		Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
5	TOTAL votes of all voting securities	1,000	1,000		
6	TOTAL number of security holders	1	1		
7	TOTAL votes of security holders listed below	1,000	1,000		
8					
9					
10					
11	Cascade is a wholly-owned subsidiary of MDU Resources Group, Inc.				
12	MDU Resources Group, Inc.				
13	PO Box 5650				
14	Bismarck, ND 58506-5650				
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16					
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19					
20					

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
Cascade Natural Gas Corporation			
<b>Important Changes During the Quarter/Year</b>			

Give details concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Answer each inquiry. Enter "none" or "not applicable" where applicable. If the answer is given elsewhere in the report, refer to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration and state from whom the franchise rights were acquired. If the franchise rights were acquired without the payment of consideration, state that fact.

2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.

3. Purchase or sale of an operating unit or system: Briefly describe the property, and the related transactions, and cite Commission authorization, if any was required. Give date journal entries called for by Uniform System of Accounts were submitted to the Commission.

4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.

5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and cite Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service.

Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.

6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Cite Commission authorization if any was required.

7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.

8. State the estimated annual effect and nature of any important wage scale changes during the year.

9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.

10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

11. Estimated increase or decrease in annual revenues caused by important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.

12. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.

13. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

1. None
2. None
3. None
4. None
5. None
6. None
7. None
8. Wages for union employees increased by 3.10% in April 2016.
9. WUTC Complaint (Docket PG-15120 issued against Cascade Natural Gas on 7/12/16 for failure to submit MAOP Compliance Plan by required deadline and failure to maintain records to validate MAOP. Settlement Agreement filed 12/15/16, pending on 12/31/16, and subsequently approved by WUTC on 3/20/17.
10. None
11. WA Rate Increase (WUTC Docket UG-152286 Order 04, Service Date 7/7/16, Rates Effective 9/1/2016)

Revenue Class	Increase	% Increase	Number of Customers
Residential	\$ 3,000,000.00	7.40%	181,656
Commercial	\$ 569,398.10	2.52%	25,535
Industrial	\$ 84,841.58	2.52%	473
Interruptible	\$ 6,107.77	2.52%	197
Transportation	\$ 339,652.55	2.52%	8
<b>Total</b>	<b>\$ 4,000,000.00</b>	<b>1.60%</b>	<b>207,869</b>



Name of Respondent Cascade Natural Gas Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
Important Changes During the Quarter/Year			

OR Rate Increase (OPUC Order 15-412, Entered 12/28/15, Rates Effective 2/1/2016)

Revenue Class	Increase	% Increase	Number of Customers
Residential	\$ 375,036.00	2.30%	60,483
Commercial	\$ 172,736.00	2.30%	9,815
Industrial	\$ 28,372.00	6.00%	152
Large Volume	\$ 13,856.00	6.00%	35
Total	\$ 590,000.00	0.84%	70,485

12. Changes to Corporate Officers:

Karl Liepitz became Assistant Secretary taking over position previously held by Daniel Kuntz  
Daniel Kuntz became Secretary taking over position previously held by Paul Sandness (Retired)  
Tammy Nygard became Controller taking over responsibilities given up by Mark Chiles  
Margaret (Peggy) Link became Chief Information Officer taking over for Michael Gardner (Retired)

None

**Comparative Balance Sheet (Assets and Other Debits)**

Line No.	Title of Account  (a)	Reference Page Number  (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114)	200-201	922,694,564	870,184,135
3	Construction Work in Progress (107)	200-201	12,898,870	10,555,876
4	TOTAL Utility Plant (Total of lines 2 and 3)	200-201	935,593,434	880,740,011
5	(Less) Accum. Provision for Depr., Amort., Depl. (108, 111, 115)		453,344,582	432,381,534
6	Net Utility Plant (Total of line 4 less 5)		482,248,852	448,358,477
7	Nuclear Fuel (120.1 thru 120.4, and 120.6)		0	0
8	(Less) Accum. Provision for Amort., of Nuclear Fuel Assemblies (120.5)		0	0
9	Nuclear Fuel (Total of line 7 less 8)		0	0
10	Net Utility Plant (Total of lines 6 and 9)		482,248,852	448,358,477
11	Utility Plant Adjustments (116)	122	0	0
12	Gas Stored-Base Gas (117.1)	220	0	0
13	System Balancing Gas (117.2)	220	0	0
14	Gas Stored in Reservoirs and Pipelines-Noncurrent (117.3)	220	0	0
15	Gas Owed to System Gas (117.4)	220	0	0
16	<b>OTHER PROPERTY AND INVESTMENTS</b>			
17	Nonutility Property (121)		202,030	202,030
18	(Less) Accum. Provision for Depreciation and Amortization (122)		0	0
19	Investments in Associated Companies (123)	222-223	0	0
20	Investments in Subsidiary Companies (123.1)	224-225	0	0
21	(For Cost of Account 123.1 See Footnote Page 224, line 40)			
22	Noncurrent Portion of Allowances		0	0
23	Other Investments (124)	222-223	10,932,832	10,440,344
24	Sinking Funds (125)		0	0
25	Depreciation Fund (126)		0	0
26	Amortization Fund - Federal (127)		0	0
27	Other Special Funds (128)		0	0
28	Long-Term Portion of Derivative Assets (175)		0	0
29	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
30	TOTAL Other Property and Investments (Total of lines 17-20, 22-29)		11,134,862	10,642,374
31	<b>CURRENT AND ACCRUED ASSETS</b>			
32	Cash (131)		3,539,113	31,796,378
33	Special Deposits (132-134)		0	0
34	Working Funds (135)		2,750	2,700
35	Temporary Cash Investments (136)	222-223	0	0
36	Notes Receivable (141)		0	0
37	Customer Accounts Receivable (142)		10,813,648	9,489,613
38	Other Accounts Receivable (143)		1,813,282	1,964,217
39	(Less) Accum. Provision for Uncollectible Accounts - Credit (144)		471,151	461,439
40	Notes Receivable from Associated Companies (145)		0	0
41	Accounts Receivable from Associated Companies (146)		60,060	118,405
42	Fuel Stock (151)		0	0
43	Fuel Stock Expenses Undistributed (152)		0	0

**Comparative Balance Sheet (Assets and Other Debits)(continued)**

Line No.	Title of Account  (a)	Reference Page Number  (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
44	Residuals (Elec) and Extracted Products (Gas) (153)		0	0
45	Plant Materials and Operating Supplies (154)		7,223,893	7,019,222
46	Merchandise (155)		0	0
47	Other Materials and Supplies (156)		0	0
48	Nuclear Materials Held for Sale (157)		0	0
49	Allowances (158.1 and 158.2)		0	0
50	(Less) Noncurrent Portion of Allowances		0	0
51	Stores Expense Undistributed (163)		0	0
52	Gas Stored Underground-Current (164.1)	220	126,656	238,846
53	Liquefied Natural Gas Stored and Held for Processing (164.2 thru 164.3)	220	1,705,164	712,311
54	Prepayments (165)	230	2,456,770	3,572,978
55	Advances for Gas (166 thru 167)		0	0
56	Interest and Dividends Receivable (171)		0	0
57	Rents Receivable (172)		0	0
58	Accrued Utility Revenues (173)		34,522,282	30,740,332
59	Miscellaneous Current and Accrued Assets (174)		0	0
60	Derivative Instrument Assets (175)		0	0
61	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
62	Derivative Instrument Assets - Hedges (176)		0	0
63	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
64	TOTAL Current and Accrued Assets (Total of lines 32 thru 63)		61,792,467	85,193,563
65	<b>DEFERRED DEBITS</b>			
66	Unamortized Debt Expense (181)		2,042,178	2,218,763
67	Extraordinary Property Losses (182.1)	230	0	0
68	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
69	Other Regulatory Assets (182.3)	232	49,627,341	51,471,119
70	Preliminary Survey and Investigation Charges (Electric)(183)		0	0
71	Preliminary Survey and Investigation Charges (Gas)(183.1 and 183.2)		0	0
72	Clearing Accounts (184)		104,615	( 57,149)
73	Temporary Facilities (185)		0	0
74	Miscellaneous Deferred Debits (186)	233	70,888,337	66,216,460
75	Deferred Losses from Disposition of Utility Plant (187)		0	0
76	Research, Development, and Demonstration Expend. (188)		0	0
77	Unamortized Loss on Reacquired Debt (189)		826,242	867,213
78	Accumulated Deferred Income Taxes (190)	234-235	26,488,327	26,391,798
79	Unrecovered Purchased Gas Costs (191)		0	0
80	TOTAL Deferred Debits (Total of lines 66 thru 79)		149,977,040	147,108,204
81	TOTAL Assets and Other Debits (Total of lines 10-15,30,64,and 80)		705,153,221	691,302,618



**Comparative Balance Sheet (Liabilities and Other Credits)(continued)**

Line No.	Title of Account  (a)	Reference Page Number  (b)	Current Year End of Quarter/Year Balance	Prior Year End Balance 12/31 (d)
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		54,807,880	50,960,517
35	TOTAL Other Noncurrent Liabilities (Total of lines 26 thru 34)		78,018,417	73,274,078
36	<b>CURRENT AND ACCRUED LIABILITIES</b>			
37	Current Portion of Long-Term Debt		0	0
38	Notes Payable (231)		0	0
39	Accounts Payable (232)		28,763,011	21,019,198
40	Notes Payable to Associated Companies (233)		0	0
41	Accounts Payable to Associated Companies (234)		1,606,767	1,614,644
42	Customer Deposits (235)		874,939	1,061,068
43	Taxes Accrued (236)	262-263	8,418,892	10,490,710
44	Interest Accrued (237)		3,113,255	3,114,287
45	Dividends Declared (238)		4,160,000	4,160,000
46	Matured Long-Term Debt (239)		0	0
47	Matured Interest (240)		0	0
48	Tax Collections Payable (241)		3,542	0
49	Miscellaneous Current and Accrued Liabilities (242)	268	9,694,740	8,325,060
50	Obligations Under Capital Leases-Current (243)		0	0
51	Derivative Instrument Liabilities (244)		0	0
52	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
53	Derivative Instrument Liabilities - Hedges (245)		0	0
54	(Less) Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
55	TOTAL Current and Accrued Liabilities (Total of lines 37 thru 54)		56,635,146	49,784,967
56	<b>DEFERRED CREDITS</b>			
57	Customer Advances for Construction (252)		4,482,130	4,075,229
58	Accumulated Deferred Investment Tax Credits (255)		324,288	373,122
59	Deferred Gains from Disposition of Utility Plant (256)		0	0
60	Other Deferred Credits (253)	269	18,664,938	21,159,604
61	Other Regulatory Liabilities (254)	278	3,780,681	3,535,105
62	Unamortized Gain on Reacquired Debt (257)	260	0	0
63	Accumulated Deferred Income Taxes - Accelerated Amortization (281)		0	0
64	Accumulated Deferred Income Taxes - Other Property (282)		100,067,346	96,815,260
65	Accumulated Deferred Income Taxes - Other (283)		36,157,096	36,786,388
66	TOTAL Deferred Credits (Total of lines 57 thru 65)		163,476,479	162,744,708
67	TOTAL Liabilities and Other Credits (Total of lines 15,24,35,55,and 66)		705,153,221	691,302,618

**Statement of Income**

Quarterly

1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly, if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
- 11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stockholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
1	UTILITY OPERATING INCOME					
2	Gas Operating Revenues (400)	300-301	269,012,065	283,544,904	0	0
3	Operating Expenses					
4	Operation Expenses (401)	317-325	183,821,254	203,122,805	0	0
5	Maintenance Expenses (402)	317-325	5,729,642	5,473,310	0	0
6	Depreciation Expense (403)	336-338	22,501,731	25,145,321	0	0
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-338	0	0	0	0
8	Amortization and Depletion of Utility Plant (404-405)	336-338	2,736,728	2,538,010	0	0
9	Amortization of Utility Plant Acu. Adjustment (406)	336-338	0	0	0	0
10	Amort. of Prop. Losses, Unrecovered Plant and Reg. Study Costs (407.1)		0	0	0	0
11	Amortization of Conversion Expenses (407.2)		0	0	0	0
12	Regulatory Debits (407.3)		0	0	0	0
13	(Less) Regulatory Credits (407.4)		0	0	0	0
14	Taxes Other than Income Taxes (408.1)	262-263	25,926,633	26,839,304	0	0
15	Income Taxes-Federal (409.1)	262-263	4,283,371	3,054,373	0	0
16	Income Taxes-Other (409.1)	262-263	293,645	57,822	0	0
17	Provision of Deferred Income Taxes (410.1)	234-235	1,569,439	41,339	0	0
18	(Less) Provision for Deferred Income Taxes-Credit (411.1)	234-235	0	0	0	0
19	Investment Tax Credit Adjustment-Net (411.4)		( 48,834)	( 52,577)	0	0
20	(Less) Gains from Disposition of Utility Plant (411.6)		0	0	0	0
21	Losses from Disposition of Utility Plant (411.7)		0	0	0	0
22	(Less) Gains from Disposition of Allowances (411.8)		0	0	0	0
23	Losses from Disposition of Allowances (411.9)		0	0	0	0
24	Accretion Expense (411.10)		0	0	0	0
25	TOTAL Utility Operating Expenses (Total of lines 4 thru 24)		246,813,609	266,219,707	0	0
26	Net Utility Operating Income (Total of lines 2 less 25) (Carry forward to page 116, line 27)		22,198,456	17,325,197	0	0

Statement of Income

Line No.	Elec. Utility Current Year to Date (in dollars) (g)	Elec. Utility Previous Year to Date (in dollars) (h)	Gas Utility Current Year to Date (in dollars) (i)	Gas Utility Previous Year to Date (in dollars) (j)	Other Utility Current Year to Date (in dollars) (k)	Other Utility Previous Year to Date (in dollars) (l)
1						
2	0	0	269,012,065	283,544,904	0	0
3						
4	0	0	183,821,254	203,122,805	0	0
5	0	0	5,729,642	5,473,310	0	0
6	0	0	22,501,731	25,145,321	0	0
7	0	0	0	0	0	0
8	0	0	2,736,728	2,538,010	0	0
9	0	0	0	0	0	0
10	0	0	0	0	0	0
11	0	0	0	0	0	0
12	0	0	0	0	0	0
13	0	0	0	0	0	0
14	0	0	25,926,633	26,839,304	0	0
15	0	0	4,283,371	3,054,373	0	0
16	0	0	293,645	57,822	0	0
17	0	0	1,569,439	41,339	0	0
18	0	0	0	0	0	0
19	0	0	( 48,834)	( 52,577)	0	0
20	0	0	0	0	0	0
21	0	0	0	0	0	0
22	0	0	0	0	0	0
23	0	0	0	0	0	0
24	0	0	0	0	0	0
25	0	0	246,813,609	266,219,707	0	0
26	0	0	22,198,456	17,325,197	0	0

**Statement of Income(continued)**

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		22,198,456	17,325,197	0	0
28	<b>OTHER INCOME AND DEDUCTIONS</b>					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues form Merchandising, Jobbing and Contract Work (415)		0	0	0	0
32	(Less) Costs and Expense of Merchandising, Job & Contract Work (416)		0	0	0	0
33	Revenues from Nonutility Operations (417)		6,276	9,825	0	0
34	(Less) Expenses of Nonutility Operations (417.1)		0	0	0	0
35	Nonoperating Rental Income (418)		0	0	0	0
36	Equity in Earnings of Subsidiary Companies (418.1)	119	0	0	0	0
37	Interest and Dividend Income (419)		610,340	9,338,031	0	0
38	Allowance for Other Funds Used During Construction (419.1)		361,162	461,795	0	0
39	Miscellaneous Nonoperating Income (421)		17,666	18,357	0	0
40	Gain on Disposition of Property (421.1)		0	0	0	0
41	TOTAL Other Income (Total of lines 31 thru 40)		995,444	9,828,008	0	0
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		0	0	0	0
44	Miscellaneous Amortization (425)		0	0	0	0
45	Donations (426.1)	340	232,468	263,833	0	0
46	Life Insurance (426.2)		0	0	0	0
47	Penalties (426.3)		1,001,184	275,000	0	0
48	Expenditures for Certain Civic, Political and Related Activities (426.4)		128,203	140,881	0	0
49	Other Deductions (426.5)		1,437	213,923	0	0
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)	340	1,363,292	893,637	0	0
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other than Income Taxes (408.2)	262-263	3,164	2,940	0	0
53	Income Taxes-Federal (409.2)	262-263	( 189,153)	2,808,147	0	0
54	Income Taxes-Other (409.2)	262-263	( 12,967)	53,161	0	0
55	Provision for Deferred Income Taxes (410.2)	234-235	0	0	0	0
56	(Less) Provision for Deferred Income Taxes-Credit (411.2)	234-235	0	0	0	0
57	Investment Tax Credit Adjustments-Net (411.5)		0	0	0	0
58	(Less) Investment Tax Credits (420)		0	0	0	0
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		( 198,956)	2,864,248	0	0
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		( 168,892)	6,070,123	0	0
61	<b>INTEREST CHARGES</b>					
62	Interest on Long-Term Debt (427)		11,144,573	11,047,666	0	0
63	Amortization of Debt Disc. and Expense (428)	258-259	171,932	172,249	0	0
64	Amortization of Loss on Reacquired Debt (428.1)		40,971	40,971	0	0
65	(Less) Amortization of Premium on Debt-Credit (429)	258-259	0	0	0	0
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		0	0	0	0
67	Interest on Debt to Associated Companies (430)	340	0	0	0	0
68	Other Interest Expense (431)	340	653,866	255,279	0	0
69	(Less) Allowance for Borrowed Funds Used During Construction-Credit (432)		284,975	301,152	0	0
70	Net Interest Charges (Total of lines 62 thru 69)		11,726,367	11,215,013	0	0
71	Income Before Extraordinary Items (Total of lines 27,60 and 70)		10,303,197	12,180,307	0	0
72	<b>EXTRAORDINARY ITEMS</b>					
73	Extraordinary Income (434)		0	0	0	0
74	(Less) Extraordinary Deductions (435)		0	0	0	0
75	Net Extraordinary Items (Total of line 73 less line 74)		0	0	0	0
76	Income Taxes-Federal and Other (409.3)	262-263	0	0	0	0
77	Extraordinary Items after Taxes (Total of line 75 less line 76)		0	0	0	0
78	Net Income (Total of lines 71 and 77)		10,303,197	12,180,307	0	0



Name of Respondent Cascade Natural Gas Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2016	Year/Period of Report End of <u>2016/Q4</u>
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**STATEMENT OF INCOME (continued)**

Line No.	Elec. Utility Current Year to Date (in dollars) (g)	Elec. Utility Previous Year to Date (in dollars) (h)	Gas Utility Current Year to Date (in dollars) (i)	Gas Utility Previous Year to Date (in dollars) (j)	Other Utility Current Year to Date (in dollars) (k)	Other Utility Previous Year to Date (in dollars) (l)
27	-	-	22,198,456	17,325,197	-	-
28						
29						
30						
31	-	-	-	-	-	-
32	-	-	-	-	-	-
33	-	-	6,276	9,825	-	-
34	-	-	-	-	-	-
35	-	-	-	-	-	-
36	-	-	-	-	-	-
37	-	-	610,340	9,338,031	-	-
38	-	-	361,162	461,795	-	-
39	-	-	17,666	18,357	-	-
40	-	-	-	-	-	-
41	-	-	995,444	9,828,008	-	-
42						
43			-	-		
44			-	-		
45			232,468	263,833		
46			-	-		
47			1,001,184	275,000		
48			128,203	140,881		
49	-	-	1,437	213,923	-	-
50	-	-	1,363,292	893,637	-	-
51						
52			3,164.00	2,940		
53	-	-	(189,153)	2,808,147	-	-
54	-	-	(12,967)	53,161	-	-
55	-	-	-	-	-	-
56	-	-	-	-	-	-
57	-	-	-	-	-	-
58	-	-	-	-	-	-
59	-	-	(198,956)	2,864,248	-	-
60	-	-	(168,892)	6,070,123	-	-
61						
62	-	-	11,144,573	11,047,666	-	-
63	-	-	171,932	172,249	-	-
64	-	-	40,971	40,971	-	-
65	-	-	-	-	-	-
66	-	-	-	-	-	-
67	-	-	-	-	-	-
68	-	-	653,866	255,279	-	-
69	-	-	(284,975)	(301,152)	-	-
70	-	-	11,726,367	11,215,013	-	-
71	-	-	10,303,197	12,180,307	-	-
72						
73	-	-	-	-	-	-
74	-	-	-	-	-	-
75	-	-	-	-	-	-
76	-	-	-	-	-	-
77	-	-	-	-	-	-
78	-	-	10,303,197	12,180,307	-	-

**Statement of Accumulated Comprehensive Income and Hedging Activities**

1. Report in columns (b) (c) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.
2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.
3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item  (a)	Unrealized Gains and Losses on available-for-sale securities (b)	Minimum Pension liability Adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				
2	Preceding Quarter/Year to Date Reclassifications from Account 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year				
6	Balance of Account 219 at Beginning of Current Year				
7	Current Quarter/Year to Date Reclassifications from Account 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				

**Statement of Accumulated Comprehensive Income and Hedging Activities(continued)**

Line No.	Other Cash Flow Hedges Interest Rate Swaps  (f)	Other Cash Flow Hedges [Insert Footnote at Line 1 to specify category]  (g)	Totals for each category of items recorded in Account 219  (h)	Net Income (Carried Forward from Page 116, Line 78)  (i)	Total Comprehensive Income  (j)
1					
2					
3					
4				12,180,307	12,180,307
5					
6					
7					
8					
9				10,303,197	10,303,197
10					

**Statement of Retained Earnings**

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
5. Show dividends for each class and series of capital stock.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter Year to Date Balance (c)	Previous Quarter Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS			
1	Balance-Beginning of Period		38,204,913	42,672,119
2	Changes (Identify by prescribed retained earnings accounts)			
3	Adjustments to Retained Earnings (Account 439)			
4	TOTAL Credits to Retained Earnings (Account 439) (footnote details)			
5	TOTAL Debits to Retained Earnings (Account 439) (footnote details)			
6	Balance Transferred from Income (Acct 433 less Acct 418.1)		10,303,197	12,180,307
7	Appropriations of Retained Earnings (Account 436)			
8	TOTAL Appropriations of Retained Earnings (Account 436) (footnote details)			
9	Dividends Declared-Preferred Stock (Account 437)			
10	TOTAL Dividends Declared-Preferred Stock (Account 437) (footnote details)			
11	Dividends Declared-Common Stock (Account 438)			
12	TOTAL Dividends Declared-Common Stock (Account 438) (footnote details)		16,655,599	16,647,513
13	Transfers from Account 216.1, Unappropriated Undistributed Subsidiary Earnings			
14	Balance-End of Period (Total of lines 1, 4, 5, 6, 8, 10, 12, and 13)		31,852,511	38,204,913
15	APPROPRIATED RETAINED EARNINGS (Account 215)			
16	TOTAL Appropriated Retained Earnings (Account 215) (footnote details)			
17	APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE, FEDERAL (Account			
18	TOTAL Appropriated Retained Earnings-Amortization Reserve, Federal (Account			
19	TOTAL Appropriated Retained Earnings (Accounts 215, 215.1) (Total of lines			
20	TOTAL Retained Earnings (Accounts 215, 215.1, 216) (Total of lines 14 and 1		31,852,511	38,204,913
21	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)			
	Report only on an Annual Basis no Quarterly			
22	Balance-Beginning of Year (Debit or Credit)			
23	Equity in Earnings for Year (Credit) (Account 418.1)			
24	(Less) Dividends Received (Debit)			
25	Other Changes (Explain)			
26	Balance-End of Year			

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**[Next page is 120]**

**Statement of Cash Flows**

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.

(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.

(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.

(4) Investing Activities: Include at Other (line 25) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
1	Net Cash Flow from Operating Activities		
2	Net Income (Line 78(c) on page 116)	10,303,197	12,180,307
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	25,238,459	27,683,331
5	Amortization of (Specify) (footnote details): Gas cost changes	( 359,810)	14,592,366
6	Deferred Income Taxes (Net)	1,569,439	41,339
7	Investment Tax Credit Adjustments (Net)	( 48,834)	( 52,577)
8	Net (Increase) Decrease in Receivables	( 3,644,653)	9,646,306
9	Net (Increase) Decrease in Inventory	( 880,663)	66,102
10	Net (Increase) Decrease in Allowances Inventory		
11	Net Increase (Decrease) in Payables and Accrued Expenses	5,917,519	( 482,399)
12	Net (Increase) Decrease in Other Regulatory Assets		
13	Net Increase (Decrease) in Other Regulatory Liabilities		
14	(Less) Allowance for Other Funds Used During Construction		
15	(Less) Undistributed Earnings from Subsidiary Companies		
16	Other (footnote details): Net change in other deferred balances	( 983,591)	( 23,515,294)
17	Net Cash Provided by (Used in) Operating Activities		
18	(Total of Lines 2 thru 16)	37,111,063	40,159,481
19			
20	Cash Flows from Investment Activities:		
21	Construction and Acquisition of Plant (including land):		
22	Gross Additions to Utility Plant (less nuclear fuel)	( 56,530,179)	( 42,926,611)
23	Gross Additions to Nuclear Fuel		
24	Gross Additions to Common Utility Plant		
25	Gross Additions to Nonutility Plant		
26	(Less) Allowance for Other Funds Used During Construction	361,162	461,796
27	Other (footnote details): Net increase in customer advances for construction	406,901	1,173,968
28	Cash Outflows for Plant (Total of lines 22 thru 27)	( 56,484,440)	( 42,214,439)
29			
30	Acquisition of Other Noncurrent Assets (d)		
31	Proceeds from Disposal of Noncurrent Assets (d)	( 105,027)	92,427
32			
33	Investments in and Advances to Assoc. and Subsidiary Companies		
34	Contributions and Advances from Assoc. and Subsidiary Companies		
35	Disposition of Investments in (and Advances to)		
36	Associated and Subsidiary Companies		
37			
38	Purchase of Investment Securities (a)		
39	Proceeds from Sales of Investment Securities (a)		

Name of Respondent Cascade Natural Gas Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**Statement of Cash Flows (continued)**

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
40	Loans Made or Purchased		
41	Collections on Loans		
42			
43	Net (Increase) Decrease in Receivables		
44	Net (Increase) Decrease in Inventory		
45	Net (Increase) Decrease in Allowances Held for Speculation		
46	Net Increase (Decrease) in Payables and Accrued Expenses		
47	Other (footnote details): SERP Assets	( 20,180)	( 20,093)
48	Net Cash Provided by (Used in) Investing Activities		
49	(Total of lines 28 thru 47)	( 56,609,647)	( 42,142,105)
50			
51	Cash Flows from Financing Activities:		
52	Proceeds from Issuance of:		
53	Long-Term Debt (b)	4,653	24,911,950
54	Preferred Stock		
55	Common Stock	8,000,000	
56	Other (footnote details):	( 5,284)	
57	Net Increase in Short-term Debt (c)		
58	Other (footnote details):		
59	Cash Provided by Outside Sources (Total of lines 53 thru 58)	7,999,369	24,911,950
60			
61	Payments for Retirement of:		
62	Long-Term Debt (b)	( 118,000)	( 73,000)
63	Preferred Stock		
64	Common Stock		
65	Other (footnote details):		
66	Net Decrease in Short-Term Debt (c)		
67			
68	Dividends on Preferred Stock		
69	Dividends on Common Stock	( 16,640,000)	( 16,640,000)
70	Net Cash Provided by (Used in) Financing Activities		
71	(Total of lines 59 thru 69)	( 8,758,631)	8,198,950
72			
73	Net Increase (Decrease) in Cash and Cash Equivalents		
74	(Total of line 18, 49 and 71)	( 28,257,215)	6,216,326
75			
76	Cash and Cash Equivalents at Beginning of Period	( 31,799,078)	25,582,752
77			
78	Cash and Cash Equivalents at End of Period	3,541,863	31,799,078

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
Cascade Natural Gas Corporation			
<b>Notes to Financial Statements</b>			

1. Provide important disclosures regarding the Balance Sheet, Statement of Income for the Year, Statement of Retained Earnings for the Year, and Statement of Cash Flow, or any account thereof. Classify the disclosures according to each financial statement, providing a subheading for each statement except where a disclosure is applicable to more than one statement. The disclosures must be on the same subject matters and in the same level of detail that would be required if the respondent issued general purpose financial statements to the public or shareholders.
2. Furnish details as to any significant contingent assets or liabilities existing at year end, and briefly explain any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or a claim for refund of income taxes of a material amount initiated by the utility. Also, briefly explain any dividends in arrears on cumulative preferred stock.
3. Furnish details on the respondent's pension plans, post-retirement benefits other than pensions (PBOP) plans, and post-employment benefit plans as required by instruction no. 1 and, in addition, disclose for each individual plan the current year's cash contributions. Furnish details on the accounting for the plans and any changes in the method of accounting for them. Include details on the accounting for transition obligations or assets, gains or losses, the amounts deferred and the expected recovery periods. Also, disclose any current year's plan or trust curtailments, terminations, transfers, or reversions of assets. Entities that participate in multiemployer postretirement benefit plans (e.g. parent company sponsored pension plans) disclose in addition to the required disclosures for the consolidated plan, (1) the amount of cost recognized in the respondent's financial statements for each plan for the period presented, and (2) the basis for determining the respondent's share of the total plan costs.
4. Furnish details on the respondent's asset retirement obligations (ARO) as required by instruction no. 1 and, in addition, disclose the amounts recovered through rates to settle such obligations. Identify any mechanism or account in which recovered funds are being placed (i.e. trust funds, insurance policies, surety bonds). Furnish details on the accounting for the asset retirement obligations and any changes in the measurement or method of accounting for the obligations. Include details on the accounting for settlement of the obligations and any gains or losses expected or incurred on the settlement.
5. Provide a list of all environmental credits received during the reporting period.
6. Provide a summary of revenues and expenses for each tracked cost and special surcharge.
7. Where Account 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these item. See General Instruction 17 of the Uniform System of Accounts.
8. Explain concisely any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
9. Disclose details on any significant financial changes during the reporting year to the respondent or the respondent's consolidated group that directly affect the respondent's gas pipeline operations, including: sales, transfers or mergers of affiliates, investments in new partnerships, sales of gas pipeline facilities or the sale of ownership interests in the gas pipeline to limited partnerships, investments in related industries (i.e., production, gathering), major pipeline investments, acquisitions by the parent corporation(s), and distributions of capital.
10. Explain concisely unsettled rate proceedings where a contingency exists such that the company may need to refund a material amount to the utility's customers or that the utility may receive a material refund with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects and explain the major factors that affect the rights of the utility to retain such revenues or to recover amounts paid with respect to power and gas purchases.
11. Explain concisely significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and summarize the adjustments made to balance sheet, income, and expense accounts.
12. Explain concisely only those significant changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
13. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
14. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
15. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

The accompanying notes relate to MDU Energy Capital, LLC and its subsidiary companies, while the financial statements in this FORM 2 Report reflect only the unconsolidated statements of Cascade Natural Gas Corporation. Cascade's subsidiary companies were dissolved as of 12/31/08 and do not have a material effect on the Notes to the Financial Statements.



**MDU ENERGY CAPITAL, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended December 31, 2016 and 2015**

**Definitions**

The following abbreviations and acronyms used in these Financial Statements and Notes defined below:

**Abbreviation or Acronym**

<b>AFUDC</b>	Allowance for funds used during construction
<b>ARO</b>	Asset retirement obligation
<b>ASC</b>	FASB Accounting Standards Codification
<b>Cascade</b>	Cascade Natural Gas Corporation, a direct wholly owned subsidiary of PCEH
<b>Company</b>	MDU Energy Capital, LLC, a direct wholly owned subsidiary of MDU
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortization
<b>EIN</b>	Employer Identification Number
<b>EPA</b>	U.S. Environmental Protection Agency
<b>FASB</b>	Financial Accounting Standards Board
<b>FERC</b>	Federal Energy Regulatory Commission
<b>FIP</b>	Funding improvement plan
<b>GAAP</b>	Accounting principles generally accepted in the United States of America
<b>Intermountain</b>	Intermountain Gas Company, a direct wholly owned subsidiary of PIEH
<b>IPUC</b>	Idaho Public Utilities Commission
<b>MDU</b>	MDU Resources Group, Inc.
<b>Montana-Dakota</b>	Montana-Dakota Utilities Co., a public utility division of MDU
<b>PCEH</b>	Prairie Cascade Energy Holdings, LLC, a direct wholly owned subsidiary of the Company
<b>PIEH</b>	Prairie Intermountain Energy Holdings, LLC, a direct wholly owned subsidiary of the Company
<b>OPUC</b>	Oregon Public Utility Commission
<b>PRP</b>	Potentially Responsible Party
<b>RP</b>	Rehabilitation plan
<b>Washington DOE</b>	Washington State Department of Ecology
<b>WUTC</b>	Washington Utilities and Transportation Commission

**MDU ENERGY CAPITAL, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended December 31, 2016 and 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The Company is incorporated under the laws of the state of Delaware and is a direct wholly owned subsidiary of MDU. The Company is parent to PCEH, and its wholly owned subsidiary Cascade, and PIEH, and its wholly owned subsidiary Intermountain.

Cascade and Intermountain's natural gas distribution operations sell natural gas at retail and provide natural gas transportation services to over 628,000 residential, commercial and industrial customers in 170 communities. The Cascade service territory consists of towns in western, southeastern and south-central Washington and central and eastern Oregon. The Intermountain service territory is located solely in southern Idaho, encompassing communities located across the Snake River Plain. Cascade is subject to regulation by the WUTC and the OPUC. Intermountain is subject to regulation by the IPUC. These markets tend to be seasonal and sales to residential and commercial customers are influenced by fluctuations in temperature, particularly during the winter season. Consumption is also influenced by the energy efficiency of customers' appliances, as well as consumer decisions to reduce natural gas usage in response to higher prices.

The consolidated financial statements and disclosures of the Company are presented in accordance with GAAP. The accounting policies followed by Cascade and Intermountain are generally subject to the FERC.

Cascade and Intermountain account for certain income and expense items under the provisions of regulatory accounting, which require these businesses to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively, based on the expected regulatory treatment in future rates. The expected recovery or flowback of these deferred items generally is based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are being amortized consistently with the regulatory treatment established by the applicable state public utility commissions. See Note 3 for more information regarding the nature and amounts of these regulatory deferrals.

Depreciation and amortization expense is reported separately on the Consolidated Statements of Income and therefore is excluded from the other line items within operating expenses.

Management has also evaluated the impact of events occurring after December 31, 2016, up to the date of the issuance of these consolidated financial statements on March 31, 2017, that would require recognition or disclosure in the financial statements.

**Cash and cash equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Accounts receivable and allowance for doubtful accounts**

Accounts receivable consists primarily of trade receivables from the sale of goods and services which are recorded at the invoiced amount net of allowance for doubtful accounts. The total balance of receivables past due 90 days or more was \$1.4 million and \$1.1 million as of December 31, 2016 and 2015, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible.

**MDU ENERGY CAPITAL, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended December 31, 2016 and 2015**

The Company's allowance for doubtful accounts at December 31, 2016 and 2015 was \$733,000 and \$750,000, respectively.

**Natural gas in storage**

Natural gas in storage is carried at cost using the first-in, first-out method at Cascade and using the average-cost method at Intermountain. Natural gas in storage is expected to be used within one year and the value included in inventories was \$7.0 million and \$4.1 million at December 31, 2016 and 2015, respectively.

**Investments**

The Company's investments include the cash surrender value of life insurance policies and an insurance contract. The Company measures its investment in the insurance contract at fair value with any unrealized gains and losses recorded on the Consolidated Statements of Income. For more information, see Notes 4 and 9.

**Property, plant and equipment**

Additions to property, plant and equipment are recorded at cost. When regulated assets are retired, or otherwise disposed of in the ordinary course of business, the original cost of the asset is charged to accumulated depreciation. With respect to the retirement or disposal of all other assets, the resulting gains or losses are recognized as a component of income. The Company is permitted to capitalize AFUDC on regulated construction projects and to include such amounts in rate base when the related facilities are placed in service. The amount of AFUDC capitalized for the years ended December 31 was as follows:

	2016	2015
	<i>(In thousands)</i>	
AFUDC - borrowed	\$ 493	\$ 995
AFUDC - equity	\$ 361	\$ 696

Property, plant and equipment are depreciated on a straight-line basis over the average useful lives of the assets. The Company collects removal costs for plant assets in regulated utility rates and records them as a regulatory liability, which is included in deferred credits and other liabilities-other.

Property, plant and equipment at December 31 was as follows:

	2016	2015	Weighted Average Depreciable Life in Years
	<i>(Dollars in thousands, as applicable)</i>		
Distribution plant	\$ 1,236,906	\$ 1,165,042	48
Transmission plant	95,896	95,548	52
Storage plant	25,345	21,525	23
General plant	107,917	107,485	17
Other plant	76,498	72,743	12
Non-depreciable plant	8,980	7,964	-
Construction in progress	14,220	13,428	-
Less: Accumulated depreciation and amortization	555,537	533,176	
<b>Net property, plant and equipment</b>	<b>\$ 1,010,225</b>	<b>\$ 950,559</b>	

**MDU ENERGY CAPITAL, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended December 31, 2016 and 2015**

**Impairment of long-lived assets**

The Company reviews the carrying values of its long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that such carrying values may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. No impairment losses were recorded in 2016 and 2015. Unforeseen events and changes in circumstances could require the recognition of impairment losses at some future date.

**Goodwill**

Goodwill represents the excess of the purchase price over the fair value of identifiable net tangible and intangible assets acquired in a business combination. Goodwill is required to be tested for impairment annually, which is completed in the fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. MDU and the Company perform the annual review for goodwill impairment at the reporting unit level, which MDU has determined to be the operating segment. This review is also performed at the Company level as separate financial statements are prepared.

The goodwill impairment test is a two-step process. The first step of the impairment test involves comparing the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, the test is complete and no impairment is recorded. If the fair value of the reporting unit is less than its carrying value, step two of the test is performed to determine the amount of the impairment loss, if any. The impairment is computed by comparing the implied fair value of the reporting unit's goodwill to the carrying value of that goodwill. If the carrying value is greater than the implied fair value, an impairment loss must be recorded. For the years ended December 31, 2016 and 2015, there were no impairment losses recorded. At December 31, 2016, the fair value substantially exceeded the carrying value for the Company level on a separate basis. For more information on goodwill, see Note 2.

Determining the fair value of a reporting unit requires judgment and the use of significant estimates which include assumptions about the Company's future revenue, profitability and cash flows, amount and timing of estimated capital expenditures, inflation rates, weighted average cost of capital, operational plans, and current and future economic conditions, among others. The fair value is determined using a weighted combination of income and market approaches. The Company uses a discounted cash flow methodology for its income approach. Under the income approach, the discounted cash flow model determines fair value based on the present value of projected cash flows over a specified period and a residual value related to future cash flows beyond the projection period. Both values are discounted using a rate which reflects the best estimate of the weighted average cost of capital. The weighted average cost of capital of 4.9 percent, and a long-term growth rate projection of 3.3 percent were utilized in the goodwill impairment test performed in the fourth quarter of 2016. Under the market approach, the Company estimates fair value using multiples derived from comparable sales transactions and enterprise value to EBITDA for comparative peer companies. These multiples are applied to operating data to arrive at an indication of fair value. In addition, the Company adds a reasonable control premium when calculating the fair value utilizing the peer multiples, which is estimated as the premium that would be received in a sale in an orderly transaction between market participants. The Company believes that the estimates and assumptions used in its impairment assessments are reasonable and based on available market

**MDU ENERGY CAPITAL, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended December 31, 2016 and 2015**

information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

**Revenue recognition**

Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred or services have been rendered, when the fee is fixed or determinable and when collection is reasonably assured. The Company recognizes utility revenue each month based on the services provided to all utility customers during the month. Accrued unbilled revenue which is included in receivables, net, represents revenues recognized in excess of amounts billed. Accrued unbilled revenue at Cascade and Intermountain was \$70.1 million and \$62.8 million at December 31, 2016 and 2015, respectively. The Company recognizes all other revenues when services are rendered or goods are delivered. The Company presents revenue net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales and use taxes.

**Asset retirement obligations**

The Company performed detailed assessments of ARO's for the retirement of natural gas transmission, distribution, and storage facilities. The Company records the fair value of a liability for an ARO in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for the recorded amount or incurs a regulatory asset or liability. For more information on asset retirement obligations, see Note 6.

**Legal costs**

The Company expenses external legal fees as they are incurred.

**Natural gas costs recoverable or refundable through rate adjustments**

Under the terms of certain orders of the applicable state public utility commissions, the Company is deferring natural gas commodity, transportation and storage costs that are greater or less than amounts presently being recovered through its existing rate schedules. Such orders generally provide that these amounts are recoverable or refundable through rate adjustments which are filed annually. Natural gas costs refundable through rate adjustments were \$25.5 million and \$16.7 million at December 31, 2016 and 2015, respectively. Natural gas costs recoverable through rate adjustments was \$318,000 at December 31, 2016.

**Income taxes**

MDU and its subsidiaries file consolidated federal income tax returns and combined and separate state income tax returns. Federal income taxes paid by MDU, as parent of the consolidated group, are allocated to the individual subsidiaries based on the ratio of the separate company computations of tax. MDU makes a similar allocation for state income taxes paid in connection with combined state filings. The Company provides deferred federal and state income taxes on all temporary differences between the book and tax basis of the Company's assets and liabilities. Regulated entities are required to recognize such adjustment to deferred income taxes as regulatory assets or liabilities if it is probable that such amounts will be recovered from or refunded to customers in future rates. Taxes recoverable from customers have been recorded as a regulatory asset and are included in deferred charges and other assets-other. Excess deferred income tax balances associated with the Company's rate-regulated activities have been recorded as a regulatory liability and are included in deferred credits and other

**MDU ENERGY CAPITAL, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended December 31, 2016 and 2015**

liabilities-other. These regulatory assets and liabilities are expected to be recovered from or refunded to customers in future rates in accordance with applicable regulatory procedures.

Consistent with orders and directives of the IPUC, Intermountain does not provide state deferred income tax expense for certain income tax temporary differences and instead recognized the tax impact currently (commonly referred to as flow-through accounting) for rate making and financial reporting. Therefore, the Company's effective income tax rate is impacted as these differences arise and reverse.

The Company uses the deferral method of accounting for investment tax credits and amortizes the credits on natural gas distribution plant over various periods that conform to the ratemaking treatment prescribed by the applicable state public utility commissions.

Tax positions taken or expected to be taken in an income tax return are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes.

**Use of estimates**

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates are used for items such as impairment testing of long-lived assets and goodwill; fair values of acquired assets and liabilities under the acquisition method of accounting; property depreciable lives; tax provisions; uncollectible accounts; environmental and other loss contingencies; unbilled revenues; actuarially determined benefit costs; and asset retirement obligations. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

**New accounting standards**

***Revenue from Contracts with Customers*** In May 2014, the FASB issued guidance on accounting for revenue from contracts with customers. The guidance provides for a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. This guidance was to be effective for the Company on January 1, 2017. In August 2015, the FASB issued guidance deferring the effective date of the revenue guidance one year and allowing entities to early adopt. With this decision, the guidance will be effective for the Company on January 1, 2018. Entities will have the option of using either a full retrospective or modified retrospective approach to adopting the guidance. Under the modified approach, an entity would recognize the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings in the period of adoption. In addition, the modified approach will require additional disclosures. The Company is planning to adopt the guidance using the modified retrospective approach and continues to evaluate the effects it will have on its results of operations, financial position, cash flows and disclosures.

***Simplifying the Presentation of Debt Issuance Costs*** In April 2015, the FASB issued guidance on simplifying the presentation of debt issuance costs in the financial statements. This guidance requires entities to present debt issuance costs as a direct deduction to the related debt liability. The amortization of these costs will be reported as interest expense. The guidance was effective for the Company on January 1, 2016, and was to be applied

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retrospectively. Early adoption of this guidance was permitted, however the Company did not elect to do so. The guidance required a reclassification of the debt issuance costs on the Consolidated Balance Sheets, but did not impact the Company's results of operations or cash flows. As a result of the retrospective application of this change in accounting principle, the Company reclassified debt issuance costs of \$2.6 million from deferred charges and other assets - other to long-term debt on its Consolidated Balance Sheets at December 31, 2015.

***Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)***

In May 2015, the FASB issued guidance on fair value measurement and disclosure requirements removing the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient. The new guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at net asset value using the practical expedient, and rather limits those disclosures to investments for which the practical expedient has been elected. This guidance was effective for the Company on January 1, 2016, with early adoption permitted. The application of this guidance affected the Company's disclosures; however, it did not impact the Company's results of operations, financial position or cash flows.

***Simplifying the Measurement of Inventory*** In July 2015, the FASB issued guidance regarding inventory that is measured using the first-in, first-out or average cost method. The guidance does not apply to inventory measured using the last-in, first-out or the retail inventory method. The guidance requires inventory within its scope to be measured at the lower of cost or net realizable value, which is the estimated selling price in the normal course of business less reasonably predictable costs of completion, disposal and transportation. These amendments more closely align GAAP with IFRS. This guidance was effective for the Company on January 1, 2017, on a prospective basis. The Company does not anticipate the guidance will have a material effect on its results of operations, financial position or cash flows.

***Balance Sheet Classification of Deferred Taxes*** In November 2015, the FASB issued guidance regarding the classification of deferred taxes on the balance sheet. The guidance will require all deferred tax assets and liabilities to be classified as noncurrent. These amendments will align GAAP with IFRS. Entities had the option to apply the guidance prospectively, for all deferred tax assets and liabilities, or retrospectively. The Company adopted the guidance in the fourth quarter of 2016 and applied the retrospective method of adoption. The guidance required a reclassification of current deferred income taxes to noncurrent deferred income taxes on the Consolidated Balance Sheets, but did not impact the Company's results of operations or cash flows. As a result of the retrospective application of this change in accounting principle, the Company reclassified deferred income taxes of \$3.0 million from current assets - deferred income taxes to deferred credits and other liabilities - deferred income taxes on its Consolidated Balance Sheets at December 31, 2015.

***Recognition and Measurement of Financial Assets and Financial Liabilities*** In January 2016, the FASB issued guidance regarding the classification and measurement of financial instruments. The guidance revises the way an entity classifies and measures investments in equity securities, the presentation of certain fair value changes for financial liabilities measured at fair value and amends certain disclosure requirements related to the fair value of financial instruments. This guidance will be effective for the Company on January 1, 2018, with early adoption of certain amendments permitted. The guidance should be applied using a modified retrospective approach with the exception of equity securities without readily determinable fair values which will be applied prospectively. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

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**Leases** In February 2016, the FASB issued guidance regarding leases. The guidance requires lessees to recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term on the statement of financial position for leases with terms of more than 12 months. This guidance also requires additional disclosures. This guidance will be effective for the Company on January 1, 2019, and should be applied using a modified retrospective approach with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

**Improvements to Employee Share-Based Payment Accounting** In March 2016, the FASB issued guidance regarding simplification of several aspects of the accounting for share-based payment transactions. The guidance will affect the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and calculation of dilutive shares. Certain amendments of this guidance are to be applied retrospectively and others prospectively. The Company adopted the guidance on January 1, 2017. All amendments in the guidance that apply to the Company were adopted on a prospective basis resulting in no adjustments being made to retained earnings. The Company anticipates the guidance will impact the Consolidated Statements of Income and the Consolidated Balance Sheets, as well as the dilutive earnings per share calculation, on a prospective basis with all taxes related to share-based payments recognized as income tax expense or benefit and no longer recognized in additional paid-in capital. The Company anticipates the guidance will not have a material impact on its cash flows.

**Classification of Certain Cash Receipts and Cash Payments** In August 2016, the FASB issued guidance to clarify the classification of certain cash receipts and payments in the statement of cash flows. The guidance is intended to standardize the presentation and classification of certain transactions, including cash payments for debt prepayment or extinguishment, proceeds from insurance claim settlements and distributions from equity method investments. In addition, the guidance clarifies how to classify transactions that have characteristics of more than one class of cash flows. This guidance will be effective for the Company on January 1, 2018, with early adoption permitted. An entity that elects early adoption must adopt all the amendments in the same period and apply any adjustments as of the beginning of the fiscal year. Entities must apply the guidance retrospectively unless it is impracticable to do so, in which case they may apply it prospectively as of the earliest date practicable. The Company is evaluating the effects the adoption of the new guidance will have on its cash flows and disclosures.

**Clarifying the Definition of a Business** In January 2017, the FASB issued guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when an integrated set of assets and activities is not a business. The guidance will also affect other aspects of accounting, such as determining reporting units for goodwill testing. The guidance will be effective for the Company on January 1, 2018, and should be applied on a prospective basis with early adoption permitted for transactions that occur before the issuance or effective date of the amendments and only when the transactions have not been reported in the financial statements or made available for issuance. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

**Simplifying the Test for Goodwill Impairment** In January 2017, the FASB issued guidance on simplifying the test for goodwill impairment by eliminating Step 2, which required an entity to measure the amount of



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impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of such goodwill. This guidance requires entities to perform a quantitative impairment test, previously Step 1, to identify both the existence of impairment and the amount of impairment loss by comparing the fair value of a reporting unit to its carrying amount. Entities will continue to have the option of performing a qualitative assessment to determine if the quantitative impairment test is necessary. The guidance also requires additional disclosures if an entity has one or more reporting units with zero or negative carrying amounts of net assets. The guidance will be effective for the Company on January 1, 2020, and should be applied on a prospective basis with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

**NOTE 2 – GOODWILL**

The carrying amount of goodwill for the years ended December 31, 2016 and 2015 remained unchanged at \$340,924. No impairments of goodwill have been recorded.

**NOTE 3 – REGULATORY ASSETS AND LIABILITIES**

The following table summarizes the individual components of unamortized regulatory assets and liabilities as of December 31:

	Estimated Recovery Period *	2016	2015
<i>(In thousands)</i>			
Regulatory assets:			
Pension and postretirement benefits (a)	(c)	\$ 53,846	\$ 57,235
Manufactured gas plant remediation (a)	Determined upon filing	17,787	18,138
Taxes recoverable from customers (a)	Over plant lives	11,461	10,238
Conservation activities (a)	Up to 28 months	4,014	4,117
Long-term debt refinancing costs (a)	Up to 21 years	950	1,063
Natural gas costs recoverable through rate adjustments	Up to 1 year	318	---
Other (a)	Largely determined upon filing	2,733	63
<b>Total regulatory assets</b>		<b>91,109</b>	90,854
Regulatory liabilities:			
Plant removal costs (b)		114,074	112,383
Natural gas costs refundable through rate adjustments		25,531	16,667
Taxes refundable to customers (b)		4,618	9,292
Other (b)		5,482	5,797
<b>Total regulatory liabilities</b>		<b>149,705</b>	144,139
<b>Net regulatory position</b>		<b>\$ (58,596)</b>	\$ (53,285)

\* *Estimated recovery period for regulatory assets currently being recovered in rates charged to customers.*

*(a) Included in deferred charges and other assets - other on the Consolidated Balance Sheets.*

*(b) Included in deferred credits and other liabilities - other on the Consolidated Balance Sheets.*

*(c) Recovered as expense is incurred.*

The regulatory assets are expected to be recovered in rates charged to customers. A portion of the Company's regulatory assets are not earning a return; however, these regulatory assets are expected to be recovered from customers in future rates. As of December 31, 2016 and 2015, approximately \$79.6 million and \$80.6 million, respectively, of regulatory assets were not earning a rate of return.

If, for any reason, the Company's regulated businesses cease to meet the criteria for application of regulatory accounting for all or part of their operations, the regulatory assets and liabilities relating to those portions ceasing to meet such criteria would be removed from the balance sheet and included in the statement of income or

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accumulated other comprehensive income (loss) in the period in which the discontinuance of regulatory accounting occurs.

**NOTE 4 – FAIR VALUE MEASUREMENTS**

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of an insurance contract, to satisfy its obligations under its unfunded, nonqualified benefit plans for executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled \$3.3 million and \$3.1 million as of December 31, 2016 and 2015, respectively, are classified as Investments on the Consolidated Balance Sheets. The net unrealized gains on these investments for the years ended December 31, 2016 and 2015 were \$160,000 and \$75,000, respectively. The change in fair value, which is considered part of the cost of the plan, is classified in operation and maintenance expense on the Consolidated Statements of Income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs.

The estimated fair values of the Company's assets and liabilities measured on a recurring basis are determined using the market approach.

The Company's Level 2 money market funds are valued at the net asset value of shares held at the end of the period, based on published market quotations on active markets, or using other known sources including pricing from outside sources.

The estimated fair value of the Company's Level 2 insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2016 and 2015, there were no transfers between Levels 1 and 2.

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The Company's assets and liabilities measured at fair value on a recurring basis were as follows:

	Fair Value Measurements at December 31, 2016, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
	<i>(In thousands)</i>			
Assets:				
Money market funds	\$ ---	\$ 112	\$ ---	\$ 112
Insurance contract*	---	3,284	---	3,284
<b>Total assets measured at fair value</b>	<b>\$ ---</b>	<b>\$ 3,396</b>	<b>\$ ---</b>	<b>\$ 3,396</b>

\* The insurance contract invests approximately 52 percent in fixed-income investments, 22 percent in common stock of large-cap companies, 13 percent in common stock of mid-cap companies, 10 percent in common stock of small-cap companies, 1 percent in target date investments and 2 percent in cash equivalents.

	Fair Value Measurements at December 31, 2015, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
	<i>(In thousands)</i>			
Assets:				
Money market funds	\$ ---	\$ 112	\$ ---	\$ 112
Insurance contract*	---	3,123	---	3,123
<b>Total assets measured at fair value</b>	<b>\$ ---</b>	<b>\$ 3,235</b>	<b>\$ ---</b>	<b>\$ 3,235</b>

\* The insurance contract invests approximately 63 percent in fixed-income investments, 19 percent in common stock of large-cap companies, 9 percent in common stock of mid-cap companies, 7 percent in common stock of small-cap companies, 1 percent in target date investments and 1 percent in cash equivalents.

The Company's long-term debt is not measured at fair value on the Consolidated Balance Sheets and the fair value is being provided for disclosure purposes only. The fair value was based on discounted future cash flows using current market interest rates. The estimated fair value of the Company's Level 2 long-term debt at December 31 was as follows:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>(In thousands)</i>			
Long-term debt	\$ 488,297	\$ 515,897	\$ 490,700	\$ 493,000

The carrying amounts of the Company's remaining financial instruments included in current assets and current liabilities approximate their fair values.

**NOTE 5 – DEBT**

Certain debt instruments of the Company and its subsidiaries, including those discussed later, contain restrictive covenants and cross-default provisions. In order to borrow under the respective credit agreements, the Company

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and its subsidiaries must be in compliance with the applicable covenants and certain other conditions. In the event the Company and its subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

The following table summarizes the outstanding revolving credit facilities of the Company and its subsidiaries:

Company	Facility	Facility Limit	Amount Outstanding at December 31, 2016	Amount Outstanding at December 31, 2015	Letters of Credit at December 31, 2016	Expiration Date
<i>(Dollars in millions)</i>						
Cascade Natural Gas Corporation	Revolving credit agreement	\$ 50.0 (a)	\$ ---	\$ ---	\$ 2.2 (b)	7/9/18
Intermountain Gas Company	Revolving credit agreement	\$ 65.0 (c)	\$ 20.9	\$ 47.9	\$ ---	7/13/18

(a) Certain provisions allow for increased borrowings, up to a maximum of \$75.0 million.

(b) Outstanding letters of credit reduce the amount available under the credit agreement.

(c) Certain provisions allow for increased borrowings, up to a maximum of \$90.0 million.

The following includes information related to the preceding table.

**Long-term debt**

**MDU Energy Capital, LLC** The ability to request additional borrowings under the master shelf agreement expired; however, there is debt outstanding that is reflected in the following table of long-term debt outstanding. The master shelf agreement contains customary covenants and provisions, including covenants of the Company not to permit (A) the ratio of its total debt (on a consolidated basis) to adjusted total capitalization to be greater than 70 percent, or (B) the ratio of subsidiary debt to subsidiary capitalization to be greater than 65 percent, or (C) the ratio of Intermountain's total debt (determined on a consolidated basis) to total capitalization to be greater than 65 percent. The agreement also includes a covenant requiring the ratio of the Company's earnings before interest and taxes to interest expense (on a consolidated basis), for the 12-month period ended each fiscal quarter, to be greater than 1.5 to 1. In addition, payment obligations under the master shelf agreement may be accelerated upon the occurrence of an event of default (as described in the agreement).

**Cascade Natural Gas Corporation** Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings.

The credit agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Cascade's credit agreement also contains cross-default provisions. These provisions state that if Cascade fails to make any payment with respect to any indebtedness or contingent obligation, in excess of a specified amount, under any agreement that causes such indebtedness to be due prior to its stated maturity or the contingent obligation to become payable, Cascade will be in default under the revolving credit agreement.

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**Intermountain Gas Company** Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Intermountain's credit agreement also contains cross-default provisions. These provisions state that if Intermountain fails to make any payment with respect to any indebtedness or contingent obligation, in excess of a specified amount, under any agreement that causes such indebtedness to be due prior to its stated maturity or the contingent obligation to become payable, or certain conditions result in an early termination date under any swap contract that is in excess of a specified amount, then Intermountain will be in default under the revolving credit agreement.

On November 9, 2016, Intermountain issued \$30.0 million of Senior Notes with a due date of November 9, 2046, at an interest rate of 4.0 percent.

**Long-term Debt Outstanding** Long-term debt outstanding at December 31 was as follows:

	<b>2016</b>	<b>2015</b>
<i>(In thousands)</i>		
Senior Notes at a weighted average rate of 4.69%, due on dates ranging from August 31, 2017 to January 15, 2055	<b>\$ 395,546</b>	\$ 370,818
Medium-Term Notes, at a weighted average rate of 6.68%, due on dates ranging from September 1, 2020 to March 16, 2029	<b>50,000</b>	50,000
Credit agreement at a rate of 3.07%, due on July 13, 2018	<b>20,850</b>	47,900
Other note, at a rate of 5.25%, due on February 1, 2035	<b>24,471</b>	24,589
Unamortized debt issuance costs	<b>(2,570)</b>	(2,607)
<b>Total long-term debt</b>	<b>488,297</b>	490,700
<b>Less current maturities</b>	<b>40,273</b>	5,273
<b>Net long-term debt</b>	<b>\$ 448,024</b>	\$ 485,427

**Schedule of Debt Maturities** Long-term debt maturities for the five years and thereafter following December 31, 2016, were as follows:

	2017	2018	2019	2020	2021	Thereafter
<i>(In thousands)</i>						
Long-term debt maturities	\$40,273	\$26,123	---	\$15,000	---	\$409,471

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**NOTE 6 – ASSET RETIREMENT OBLIGATIONS**

The Company records obligations related to retirement costs of natural gas distribution mains and lines as asset retirement obligations.

A reconciliation of the Company's liability, which is included in deferred credits and other liabilities-other, for the years ended December 31 was as follows:

	2016	2015
	<i>(In thousands)</i>	
Balance at beginning of year	\$ 116,210	\$ 606
Liabilities incurred	2,371	---
Liabilities settled	(898)	---
Accretion expense	6,735	39
Revisions in estimates	----	115,565
Balance at end of year	<b>\$ 124,418</b>	<b>\$ 116,210</b>

The 2015 revisions in estimates consist principally of updated natural gas distribution mains and lines asset retirement obligation costs.

The Company believes that largely all expenses related to asset retirement obligations will be recovered in rates over time and, accordingly, defers such expenses as regulatory assets.

**NOTE 7 – INCOME TAXES**

Income before income taxes for the years ended December 31, 2016 and 2015 was \$18,462 and \$20,436, respectively.

Income tax expense for the years ended December 31 was as follows:

	2016	2015
	<i>(In thousands)</i>	
Current:		
Federal	\$ 5,511	\$ 7,184
State	430	(518)
	<b>5,941</b>	<b>6,666</b>
Deferred:		
Income taxes –		
Federal	(897)	143
State	250	(29)
Investment tax credit - net	(1,020)	239
	<b>(1,667)</b>	<b>353</b>
Total income tax expense	<b>\$ 4,274</b>	<b>\$ 7,019</b>

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Components of deferred tax assets and deferred tax liabilities at December 31 were as follows:

	<b>2016</b>	<b>2015</b>
<i>(In thousands)</i>		
Deferred tax assets:		
Contingency reserve	\$ 5,258	\$ 5,309
Accrued pension costs	13,389	14,625
Other	10,434	12,231
Total deferred tax assets	<b>29,081</b>	32,165
Deferred tax liabilities:		
Depreciation and basis differences on property, plant and equipment	163,432	160,595
Postretirement	21,813	22,819
Other	7,257	6,924
Total deferred tax liabilities	<b>192,502</b>	190,338
Net deferred income tax liability	<b>\$ (163,421)</b>	\$ (158,173)

As of December 31, 2016 and 2015, no valuation allowance has been recorded associated with the above deferred tax assets.

The following table reconciles the change in the net deferred income tax liability from December 31, 2015, to December 31, 2016, to deferred income tax expense:

	<b>2016</b>
<i>(In thousands)</i>	
Change in net deferred income tax liability from the preceding table	\$ 5,248
Other	<b>(6,915)</b>
Deferred income tax benefit for the period	<b>\$ (1,667)</b>

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Total income tax expense differs from the amount computed by applying the statutory federal income tax rate to income before taxes. The reasons for this difference were as follows:

Years ended December 31,	2016		2015	
	Amount	%	Amount	%
	<i>(Dollars in thousands)</i>			
Computed tax at federal statutory rate	\$ 6,462	35.0	\$ 7,153	35.0
Increases (reductions) resulting from:				
State income taxes, net of federal income tax	268	1.5	44	0.2
AFUDC equity	---	---	591	2.9
Amortization of deferral of investment tax credit	(2,281)	(12.4)	239	1.2
Resolution of tax matters and uncertain tax positions	(406)	(2.2)	159	0.8
Flow-through	(193)	(1.0)	(1,483)	(7.3)
Other	424	2.3	316	1.5
<b>Total income tax expense</b>	<b>\$ 4,274</b>	<b>23.2</b>	<b>\$ 7,019</b>	<b>34.3</b>

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years ending prior to 2012. With few exceptions, as of December 31, 2016, the Company is no longer subject to state and local income tax examinations by tax authorities for years ending prior to 2011.

Included in income tax expense is interest on uncertain tax positions. For the years ended December 31, 2016 and 2015, the Company recognized approximately \$25,000 and \$205,000, respectively, of interest income in income tax expense. The Company had accrued liabilities of approximately \$12,000 and \$52,000 at December 31, 2016 and 2015, respectively, for the payment of interest.

**NOTE 8 – CASH FLOW INFORMATION**

Cash expenditures for interest and income taxes for the years ended December 31 were as follows:

	2016	2015
	<i>(In thousands)</i>	
Interest, net of AFUDC-borrowed of \$493 and \$995 in 2016 and 2015, respectively	\$ 22,799	\$ 22,625
Income taxes paid (refunded), net	\$ 6,633	\$ (2,725)

Noncash investing transactions at December 31 were as follows:

	2016	2015
	<i>(In thousands)</i>	
Property, plant and equipment additions in		



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accounts payable	\$ 5,246	\$ 2,411
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**NOTE 9 – EMPLOYEE BENEFIT PLANS**

**Pension and other postretirement benefit plans**

The Company has a noncontributory defined benefit pension plan and other postretirement benefit plans for certain eligible employees. Prior to 2015, the defined pension plan benefits and accruals were frozen. The Company's pension assets are included in MDU's master trust. The Company uses a measurement date of December 31 for all of its pension and postretirement benefit plans.

Effective January 1, 2010, eligibility to receive retiree medical benefits was modified at Cascade and Intermountain. Current employees at Intermountain, and those hired before June 1, 1992 at Cascade, who had attained age 55 with 10 years of continuous service by December 31, 2010, will be provided the current retiree medical insurance benefits or can elect the new benefit, if desired, regardless of when they retire. All other employees must meet the new eligibility criteria of age 60 and 10 years of continuous service at the time they retire. These employees will be eligible for a specified company funded Retiree Reimbursement Account. Employees at Intermountain hired after December 31, 2009, and employees at Cascade hired after June 1, 1992, will not be eligible for retiree medical benefits.

In 2012, the Company modified health care coverage for certain retirees. Effective January 1, 2013, post-65 coverage was replaced by a fixed-dollar subsidy for retirees and spouses to be used to purchase individual insurance through an exchange.

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Changes in benefit obligation and plan assets for the years ended December 31, 2016 and 2015 and amounts recognized in the Consolidated Balance Sheets at December 31, 2016 and 2015, were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
	<i>(In thousands)</i>			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 91,054	\$ 97,789	\$ 20,527	\$ 22,012
Service cost	---	---	214	230
Interest cost	3,592	3,540	793	792
Plan participants' contributions	---	---	400	423
Actuarial (gain) loss	892	(5,852)	183	(806)
Benefits paid	(4,431)	(4,423)	(1,618)	(2,124)
Benefit obligation at end of year	91,107	91,054	20,499	20,527
Change in net plan assets:				
Fair value of plan assets at beginning of year	76,943	72,973	19,884	21,464
Actual gain (loss) on plan assets	6,408	(2,518)	1,013	7
Employer contribution	---	10,911	398	114
Plan participants' contributions	---	---	400	423
Benefits paid	(4,431)	(4,423)	(1,618)	(2,124)
Fair value of net plan assets at end of year	78,920	76,943	20,077	19,884
Funded status – under	\$ (12,187)	\$ (14,111)	\$ (422)	\$ (643)
Amounts recognized in the Consolidated Balance Sheets at December 31:				
Other assets (noncurrent)	\$ ---	\$ ---	\$ 1,322	\$ 999
Other liabilities (noncurrent)	(12,187)	(14,111)	(1,744)	(1,642)
Net amount recognized	\$ (12,187)	\$ (14,111)	\$ (422)	\$ (643)
Amounts recognized in regulatory assets (liabilities) consist of:				
Actuarial loss	\$ 44,101	\$ 45,849	\$ 6,644	\$ 7,041
Prior service credit	---	---	(1,706)	(1,862)
Total	\$ 44,101	\$ 45,849	\$ 4,938	\$ 5,179

Employer contributions and benefits paid in the preceding table include only those amounts contributed directly to, or paid directly from, plan assets. Amounts recognized in regulatory assets (liabilities) in the above table are expected to be reflected in rates charged to customers over time. For more information on regulatory assets (liabilities) see Note 3.

Unrecognized pension actuarial losses in excess of 10 percent of the greater of the projected benefit obligation or the market-related value of assets are amortized on a straight-line basis over the average life expectancy of plan participants. The market-related value of assets is determined using a five-year average of assets.

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The pension plan has accumulated benefit obligations in excess of plan assets. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for these plans at December 31 were as follows:

	2016	2015
	<i>(In thousands)</i>	
Projected benefit obligation	<b>\$ 91,107</b>	\$91,054
Accumulated benefit obligation	<b>\$ 91,107</b>	\$91,054
Fair value of plan assets	<b>\$ 78,920</b>	\$76,943

Components of net periodic benefit cost (credit) for the Company's pension and other postretirement benefit plans for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
	<i>(In thousands)</i>			
Components of net periodic benefit cost (credit):				
Service cost	\$ ---	\$ ---	\$ 214	\$ 230
Interest cost	<b>3,592</b>	3,540	<b>793</b>	792
Expected return on assets	<b>(5,039)</b>	(5,105)	<b>(1,109)</b>	(1,258)
Amortization of prior service credit	---	---	<b>(156)</b>	(156)
Recognized net actuarial loss	<b>1,270</b>	1,375	<b>676</b>	657
Net periodic benefit cost (credit)	<b>(177)</b>	(190)	<b>418</b>	265
Other changes in plan assets and benefit obligations recognized in regulatory assets (liabilities):				
Net (gain) loss	<b>(478)</b>	1,772	<b>279</b>	445
Amortization of actuarial loss	<b>(1,270)</b>	(1,375)	<b>(676)</b>	(657)
Amortization of prior service credit	---	---	<b>156</b>	156
Total recognized in regulatory assets (liabilities)	<b>(1,748)</b>	397	<b>(241)</b>	(56)
Total recognized in net periodic benefit cost and regulatory assets (liabilities)	<b>\$ (1,925)</b>	\$ 207	<b>\$ 177</b>	\$ 209

The estimated net loss for the defined benefit pension plans that will be amortized from regulatory assets into net periodic benefit cost in 2017 is \$1.4 million. The estimated net loss and prior service credit for the other postretirement benefit plans that will be amortized from regulatory assets into net periodic benefit cost in 2017 are \$645,000 and \$156,000, respectively. Prior service cost is amortized on a straight line basis over the average remaining service period of active participants.

Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Discount rate	<b>3.86%</b>	4.03%	<b>3.83%</b>	4.04%
Expected return on plan assets	<b>6.75%</b>	6.75%	<b>5.75%</b>	5.75%

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Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Discount rate	<b>4.03%</b>	3.73%	<b>4.04%</b>	3.73%
Expected return on plan assets	<b>6.75%</b>	7.00%	<b>5.75%</b>	6.00%

The expected rate of return on pension plan assets is based on a targeted asset allocation range determined by the funded ratio of the plan. As of December 31, 2016, the expected rate of return on pension plan assets is based on the targeted asset allocation range of 40 percent to 50 percent equity securities and 50 percent to 60 percent fixed-income securities and the expected rate of return from these asset categories. The expected rate of return on other postretirement plan assets is based on the targeted asset allocation range of 30 percent to 40 percent equity securities and 60 percent to 70 percent fixed-income securities and the expected rate of return from these asset categories. The expected return on plan assets for other postretirement benefits reflects insurance-related investment costs.

Health care rate assumptions for the Company's other postretirement benefit plans as of December 31 were as follows:

	2016	2015
Health care trend rate assumed for next year	<b>9.0% - 10.7%</b>	8.0%
Health care cost trend rate – ultimate	<b>4.5%</b>	5.0%
Year in which ultimate trend rate achieved	<b>2024</b>	2021

The Company's other postretirement benefit plans include health care benefits for certain retirees. The plans underlying these benefits may require contributions by the retiree depending on such retiree's age and years of service at retirement or the date of retirement. The accounting for the health care plans anticipates future cost-sharing changes that are consistent with the Company's expressed intent to generally increase retiree contributions each year by the excess of the expected health care cost trend rate over six percent.

Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plans. A one percentage point change in the assumed health care cost trend rates would have had the following effects at December 31, 2016:

	1 Percentage Point Increase	1 Percentage Point Decrease
	<i>(In thousands)</i>	
Effect on total of service and interest cost components	\$ 57	\$ (49)
Effect on postretirement benefit obligation	\$ 1,421	\$ (1,225)

Outside investment managers manage the Company's pension and postretirement assets. The Company's investment policy with respect to pension and other postretirement assets is to make investments solely in the interest of the participants and beneficiaries of the plans and for the exclusive purpose of providing benefits accrued and defraying the reasonable expenses of administration. The Company strives to maintain investment diversification to assist in minimizing the risk of large losses. The Company's policy guidelines allow for

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investment of funds in cash equivalents, fixed-income securities and equity securities. The guidelines prohibit investment in commodities and futures contracts, equity private placement, employer securities, leveraged or derivative securities, options, direct real estate investments, precious metals, venture capital and limited partnerships. The guidelines also prohibit short selling and margin transactions. The Company's practice is to periodically review and rebalance asset categories based on its targeted asset allocation percentage policy.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs.

The estimated fair values of the Company's pension plan assets are determined using the market approach.

The carrying value of the pension plan's Level 2 cash equivalents approximates fair value and is determined using observable inputs in active markets or the net asset value of shares held at year end, which is determined using other observable inputs including pricing from outside sources.

The estimated fair value of the pension plan's Level 1 equity securities is based on the closing price reported on the active market on which the individual securities are traded.

The estimated fair value of the pension plan's Level 1 and Level 2 collective and mutual funds are based on the net asset value of shares held at year end, based on either published market quotations on active markets or other known sources including pricing from outside sources.

The estimated fair value of the pension plan's Level 2 corporate and municipal bonds is determined using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, future cash flows and other reference data.

The estimated fair value of the pension plan's Level 1 U.S. Government securities is valued based on quoted prices on an active market.

The estimated fair value of the pension plan's Level 2 U.S. Government securities are valued mainly using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, to be announced prices, future cash flows and other reference data. Some of these securities are valued using pricing from outside sources.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2016 and 2015, there were no transfers between Levels 1 and 2.

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The fair value of the Company's pension plan assets (excluding cash) by class were as follows:

	Fair Value Measurements at December 31, 2016, Using			Balance at December 31, 2016
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	<i>(In thousands)</i>			
Assets:				
Cash equivalents	\$ ---	\$ 1,502	\$ ---	\$ 1,502
Equity securities:				
U.S. companies	2,685	---	---	2,685
International companies	375	---	---	375
Collective and mutual funds*	38,348	15,157	---	53,505
Corporate bonds	---	16,252	---	16,252
Municipal bonds	---	2,603	---	2,603
U.S. Government securities	1,030	484	---	1,514
Total assets measured at fair value	\$ 42,438	\$ 35,998	\$ ---	\$ 78,436

\* *Collective and mutual funds invest approximately 29 percent in common stock of international companies, 21 percent in corporate bonds, 20 percent in common stock of large-cap U.S. companies, 8 percent in cash equivalents, 7 percent in U.S. Government securities and 15 percent in other investments.*

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Fair Value Measurements at December 31, 2015, Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
<i>(In thousands)</i>				
<b>Assets:</b>				
Cash equivalents	\$ ---	\$ 1,938	\$ ---	\$ 1,938
Equity securities:				
U.S. companies	3,501	---	---	3,501
International companies	539	---	---	539
Collective and mutual funds*	35,711	14,703	---	50,414
Corporate bonds	---	14,374	---	14,374
Municipal bonds	---	2,701	---	2,701
U.S. Government securities	1,223	1,578	---	2,801
<b>Total assets measured at fair value</b>	<b>\$ 40,974</b>	<b>\$ 35,294</b>	<b>\$ ---</b>	<b>\$ 76,268</b>
* <i>Collective and mutual funds invest approximately 29 percent in common stock of international companies, 19 percent in common stock of large-cap U.S. companies, 16 percent in corporate bonds, 16 percent in cash equivalents, 6 percent in common stock of mid-cap U.S. companies, and 14 percent in other investments.</i>				

The estimated fair values of the Company's other postretirement benefit plans' assets are determined using the market approach.

The estimated fair value of the other postretirement benefit plans' Level 2 cash equivalents is valued at the net asset value of shares held at year end, based on published market quotations on active markets, or using other known sources including pricing from outside sources.

The estimated fair value of the other postretirement benefit plans' Level 1 equity securities is based on the closing price reported on the active market on which the individual securities are traded.

The estimated fair value of the other postretirement benefit plans' Level 2 insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2016 and 2015, there were no transfers between Levels 1 and 2.

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The fair value of the Company's other postretirement benefit plans' assets (excluding cash) by asset class were as follows:

Fair Value Measurements at December 31, 2016, Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
<i>(In thousands)</i>				
Assets:				
Cash equivalents	\$ ---	\$ 115	\$ ---	\$ 115
Equity securities:				
U.S. companies	947	---	---	947
International companies	5	---	---	5
Insurance contract*	13	18,997	---	19,010
Total assets measured at fair value	\$ 965	\$ 19,112	\$ ---	\$ 20,077

\* The insurance contract invests approximately 38 percent in corporate bonds, 25 percent in common stock of large-cap U.S. companies, 20 percent in U.S. Government securities, 9 percent in mortgage-backed securities and 8 percent in other investments.



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Fair Value Measurements  
at December 31, 2015, Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
<i>(In thousands)</i>				
<b>Assets:</b>				
Cash equivalents	\$ ---	\$ 809	\$ ---	\$ 809
Equity securities:				
U.S. companies	1,032	---	---	1,032
International companies	9	---	---	9
Insurance contract*	21	18,013	---	18,034
<b>Total assets measured at fair value</b>	<b>\$ 1,062</b>	<b>\$ 18,822</b>	<b>\$ ---</b>	<b>\$ 19,884</b>

\* The insurance contract invests approximately 36 percent in corporate bonds, 22 percent in U.S. Government securities, 19 percent in common stock of large-cap U.S. companies, 10 percent in mortgage-backed securities, and 13 percent in other investments.

The Company does not expect to contribute to its defined benefit pension plan and expects to contribute approximately \$332,000 to its postretirement benefit plans in 2017.

The following benefit payments, which reflect future service, as appropriate, and expected Medicare Part D subsidies are as follows:

Years	Pension Benefits	Other Postretirement Benefits	Expected Medicare Part D Subsidy
<i>(In thousands)</i>			
2017	\$ 4,649	\$ 1,273	\$ 2
2018	4,791	1,296	2
2019	4,919	1,303	2
2020	5,043	1,255	2
2021	5,164	1,248	1
2022-2026	27,213	6,476	5

**Nonqualified benefit plans**

In addition to the qualified plan defined pension benefits reflected in the table at the beginning of this note, the Company also has unfunded, nonqualified benefit plans at Cascade and Intermountain for certain executive officers. Cascade's plan provides for defined benefit payments following the employee's retirement or, upon death, to their beneficiaries for up to a 10-year period, plus the surviving spouse is entitled to receive a monthly

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benefit for life equal to one-half of the benefit the participant was entitled to before death. Effective October 1, 2003, the plan was amended so that no new participants will be added to the plan and no additional benefits will accrue for existing participants. Intermountain's plan provides for defined benefit payments following the employee's retirement until death for a minimum of a 20-year period or to their beneficiaries upon pre-retirement death for a 10-year period equal to twice the benefit the participant was entitled to before death. In February 2016, the Company froze the unfunded, nonqualified defined benefit plans to new participants and eliminated benefit increases. Vesting for participants not fully vested was retained. The Company's net periodic benefit cost for these plans was \$1.1 million and \$1.4 million in 2016 and 2015, respectively, which reflects a curtailment gain of \$234,000 in the first quarter of 2016. The total projected benefit obligation for these plans was \$14.2 million and \$15.2 million at December 31, 2016 and 2015, respectively. The accumulated benefit obligations for these plans were \$14.2 million and \$15.0 million at December 31, 2016 and 2015, respectively. A weighted average discount rate of 3.7 percent and 3.8 percent at December 31, 2016 and 2015, respectively, and a rate of compensation increase of 4.0 percent at December 31, 2015, were used to determine benefit obligations. No rate of compensation increase was used to determine the benefit obligation at December 31, 2016, due to the plans being froze. A weighted average discount rate of 3.8 percent and 3.5 percent for the years ended December 31, 2016 and 2015, respectively, and a rate of compensation increase of 4.0 percent for both years ended December 31, 2016 and 2015, were used to determine net periodic benefit cost.

The amount of benefit payments for the unfunded, nonqualified benefit plans are expected to aggregate \$1.1 million in 2017; \$1.1 million in 2018; \$1.1 million in 2019; \$1.0 million in 2020; \$1.0 million in 2021; and \$4.4 million for the years 2022 through 2026.

In 2012, the Company established a nonqualified defined contribution plan for certain key management employees. Costs incurred under this plan for 2016 and 2015 were \$45,000 and \$24,000, respectively.

The Company had investments of \$11.1 million and \$10.5 million at December 31, 2016 and 2015, respectively, consisting of equity securities of \$2.9 million and \$2.4 million, respectively, life insurance carried on plan participants (payable upon the employee's death) of \$7.5 million and \$7.2 million, respectively, and other investments of \$632,000 and \$930,000, respectively. The Company anticipates using these investments to satisfy obligations under these plans.

#### **Defined contribution plans**

The Company sponsors various defined contribution plans for eligible employees and the costs incurred by the Company under these plans were \$4.6 million in 2016 and \$3.2 million in 2015.

#### **Multiemployer plans**

Intermountain contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. The risks of participating in a multiemployer plan are different from a single-employer plan in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers

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- If the Company chooses to stop participating in the multiemployer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability

The Company's participation in this plan is outlined in the following table. The most recent Pension Protection Act zone status available in 2016 and 2015 is for the plan's year-end at December 31, 2015, and December 31, 2014, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2016	2015		2016	2015		
(In thousands)								
Idaho Plumbers and Pipefitters Pension Plan	82-6010346-001	Green as of 5/31/2016	Green as of 5/31/2015	No	\$ 1,221	\$ 1,169	No	09/30/2019

Intermountain was listed in the Idaho Plumbers and Pipefitters Pension Plan's Form 5500 as providing more than 5 percent of the total contributions as of the plan's year-end as of December 31, 2015 and 2014.

**NOTE 10 – REGULATORY MATTERS**

On April 29, 2016, Cascade filed an application with the OPUC for a natural gas rate increase of approximately \$1.9 million annually or approximately 2.8 percent above current rates. The request includes rate recovery associated with pipeline replacement and improvement projects to ensure the integrity of Cascade's system. On October 6, 2016, Cascade, staff of the OPUC and the interveners in the case filed a stipulation and settlement agreement reflecting an annual increase of approximately \$754,000 to be effective March 1, 2017. The OPUC issued an order approving the stipulation and settlement agreement on December 12, 2016.

On June 1, 2016, Cascade filed an application with the WUTC for an annual pipeline replacement cost recovery mechanism of \$4.6 million annually or approximately 2.0 percent of additional revenue. The requested increase includes \$2.4 million associated with incremental pipeline replacement investments and \$2.2 million for an alternative recovery request of incremental operation and maintenance costs associated with a maximum allowable operating pressure validation plan. On October 17, 2016, Cascade filed an update to the application that reduced the incremental pipeline replacement investment to \$1.9 million and removed the operation and maintenance costs associated with a maximum allowable operating pressure validation plan. On October 27, 2016, the WUTC allowed the pipeline replacement cost recovery mechanism which was effective November 1, 2016. On June 1, 2016, Cascade filed an accounting order to defer the costs related to the maximum allowable operating pressure validation plan and on November 10, 2016, the WUTC granted the order.

On August 12, 2016, Intermountain filed an application with the IPUC for a natural gas rate increase of approximately \$10.2 million annually or approximately 4.1 percent above current rates. The request includes rate recovery associated with increased investment in facilities and increased operating expenses. On November 23, 2016, Intermountain provided the IPUC with an updated revenue request of approximately \$9.4 million. A hearing was held March 1-3, 2017. This matter is pending before the IPUC.

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**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Claims and Litigation**

The Company is subject to claims and lawsuits arising out of its business. The Company accrues a liability for contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss. The Company had accrued liabilities of \$15.5 million and \$14.8 million for contingencies including litigation and environmental matters at December 31, 2016 and 2015, respectively, which include amounts that may have been accrued for matters discussed in Environmental matters within this note.

**Environmental matters**

**Manufactured Gas Plant Sites** There are three claims against Cascade for cleanup of environmental contamination at manufactured gas plant sites operated by Cascade's predecessors.

The first claim is for contamination at a site in Eugene, Oregon which was received in 1995. There are PRPs in addition to Cascade that may be liable for cleanup of the contamination. Some of these PRPs have shared in the investigation costs. It is expected that these and other PRPs will share in the cleanup costs. Several alternatives for cleanup have been identified, with preliminary cost estimates ranging from approximately \$500,000 to \$11.0 million. The Oregon State Department of Environmental Quality released a record of decision in January 2015 that selected a remediation alternative for the site as recommended in an earlier staff report. It is not known at this time what share of the cleanup costs will actually be borne by Cascade; however, Cascade anticipates its proportional share could be approximately 50 percent. Cascade has accrued \$1.6 million for remediation of this site. In January 2013, the OPUC approved Cascade's application to defer environmental remediation costs at the Eugene site for a period of 12 months starting November 30, 2012. Cascade received orders reauthorizing the deferred accounting for the 12-month periods starting December 1, 2015. Cascade has requested authority to defer accounting for the 12-month period starting December 1, 2016, which is pending before the OPUC.

The second claim is for contamination at a site in Bremerton, Washington which was received in 1997. A preliminary investigation has found soil and groundwater at the site contain contaminants requiring further investigation and cleanup. The EPA conducted a Targeted Brownfields Assessment of the site and released a report summarizing the results of that assessment in August 2009. The assessment confirms that contaminants have affected soil and groundwater at the site, as well as sediments in the adjacent Port Washington Narrows. Alternative remediation options have been identified with preliminary cost estimates ranging from \$340,000 to \$6.4 million. Data developed through the assessment and previous investigations indicates the contamination likely derived from multiple, different sources and multiple current and former owners of properties and businesses in the vicinity of the site may be responsible for the contamination. In April 2010, the Washington DOE issued notice it considered Cascade a PRP for hazardous substances at the site. In May 2012, the EPA added the site to the National Priorities List of Superfund sites. Cascade has entered into an administrative settlement agreement and consent order with the EPA regarding the scope and schedule for a remedial investigation and feasibility study for the site. Cascade has accrued \$12.5 million for the remedial investigation, feasibility study and remediation of this site. In April 2010, Cascade filed a petition with the WUTC for authority

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to defer the costs, which are included in other noncurrent assets, incurred in relation to the environmental remediation of this site. The WUTC approved the petition in September 2010, subject to conditions set forth in the order.

The third claim is for contamination at a site in Bellingham, Washington. Cascade received notice from a party in May 2008 that Cascade may be a PRP, along with other parties, for contamination from a manufactured gas plant owned by Cascade and its predecessor from about 1946 to 1962. The notice indicates that current estimates to complete investigation and cleanup of the site exceed \$8.0 million. Other PRPs have reached an agreed order and work plan with the Washington DOE for completion of a remedial investigation and feasibility study for the site. A report documenting the initial phase of the remedial investigation was completed in June 2011. There is currently not enough information available to estimate the potential liability to Cascade associated with this claim although Cascade believes its proportional share of any liability will be relatively small in comparison to other PRPs. The plant manufactured gas from coal between approximately 1890 and 1946. In 1946, shortly after Cascade's predecessor acquired the plant, it converted the plant to a propane-air gas facility. There are no documented wastes or by-products resulting from the mixing or distribution of propane-air gas.

Cascade has received notices from and entered into agreement with certain of its insurance carriers that they will participate in defense of Cascade for these contamination claims subject to full and complete reservations of rights and defenses to insurance coverage. Cascade received insurance payments of \$36,000 and \$51,000 in 2016 and 2015, respectively, for the Eugene defense costs and \$618,000 in 2016 for the Bremerton defense costs. To the extent these claims are not covered by insurance, Cascade will seek recovery through the OPUC and WUTC of remediation costs in its natural gas rates charged to customers.

The accruals related to these matters are reflected in regulatory assets. For more information, see Note 3.

### **Operating leases**

The Company leases certain equipment, facilities and land under operating lease agreements. The amounts of annual minimum lease payments due under these leases as of December 31, 2016, were \$237,000 in 2017, \$165,000 in 2018, \$146,000 in 2019, \$147,000 in 2020, \$135,000 in 2021, and \$347,000 thereafter. Rent expense was \$541,000 and \$520,000 for the years ended December 31, 2016 and 2015, respectively.

### **Purchase commitments**

The Company has entered into various commitments, largely natural gas supply and natural gas transportation and storage contracts, some of which are subject to variability in volume and price. These commitments range from one to 44 years. The commitments under these contracts as of December 31, 2016, were \$180.7 million in 2017, \$123.2 million in 2018, \$102.2 million in 2019, \$87.6 million in 2020, \$85.4 million in 2021, and \$711.5 million thereafter. These commitments were not reflected in the Company's consolidated financial statements. Amounts purchased under various commitments for the years ended December 31, 2016 and 2015, respectively, were approximately \$184.8 million and \$246.6 million.

### **Guarantees**

Cascade has an outstanding letter of credit to a third party related to a remedial investigation feasibility study. At December 31, 2016, the fixed maximum amount guaranteed under this letter of credit was \$2.2 million, which is scheduled to expire in 2017. There were no amounts outstanding under this letter of credit at December 31, 2016.

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**NOTE 12 – RELATED-PARTY TRANSACTIONS**

MDU and Montana-Dakota provide and receive certain support services to/from the Company. The amount charged for services provided to the Company was \$35.8 million and \$26.3 million for the years ended December 31, 2016 and 2015, respectively and the amount charged for services received from the Company was \$966,000 and \$48,000 for the years ended December 31, 2016 and 2015, respectively.

The amounts included in the Consolidated Balance Sheets related to MDU and Montana-Dakota at December 31 were as follows:

	<b>2016</b>	<b>2015</b>
	<i>(In thousands)</i>	
Accounts receivable	\$ <b>84</b>	\$ 108
Accounts payable	<b>2,584</b>	2,706
Dividend payable	<b>4,800</b>	5,400
Deferred charges and other assets - other	<b>5,900</b>	3,937
Deferred credits and other liabilities - other	<b>1,615</b>	2,502

MDU has several stock-based compensation plans in which the Company participates. Total stock-based compensation expense for the years ended December 31, 2016 and 2015, respectively, was \$716,000 and \$805,000, net of income taxes of \$458,000 and \$515,000, respectively. As of December 31, 2016, total remaining unrecognized compensation expense related to stock-based compensation was approximately \$1.1 million (before income taxes) which will be amortized over a weighted average period of 1.5 years.

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**Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion**

Line No.	Item (a)	Total Company For the Current Quarter/Year
1	UTILITY PLANT	
2	In Service	
3	Plant in Service (Classified)	889,631,647
4	Property Under Capital Leases	
5	Plant Purchased or Sold	
6	Completed Construction not Classified	33,062,917
7	Experimental Plant Unclassified	
8	TOTAL Utility Plant (Total of lines 3 thru 7)	922,694,564
9	Leased to Others	
10	Held for Future Use	
11	Construction Work in Progress	12,898,870
12	Acquisition Adjustments	
13	TOTAL Utility Plant (Total of lines 8 thru 12)	935,593,434
14	Accumulated Provisions for Depreciation, Amortization, & Depletion	453,344,582
15	Net Utility Plant (Total of lines 13 and 14)	482,248,852
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION	
17	In Service:	
18	Depreciation	442,537,270
19	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
20	Amortization of Underground Storage Land and Land Rights	
21	Amortization of Other Utility Plant	10,807,312
22	TOTAL In Service (Total of lines 18 thru 21)	453,344,582
23	Leased to Others	
24	Depreciation	
25	Amortization and Depletion	
26	TOTAL Leased to Others (Total of lines 24 and 25)	
27	Held for Future Use	
28	Depreciation	
29	Amortization	
30	TOTAL Held for Future Use (Total of lines 28 and 29)	
31	Abandonment of Leases (Natural Gas)	
32	Amortization of Plant Acquisition Adjustment	
33	TOTAL Accum. Provisions (Should agree with line 14 above)(Total of lines 22, 26, 30, 31, and 32)	453,344,582



**Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion (continued)**

Line No.	Electric (c)	Gas (d)	Other (specify) (e)	Common (f)
1				
2				
3		889,631,647		
4				
5				
6		33,062,917		
7				
8		922,694,564		
9				
10				
11		12,898,870		
12				
13		935,593,434		
14		453,344,582		
15		482,248,852		
16				
17				
18		442,537,270		
19				
20				
21		10,807,312		
22		453,344,582		
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33		453,344,582		

**Gas Plant in Service (Accounts 101, 102, 103, and 106)**

1. Report below the original cost of gas plant in service according to the prescribed accounts.  
 2. In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold, Account 103, Experimental Gas Plant Unclassified, and Account 106, Completed Construction Not Classified-Gas.  
 3. Include in column (c) and (d), as appropriate corrections of additions and retirements for the current or preceding year.  
 4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.  
 5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	INTANGIBLE PLANT		
2	301 Organization	152,066	
3	302 Franchises and Consents	211,825	
4	303 Miscellaneous Intangible Plant	33,536,081	35,381
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	33,899,972	35,381
6	PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds		
10	325.3 Gas Rights		
11	325.4 Rights-of-Way		
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Measuring and Regulating Station Equipment		
16	329 Other Structures		
17	330 Producing Gas Wells-Well Construction		
18	331 Producing Gas Wells-Well Equipment		
19	332 Field Lines		
20	333 Field Compressor Station Equipment		
21	334 Field Measuring and Regulating Station Equipment		
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment		
24	337 Other Equipment		
25	338 Unsuccessful Exploration and Development Costs		
26	339 Asset Retirement Costs for Natural Gas Production and		
27	TOTAL Production and Gathering Plant (Enter Total of lines 8		
28	PRODUCTS EXTRACTION PLANT		
29	340 Land and Land Rights		
30	341 Structures and Improvements		
31	342 Extraction and Refining Equipment		
32	343 Pipe Lines		
33	344 Extracted Products Storage Equipment		

**Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)**

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1				
2				152,066
3				211,825
4				33,571,462
5				33,935,353
6				
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**Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)**

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
34	345 Compressor Equipment		
35	346 Gas Measuring and Regulating Equipment		
36	347 Other Equipment		
37	348 Asset Retirement Costs for Products Extraction Plant		
38	TOTAL Products Extraction Plant (Enter Total of lines 29 thru 37)		
39	TOTAL Natural Gas Production Plant (Enter Total of lines 27 and		
40	Manufactured Gas Production Plant (Submit Supplementary		
41	TOTAL Production Plant (Enter Total of lines 39 and 40)		
42	NATURAL GAS STORAGE AND PROCESSING PLANT		
43	Underground Storage Plant		
44	350.1 Land		
45	350.2 Rights-of-Way		
46	351 Structures and Improvements		
47	352 Wells		
48	352.1 Storage Leaseholds and Rights		
49	352.2 Reservoirs		
50	352.3 Non-recoverable Natural Gas		
51	353 Lines		
52	354 Compressor Station Equipment		
53	355 Other Equipment		
54	356 Purification Equipment		
55	357 Other Equipment		
56	358 Asset Retirement Costs for Underground Storage Plant		
57	TOTAL Underground Storage Plant (Enter Total of lines 44 thru		
58	Other Storage Plant		
59	360 Land and Land Rights		
60	361 Structures and Improvements		
61	362 Gas Holders		
62	363 Purification Equipment		
63	363.1 Liquefaction Equipment		
64	363.2 Vaporizing Equipment		
65	363.3 Compressor Equipment		
66	363.4 Measuring and Regulating Equipment		
67	363.5 Other Equipment		
68	363.6 Asset Retirement Costs for Other Storage Plant		
69	TOTAL Other Storage Plant (Enter Total of lines 58 thru 68)		
70	Base Load Liquefied Natural Gas Terminaling and Processing Plant		
71	364.1 Land and Land Rights		
72	364.2 Structures and Improvements		
73	364.3 LNG Processing Terminal Equipment		
74	364.4 LNG Transportation Equipment		
75	364.5 Measuring and Regulating Equipment		
76	364.6 Compressor Station Equipment		
77	364.7 Communications Equipment		
78	364.8 Other Equipment		
79	364.9 Asset Retirement Costs for Base Load Liquefied Natural Gas		
80	TOTAL Base Load Liquefied Nat'l Gas, Terminaling and Processing		

**Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)**

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
34				
35				
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Name of Respondent Cascade Natural Gas Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of 2016/Q4
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**Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)**

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
81	TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 57,		
82	TRANSMISSION PLAN		
83	365.1 Land and Land Rights	224,536	
84	365.2 Rights-of-Way	1,026,089	
85	366 Structures and Improvements		
86	367 Mains	21,858,290	310
87	368 Compressor Station Equipment		
88	369 Measuring and Regulating Station Equipment	192,300	
89	370 Communication Equipment		
90	371 Other Equipment		
91	372 Asset Retirement Costs for Transmission Plant	87,147	
92	TOTAL Transmission Plant (Enter Totals of lines 83 thru 91)	23,388,362	310
93	DISTRIBUTION PLANT		
94	374 Land and Land Rights	2,488,653	( 2,125)
95	375 Structures and Improvements	1,457,569	1,759
96	376 Mains	395,963,010	33,043,435
97	377 Compressor Station Equipment	2,097,767	
98	378 Measuring and Regulating Station Equipment-General	25,168,603	3,078,265
99	379 Measuring and Regulating Station Equipment-City Gate		
100	380 Services	206,078,067	8,445,368
101	381 Meters	51,334,926	5,704,161
102	382 Meter Installations	30,639,593	758,789
103	383 House Regulators	10,358,745	271,741
104	384 House Regulator Installations		
105	385 Industrial Measuring and Regulating Station Equipment	9,563,460	475,026
106	386 Other Property on Customers' Premises		
107	387 Other Equipment		
108	388 Asset Retirement Costs for Distribution Plant	15,304,939	1,267,219
109	TOTAL Distribution Plant (Enter Total of lines 94 thru 108)	750,455,332	53,043,638
110	GENERAL PLANT		
111	389 Land and Land Rights	3,276,909	191,174
112	390 Structures and Improvements	19,530,223	( 2,795)
113	391 Office Furniture and Equipment	7,379,332	244,996
114	392 Transportation Equipment	14,304,623	2,035,676
115	393 Stores Equipment	66,925	
116	394 Tools, Shop, and Garage Equipment	7,155,819	542,608
117	395 Laboratory Equipment	126,158	
118	396 Power Operated Equipment	3,565,233	1,795,728
119	397 Communication Equipment	6,957,666	133,281
120	398 Miscellaneous Equipment	77,581	2,098
121	Subtotal (Enter Total of lines 111 thru 120)	62,440,469	4,942,766
122	399 Other Tangible Property		
123	399.1 Asset Retirement Costs for General Plant		
124	TOTAL General Plant (Enter Total of lines 121, 122 and 123)	62,440,469	4,942,766
125	TOTAL (Accounts 101 and 106)	870,184,135	58,022,095
126	Gas Plant Purchased (See Instruction 8)		
127	(Less) Gas Plant Sold (See Instruction 8)		
128	Experimental Gas Plant Unclassified		
129	TOTAL Gas Plant In Service (Enter Total of lines 125 thru 128)	870,184,135	58,022,095

**Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)**

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
81				
82				
83				224,536
84				1,026,089
85				
86				21,858,600
87				
88		1		192,301
89				
90				
91				87,147
92		1		23,388,673
93				
94				2,486,528
95				1,459,328
96	520,271	1		428,486,175
97				2,097,767
98	127,924			28,118,944
99				
100	446,616			214,076,819
101	767,232			56,271,855
102	20,683		( 49,318)	31,328,381
103	243,029			10,387,457
104				
105	53,800	( 2)	49,318	10,034,002
106				
107				
108	79,801			16,492,357
109	2,259,356	( 1)		801,239,613
110				
111				3,468,083
112				19,527,428
113	98,393			7,525,935
114	898,449			15,441,850
115				66,925
116	352,151			7,346,276
117				126,158
118	1,867,416			3,493,545
119	35,901			7,055,046
120				79,679
121	3,252,310			64,130,925
122				
123				
124	3,252,310			64,130,925
125	5,511,666			922,694,564
126				
127				
128				
129	5,511,666			922,694,564

**Gas Property and Capacity Leased from Others**

1. Report below the information called for concerning gas property and capacity leased from others for gas operations.
2. For all leases in which the average annual lease payment over the initial term of the lease exceeds \$500,000, describe in column (c), if applicable: the property or capacity leased. Designate associated companies with an asterisk in column (b).

Line No.	Name of Lessor (a)	* (b)	Description of Lease (c)	Lease Payments for Current Year (d)
1	None			
2				
3				
4				
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45	<b>Total</b>			



**Gas Property and Capacity Leased to Others**

1. For all leases in which the average lease income over the initial term of the lease exceeds \$500,000 provide in column (c), a description of each facility or leased capacity that is classified as gas plant in service, and is leased to others for gas operations.
2. In column (d) provide the lease payments received from others.
3. Designate associated companies with an asterisk in column (b).

Line No.	Name of Lessor (a)	*	Description of Lease (c)	Lease Payments for Current Year (d)
		(b)		
1	None			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
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45	<b>Total</b>			

**Gas Plant Held for Future Use (Account 105)**

1. Report separately each property held for future use at end of the year having an original cost of \$1,000,000 or more. Group other items of property held for future use.
2. For property having an original cost of \$1,000,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location of Property (a)	Date Originally Included in this Account (b)	Date Expected to be Used in Utility Service (c)	Balance at End of Year (d)
1	None			
2				
3				
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44				
45	<b>Total</b>			

**Construction Work in Progress-Gas (Account 107)**

1. Report below descriptions and balances at end of year of projects in process of construction (Account 107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than \$1,000,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Sunriver Gate Station Upgrade	2,367,870	
2	Sunnyside Gate Station Upgrade	1,550,041	
3	Southridge Gate Station	1,526,404	
4	GL Essentials Software	1,225,169	
5	IRV Web Implementation	1,080,993	
6			
7			
8	Minor distribution system/general Plant projects each under \$1 million	5,148,393	
9			
10			
11			
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41			
42			
43			
44			
45	<b>Total</b>	<b>12,898,870</b>	

**Non-Traditional Rate Treatment Afforded New Projects**

1. The Commission's Certificate Policy Statement provides a threshold requirement for existing pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. See Certification of New Interstate Natural Gas Pipeline Facilities, 88 FERC P61,227 (1999); order clarifying policy, 90 FERC P61,128 (2000); order clarifying policy, 92 FERC P61,094 (2000) (Policy Statement). In column a, list the name of the facility granted non-traditional rate treatment.
2. In column b, list the CP Docket Number where the Commission authorized the facility.
3. In column c, indicate the type of rate treatment approved by the Commission (e.g. incremental, at risk)
4. In column d, list the amount in Account 101, Gas Plant in Service, associated with the facility.
5. In column e, list the amount in Account 108, Accumulated Provision for Depreciation of Gas Utility Plant, associated with the facility.

Line No.	Name of Facility  (a)	CP Docket No.  (b)	Type of Rate Treatment  (c)	Gas Plant in Service  (d)
1	None			
2				
3				
4				
5				
6				
7				
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11				
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36				
	<b>Total</b>			0

**Non-Traditional Rate Treatment Afforded New Projects (continued)**

- 6. In column f, list the amount in Account 190, Accumulated Deferred Income Tax; Account 281, Accumulated Deferred Income Taxes – Accelerated Amortization Property; Account 282, Accumulated Deferred Income Taxes – Other Property; Account 283, Accumulated Deferred Income Taxes – Other, associated with the facility.
- 7. In column g, report the total amount included in the gas operations expense accounts during the year related to the facility (Account 401, Operation Expense).
- 8. In column h, report the total amount included in the gas maintenance expense accounts during the year related to the facility.
- 9. In column i, report the amount of depreciation expense accrued on the facility during the year.
- 10. In column j, list any other expenses(including taxes) allocated to the facility.
- 11. In column k, report the incremental revenues associated with the facility.
- 12. Identify the volumes received and used for any incremental project that has a separate fuel rate for that project.
- 13. Provide the total amounts for each column.

Line No.	Accumulated Depreciation  (e)	Accumulated Deferred Income Taxes  (f)	Operating Expense  (g)	Maintenance Expense  (h)	Depreciation Expense  (i)	Other Expenses (including taxes)  (j)	Incremental Revenues  (k)
1							
2							
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Cascade Natural Gas Corporation	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12/31/2016	2016/Q4
<b>General Description of Construction Overhead Procedure</b>			

1. For each construction overhead explain: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.
2. Show below the computation of allowance for funds used during construction rates, in accordance with the provisions of Gas Plant Instructions 3 (17) of the Uniform System of Accounts.
3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.

1. Engineering & Supervision and General & Administrative overhead:

Engineer & Supervision (ES) overhead consists of employees' time in preparation of work orders, mapping, determining feasibility, and other Engineering/construction based supervisory costs related to new construction which are not identified with a specific project, along with the associated payroll taxes and employee benefit costs.

General & Administrative (GA) overhead consists of employees' time in processing A/P, A/R, receiving orders, and other administrative functions which are not identified with a specific project, along with the associated payroll taxes and employee benefit costs.

Both ES & GA (ES/GA) are accumulated in pools from which a portion is allocated each month. The allocation is based on a rate determined by the Fixed Assets Analyst and approved by the Manager of General & Asset Accounting which is then applied to the current month activity for all applicable work orders to determine how much should be transferred from the ES/GA pools to the affected work orders. This is accomplished via a system (PowerPant) batch operation. An applicable work order is one that 1) is capital installation/purchase, and not a preliminary survey or investigative in nature. Note that purchase projects only receive GA overhead, not ES. Construction projects receive both.

2. ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION (AFUDC):

The formula on page 218a is used.

**General Description of Construction Overhead Procedure (continued)**

COMPUTATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATES

1. For line (5), column (d) below, enter the rate granted in the last rate proceeding. If not available, use the average rate earned during the preceding 3 years.
2. Identify, in a footnote, the specific entity used as the source for the capital structure figures.
3. Indicate, in a footnote, if the reported rate of return is one that has been approved in a rate case, black-box settlement rate, or an actual three-year average rate.

1. Components of Formula (Derived from actual book balances and actual cost rates):

Line No.	Title (a)	Amount (b)	Capitalization Ration (percent) (c)	Cost Rate Percentage (d)
(1)	Average Short-Term Debt	S		
(2)	Short-Term Interest			s
(3)	Long-Term Debt	D 211,929,397	52.60	d 5.36
(4)	Preferred Stock	P		p
(5)	Common Equity	C 190,909,865	47.40	c 7.53
(6)	Total Capitalization	402,839,262	100.00	
(7)	Average Construction Work In Progress Balance	W 13,135,280		
2. Gross Rate for Borrowed Funds $s(S/W) + d[(D/(D+P+C)) (1-(S/W))]$			2.82	
3. Rate for Other Funds $[1-(S/W)] [p(P/(D+P+C)) + c(C/(D+P+C))]$			3.57	
4. Weighted Average Rate Actually Used for the Year:				
a. Rate for Borrowed Funds -			2.78	
b. Rate for Other Funds -			3.52	

**Accumulated Provision for Depreciation of Gas Utility Plant (Account 108)**

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 10, column (c), and that reported for gas plant in service, page 204-209, column (d), excluding retirements of nondepreciable property.
3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.
5. At lines 7 and 14, add rows as necessary to report all data. Additional rows should be numbered in sequence, e.g., 7.01, 7.02, etc.

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
	Section A. BALANCES AND CHANGES DURING YEAR				
1	Balance Beginning of Year	( 424,310,707)	( 424,310,707)		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	( 22,501,731)	( 22,501,731)		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Expense of Gas Plant Leased to Others				
6	Transportation Expenses - Clearing	( 1,052,718)	( 1,052,718)		
7	Other Clearing Accounts				
8	Other Clearing (Specify) (footnote details):	( 148,727)	( 148,727)		
9					
10	TOTAL Deprec. Prov. for Year (Total of lines 3 thru 8)	( 23,703,176)	( 23,703,176)		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	5,511,667	5,511,667		
13	Cost of Removal	1,687,016	1,687,016		
14	Salvage (Credit)	1,887,287	1,887,287		
15	TOTAL Net Chrgs for Plant Ret. (Total of lines 12 thru 14)	5,311,396	5,311,396		
16	Other Debit or Credit Items (Describe) (footnote details):	165,217	165,217		
17					
18	Book Cost of Asset Retirement Costs				
19	Balance End of Year (Total of lines 1,10,15,16 and 18)	( 442,537,270)	( 442,537,270)		
	Section B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS				
21	Productions-Manufactured Gas				
22	Production and Gathering-Natural Gas				
23	Products Extraction-Natural Gas				
24	Underground Gas Storage				
25	Other Storage Plant				
26	Base Load LNG Terminating and Processing Plant				
27	Transmission	( 15,092,214)	( 15,092,214)		
28	Distribution	( 401,047,028)	( 401,047,028)		
29	General	( 26,398,028)	( 26,398,028)		
30	TOTAL (Total of lines 21 thru 29)	( 442,537,270)	( 442,537,270)		



Name of Respondent Cascade Natural Gas Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**Gas Stored (Accounts 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, and 164.3)**

1. If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
2. Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
3. State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also, state in a footnote the method used to report storage (i.e., fixed asset method or inventory method).

Line No.	Description (a)	(Account 117.1) (b)	(Account 117.2) (c)	Noncurrent (Account 117.3) (d)	(Account 117.4) (e)	Current (Account 164.1) (f)	LNG (Account 164.2) (g)	LNG (Account 164.3) (h)	Total (i)
1	Balance at Beginning of					238,846	712,311		951,157
2	Gas Delivered to Storage						1,792,949		1,792,949
3	Gas Withdrawn from						800,096		800,096
4	Other Debits and Credits					( 112,190)			( 112,190)
5	Balance at End of Year					126,656	1,705,164		1,831,820
6	Dth					40,354	512,200		552,554
7	Amount Per Dth					3.1386	3.3291		3.3152

**Investments (Account 123, 124, and 136)**

1. Report below investments in Accounts 123, Investments in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.
2. Provide a subheading for each account and list thereunder the information called for:
  - (a) Investment in Securities-List and describe each security owned, giving name of issuer, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, Other Investments) state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, Temporary Cash Investments, also may be grouped by classes.
  - (b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances that are properly includable in Account 123. Include advances subject to current repayment in Account 145 and 146. With respect to each advance, show whether the advance is a note or open account.

Line No.	Description of Investment  (a)	*	Book Cost at Beginning of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)  (c)	Purchases or Additions During the Year  (d)
		(b)		
1				
2	Account 124			
3	Oregon weatherization loans			
4	Customer Note Receivable			
5	SERP Plan Assets		10,359,340	466,627
6	SISP Plan Assets		81,004	25,861
7				
8				
9				
10				
11	Account 136			
12	Short-term deposits of cash in interest			
13	bearing accounts (cash management accts)			
14				
15	Short-term deposits of cash in interest			
16	bearing accounts (Exec Deferred Compensation)			
17				
18				
19				
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**Investments (Account 123, 124, and 136) (continued)**

List each note, giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees.  
 3. Designate with an asterisk in column (b) any securities, notes or accounts that were pledged, and in a footnote state the name of pledges and purpose of the pledge.  
 4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and cite Commission, date of authorization, and case or docket number.  
 5. Report in column (h) interest and dividend revenues from investments including such revenues from securities disposed of during the year.  
 6. In column (i) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (h).

Line No.	Sales or Other Dispositions During Year (e)	Principal Amount or No. of Shares at End of Year (f)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (g)	Revenues for Year (h)	Gain or Loss from Investment Disposed of (i)
1					
2					
3					
4					
5			10,825,967	466,627	
6			106,865	5,772	
7					
8					
9					
10					
11					
12					
13					
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**Investments in Subsidiary Companies (Account 123.1)**

1. Report below investments in Account 123.1, Investments in Subsidiary Companies.
2. Provide a subheading for each company and list thereunder the information called for below. Sub-total by company and give a total in columns (e), (f), (g) and (h).
  - (a) Investment in Securities-List and describe each security owned. For bonds give also principal amount, date of issue, maturity, and interest rate.
  - (b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
3. Report separately the equity in undistributed subsidiary earnings since acquisition. The total in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment  (a)	Date Acquired  (b)	Date of Maturity  (c)	Amount of Investment at Beginning of Year  (d)
1	None			
2				
3				
4				
5				
6				
7				
8				
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39				
<b>40</b>	<b>TOTAL Cost of Account 123.1 \$</b>		<b>TOTAL</b>	

**Investments in Subsidiary Companies (Account 123.1) (continued)**

4. Designate in a footnote, any securities, notes, or accounts that were pledged, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report in column (f) interest and dividend revenues from investments, including such revenues from securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost), and the selling price thereof, not including interest adjustments includible in column (f).
8. Report on Line 40, column (a) the total cost of Account 123.1.

Line No.	Equity in Subsidiary Earnings for Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)
1				
2				
3				
4				
5				
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Name of Respondent

Cascade Natural Gas Corporation

This Report Is:

(1)  An Original

(2)  A Resubmission

Date of Report  
(Mo, Da, Yr)

12/31/2016

Year/Period of Report

End of 2016/Q4

**Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2)**

**PREPAYMENTS (ACCOUNT 165)**

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Payment  (a)	Balance at End of Year (in dollars) (b)
1	Prepaid Insurance	146,719
2	Prepaid Rents	1,381,150
3	Prepaid Taxes	719,759
4	Prepaid Interest	
5	Miscellaneous Prepayments	209,142
6	TOTAL	2,456,770

**Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2)**  
 (continued)

**EXTRAORDINARY PROPERTY LOSSES (ACCOUNT 182.1)**

Line No.	Description of Extraordinary Loss [include the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr)] Add rows as necessary to report all data. (a)	Balance at Beginning of Year (b)	Total Amount of Loss (c)	Losses Recognized During Year (d)	Written off During Year  Account Charged (e)	Written off During Year  Amount (f)	Balance at End of Year (g)
7	None						
8							
9							
10							
11							
12							
13							
14							
<b>15</b>	<b>Total</b>						

**Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2)**  
(continued)

**UNRECOVERED PLANT AND REGULATORY STUDY COSTS (ACCOUNT 182.2)**

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr)] Add rows as necessary to report all data. Number rows in sequence beginning with the next row number after the last row number used for extraordinary property losses. (a)	Balance at Beginning of Year (b)	Total Amount of Charges (c)	Costs Recognized During Year (d)	Written off During Year  Account Charged (e)	Written off During Year  Amount (f)	Balance at End of Year (g)
16	None						
17							
18							
19							
20							
21							
22							
23							
24							
25							
<b>26</b>	<b>Total</b>						





**Miscellaneous Deferred Debits (Account 186)**

1. Report below the details called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (less than \$250,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits  (a)	Balance at Beginning of Year  (b)	Debits  (c)	Credits  Account Charged (d)	Credits  Amount (e)	Balance at End of Year  (f)
1	WA Conservation Programs	3,496,248	6,503,889	4800-4813	5,894,119	4,106,018
2	(amortization period 11/10-present)					
3						
4	WA Bremerton Manufactured Gas Plant	16,255,321	203,395		617,701	15,841,015
5	Remediation					
6						
7	WA Gas Management Sharing Margin	( 9,370)	21,043	4800-4813	11,673	
8	(amortization period 11/10-present)			4890		
9						
10	WA Over-refunded Temporary Revenue	( 3,994)	4,085		91	
11	Credit					
12						
13	WA Decoupling Deferral		1,737,479		1,829,812	( 92,333)
14						
15	WA MAOP Deferred Costs		2,219,857			2,219,857
16						
17	OR Conservation Programs					
18	(amortization period 11/10-present)	620,538	4,438,436	4800-4813	5,372,368	( 313,394)
19				4890		
20	OR Eugene Manufactured Gas Plant					
21	Remediation	1,882,523	121,560		57,956	1,946,127
22						
23	OR Intervenor Funding					
24	(amortization period 11/10-present)	76,148	360,474	4800-4813	304,181	132,441
25				4890		
26	OR Over-refunded Temporary Revenue	480	8		488	
27	Credit					
28						
29	I/C Asset - Net Benefit Funds	3,597,416			41,545	3,555,871
30						
31	Post Retirement FAS 158	998,936	1,444,767		1,121,888	1,321,815
32						
33	ARO	39,302,214	43,633,427		40,764,721	42,170,920
34						
35						
36						
37						
38						
39	Miscellaneous Work in Progress					
40	<b>Total</b>	<b>66,216,460</b>	<b>60,688,420</b>		<b>56,016,543</b>	<b>70,888,337</b>

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**[Next page is 234]**

**Accumulated Deferred Income Taxes (Account 190)**

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.
3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Account Subdivisions  (a)	Balance at Beginning of Year  (b)	Changes During Year	Changes During Year
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 190			
2	Electric			
3	Gas	26,391,798	52,362	
4	Other (Define) (footnote details)			
5	Total (Total of lines 2 thru 4)	26,391,798	52,362	
6	Other (Specify) (footnote details)			
7	TOTAL Account 190 (Total of lines 5 thru 6)	26,391,798	52,362	
8	Classification of TOTAL			
9	Federal Income Tax	25,273,741	53,504	
10	State Income Tax	1,118,057	( 1,142)	
11	Local Income Tax			

**Accumulated Deferred Income Taxes (Account 190) (continued)**

Line No.	Changes During Year	Changes During Year	Adjustments	Adjustments	Adjustments	Adjustments	Balance at End of Year
	Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits Account No. (g)	Debits Amount (h)	Credits Account No. (i)	Credits Amount (j)	
1							
2							
3			see	( 273,664)	see	( 124,773)	26,488,327
4			footnote		footnote		
5				( 273,664)		( 124,773)	26,488,327
6							
7				( 273,664)		( 124,773)	26,488,327
8							
9				( 43,331)		( 90,170)	25,173,398
10				( 230,333)		( 34,603)	1,314,929
11							

**Capital Stock (Accounts 201 and 204)**

1. Report below the details called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.
3. Give details concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.

Line No.	Class and Series of Stock and Name of Stock Exchange  (a)	Number of Shares Authorized by Charter  (b)	Par or Stated Value per Share  (c)	Call Price at End of Year  (d)
1	Account 201			
2	Common stock - not publicly traded	1,000	1.00	
3				
4				
5				
6				
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**Capital Stock (Accounts 201 and 204)**

4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or noncumulative.  
5. State in a footnote if any capital stock that has been nominally issued is nominally outstanding at end of year.  
6. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purpose of pledge.

Line No.	Outstanding per Bal. Sheet (total amt outstanding without reduction for amts held by respondent) Shares (e)	Outstanding per Bal. Sheet Amount (f)	Held by Respondent As Reacquired Stock (Acct 217) Shares (g)	Held by Respondent As Reacquired Stock (Acct 217) Cost (h)	Held by Respondent In Sinking and Other Funds Shares (i)	Held by Respondent In Sinking and Other Funds Amount (j)
1						
2	1,000	1,000				
3						
4						
5						
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**Capital Stock: Subscribed, Liability for Conversion, Premium on, and Installments Received on (Accts 202, 203, 205, 206, 207, and 212)**

1. Show for each of the above accounts the amounts applying to each class and series of capital stock.
2. For Account 202, Common Stock Subscribed, and Account 205, Preferred Stock Subscribed, show the subscription price and the balance due on each class at the end of year.
3. Describe in a footnote the agreement and transactions under which a conversion liability existed under Account 203, Common Stock Liability for Conversion, or Account 206, Preferred Stock Liability for Conversion, at the end of year.
4. For Premium on Account 207, Capital Stock, designate with an asterisk in column (b), any amounts representing the excess of consideration received over stated values of stocks without par value.

Line No.	Name of Account and Description of Item (a)	* (b)	Number of Shares (c)	Amount (d)
1	Account 207			
2	Premium on Capital Stock - Common		1,000	160,698,668
3				
4	Represents excess received over \$1.00 par value			
5	of common stock			
6				
7				
8				
9				
10				
11				
12				
13				
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28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	<b>Total</b>		<b>1,000</b>	<b>160,698,668</b>



**Other Paid-In Capital (Accounts 208-211)**

1. Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as a total of all accounts for reconciliation with the balance sheet, page 112. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208) - State amount and briefly explain the origin and purpose of each donation.

(b) Reduction in Par or Stated Value of Capital Stock (Account 209) - State amount and briefly explain the capital changes that gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain or Resale or Cancellation of Reacquired Capital Stock (Account 210) - Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-In Capital (Account 211) - Classify amounts included in this account according to captions that, together with brief explanations, disclose the general nature of the transactions that gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	None	
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
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13		
14		
15		
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31		
32		
33		
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37		
38		
39		
40	<b>Total</b>	<b>0</b>

**DISCOUNT ON CAPITAL STOCK (ACCOUNT 213)**

1. Report the balance at end of year of discount on capital stock for each class and series of capital stock. Use as many rows as necessary to report all data.
2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement giving details of the change. State the reason for any charge-off during the year and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	None	
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
<b>TOTAL</b>		

**CAPITAL STOCK EXPENSE (ACCOUNT 214)**

1. Report the balance at end of year of capital stock expenses for each class and series of capital stock. Use as many rows as necessary to report all data. Number the rows in sequence starting from the last row number used for Discount on Capital Stock above.
2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement giving details of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
16	None	
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
<b>TOTAL</b>		

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
Cascade Natural Gas Corporation			
<b>Securities Issued or Assumed and Securities Refunded or Retired During the Year</b>			

1. Furnish a supplemental statement briefly describing security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.
2. Provide details showing the full accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gain or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.
3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.
4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, cite the Commission authorization for the different accounting and state the accounting method.
5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as details of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

None

**Long-Term Debt (Accounts 221, 222, 223, and 224)**

1. Report by Balance Sheet Account the details concerning long-term debt included in Account 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.
2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
3. For Advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
4. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange  (a)	Nominal Date of Issue  (b)	Date of Maturity  (c)	Outstanding (Total amount outstanding without reduction for amts held by respondent)  (d)
1	Account 224			
2				
3	Other Long Term Debt	09/15/1997	09/15/2027	20,000,000
4	Medium Term Notes	03/16/1999	03/16/2029	15,000,000
5	Medium Term Notes	02/01/2005	02/01/2035	24,471,000
6	Insured Quarterly Notes	09/01/2005	09/01/2020	15,000,000
7	Notes	03/08/2007	03/08/2037	40,000,000
8	Senior Notes (Series A)	08/23/2013	08/23/2025	25,000,000
9	Senior Notes (Series B)	08/23/2013	08/23/2028	25,000,000
10	Senior Notes (Series A)	11/24/2014	11/24/2044	12,500,000
11	Senior Notes (Series B)	11/24/2014	11/24/2054	12,500,000
12	Senior Notes (Series C)	01/15/2015	01/15/2045	12,500,000
13	Senior Notes (Series D)	01/15/2015	01/15/2055	12,500,000
14				
15				
16				
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39				
<b>40</b>	<b>TOTAL</b>			214,471,000

**Long-Term Debt (Accounts 221, 222, 223, and 224)**

5. In a supplemental statement, give explanatory details for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.
7. If the respondent has any long-term securities that have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
8. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain in a footnote any difference between the total of column (f) and the total Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
9. Give details concerning any long-term debt authorized by a regulatory commission but not yet issued.

Line No.	Interest for Year Rate (in %) (e)	Interest for Year Amount (f)	Held by Respondent Reacquired Bonds (Acct 222) (g)	Held by Respondent Sinking and Other Funds (h)	Redemption Price per \$100 at End of Year (i)
1					
2					
3	7.480	1,496,000			
4	7.100	1,064,700			
5	5.250	1,286,373			
6	5.210	781,500			
7	5.790	2,316,000			
8	4.110	1,027,500			
9	4.360	1,090,000			
10	4.090	511,250			
11	4.240	530,000			
12	4.090	511,250			
13	4.240	530,000			
14					
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16					
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39					
40		11,144,573			

**Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)**

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, details of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

Line No.	Designation of Long-Term Debt	Principal Amount of Debt Issued	Total Expense Premium or Discount	Amortization Period	Amortization Period
	(a)			(b)	(c)
1	Unamortized Debt Expense (Account 181)				
2					
3	Medium Term Notes 7.48%	20,000,000	201,406	09/15/1997	09/15/2027
4	Medium Term Notes 7.10%	15,000,000	151,056	03/16/1999	03/16/2029
5	Insured Quarterly Notes 5.25%	24,589,000	1,947,598	02/01/2005	02/01/2035
6	Notes 5.21%	15,000,000	238,755	09/01/2005	09/01/2020
7	Senior Notes 5.79%	40,000,000	232,781	03/08/2007	03/08/2037
8	Senior Notes (Series A) 4.11%	25,000,000	151,810	08/23/2013	08/23/2025
9	Senior Notes (Series B) 4.36%	25,000,000	151,810	08/23/2013	08/23/2028
10	Revolving Credit Agreement		207,500	07/09/2013	07/09/2018
11	Senior Notes (Series A) 4.09%	12,500,000	62,455	11/24/2014	11/24/2044
12	Senior Notes (Series B) 4.24%	12,500,000	61,105	11/24/2014	11/24/2054
13	Senior Notes (Series C) 4.09%	12,500,000	62,455	01/15/2015	01/15/2045
14	Senior Notes (Series D) 4.24%	12,500,000	61,105	01/15/2015	01/15/2055
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**Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)**

5. Furnish in a footnote details regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.
6. Identify separately undisposed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt-Credit.

Line No.	Balance at Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance at End of Year (i)
1				
2				
3	78,604		6,713	71,891
4	66,295		5,035	61,260
5	1,240,690		65,014	1,175,676
6	73,827		16,177	57,650
7	164,515		7,770	156,745
8	120,597		12,584	108,013
9	126,679		10,067	116,612
10	103,750		41,500	62,250
11	61,144		3,199	57,945
12	60,452		2,657	57,795
13	61,498		3,207	58,291
14	60,712		2,662	58,050
15				
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**Unamortized Loss and Gain on Recquired Debt (Accounts 189, 257)**

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Recquired Debt, details of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Recquired Debt, or credited to Account 429.1, Amortization of Gain on Recquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	Unamortized Loss on					
2	Reacquired Debt (Acct 189)					
3						
4						
5	7.50% Notes					
6	Due 11/15/2031 (1)	11/15/2001	39,729,000	( 1,229,120)	867,213	826,242
7						
8	See footnote					
9						
10						
11						
12						
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**Reconciliation of Reported Net Income with Taxable Income for Feder Income Taxes**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal Income Tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group that files consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments, or sharing of the consolidated tax among the group members.

Line No.	Details (a)	Amount (b)
1	Net Income for the Year (Page 116)	10,303,197
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	See footnote	3,822,685
6		
7		
8	TOTAL	3,822,685
9	Deductions Recorded on Books Not Deducted for Return	
10	See footnote	38,955,082
11		
12		
13	TOTAL	38,955,082
14	Income Recorded on Books Not Included in Return	
15	AFUDC Equity	( 361,162)
16	Interest capitalized adj. (IRS>books)	53,480
17		
18	TOTAL	( 307,682)
19	Deductions on Return Not Charged Against Book Income	
20	See footnote	( 36,232,429)
21		
22		
23		
24		
25		
26	TOTAL	( 36,232,429)
27	Federal Tax Net Income	16,540,853
28	Show Computation of Tax:	
29	Rate - 35.00%	
30	Estimated Tax Return Federal Income Tax	5,789,299
31	Adjustments:	
32	Difference between 12/31/15 accrual and tax return	( 1,695,081)
33	Provision for Current Federal Income Tax (see footnote)	4,094,218
34	Oregon State Tax Calculation (see footnote)	280,678
35		

**Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)**

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See Instruction 5)  (a)	Balance at Beg. of Year  Taxes Accrued (b)	Balance at Beg. of Year  Prepaid Taxes (c)
1	Income Tax		
2	Oregon Accrued	185,483	
3	Federal Accrued	2,960,588	
4	Fin 48 - current		
5	Gross Revenue		
6	Washington	439,856	
7	Oregon		
8	Dept of Energy - Oregon		34,538
9	City Franchise & Occupation		
10	Washington	1,430,109	
11	Oregon	780,287	
12	Property		
13	Washington	2,617,352	
14	Oregon		677,407
15	Payroll Taxes	122,306	
16	State Excise - Washington	1,954,729	
17			
18	Miscellaneous		
19			
20			
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39			
<b>TOTAL</b>		10,490,710	711,945

**Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)**

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

**DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)**

Line No.	Electric (Account 408.1, 409.1)  (i)	Gas (Account 408.1, 409.1)  (j)	Other Utility Dept. (Account 408.1, 409.1)  (k)	Other Income and Deductions (Account 408.2, 409.2)  (l)
1				
2		293,645		12,967
3		4,283,371		189,153
4				
5				
6		399,877		
7		186,038		
8		80,211		
9				
10		8,592,298		
11		2,622,321		
12				
13		2,529,433		( 3,164)
14		1,366,666		
15		2,104,800		
16		7,954,166		
17				
18		90,823		
19				
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39				
<b>TOTAL</b>		30,503,649		198,956

**Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)**  
**(continued)**

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under \$250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

Line No.	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	Balance at End of Year Taxes Accrued (Account 236) (g)	Balance at End of Year Prepaid Taxes (Included in Acct 165) (h)
1					
2	280,678	345,930		120,231	
3	4,094,218	5,886,299		1,168,507	
4					
5					
6	399,877	431,740		407,993	
7	186,038	186,038			
8	80,211	78,297			32,624
9					
10	8,592,298	8,691,616		1,330,791	
11	2,622,321	2,667,832		734,776	
12					
13	2,532,597	2,605,425		2,544,524	
14	1,366,666	1,376,394			687,135
15	2,162,164	2,165,776		118,694	
16	8,267,464	8,228,817		1,993,376	
17					
18	90,823	90,823			
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39					
<b>TOTAL</b>	30,675,355	32,754,987		8,418,892	719,759

**Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)**  
**(continued)**

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under \$250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

**DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)**

Line No.	Extraordinary Items (Account 409.3)  (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439)  (o)	Other  (p)	State/Local Income Tax Rate  (q)
1					
2					1.52
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15				57,364	
16				313,298	
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39					
<b>TOTAL</b>				370,662	

**Miscellaneous Current and Accrued Liabilities (Account 242)**

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than \$250,000) may be grouped under appropriate title.

Line No.	Item  (a)	Balance at End of Year (b)
1	Accrued Paid Time Off Liability	1,970,913
2	Pipeline Imbalances	1,551,285
3	Wages Payable	1,306,114
4	Variable Pay Incentive	1,212,601
5	Accrued 401K Defined Contributions	1,154,612
6	Washington Low Income Assist Liability	618,515
7	SERP Defined Contributions	582,558
8	Accounts Payable Accrual	466,561
9	Energy Trust of Oregon Liability	426,858
10	Other Misc Current Liabilities (aggregate)	404,723
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43		
44		
<b>45</b>	<b>Total</b>	<b>9,694,740</b>

**Other Deferred Credits (Account 253)**

1. Report below the details called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (less than \$250,000) may be grouped by classes.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	Debit Contra Account (c)	Debit Amount (d)	Credits (e)	Balance at End of Year (f)
1	WA Deferred Gas Costs	1,999,526	805.1	39,306,137	36,988,491	( 318,120)
2	(ammortization period 11/11-present)					
3						
4	OR Deferred Gas Costs	3,669,390	805.1	13,209,369	15,167,206	5,627,227
5	(ammortization period 11/11-present)					
6						
7	SGL Deposit	120,675	134/228.4	24,135		96,540
8	Customer Unclaimed Credits	2,735	131	46,973	47,156	2,918
9	MDUR Interco NC Payable - FAS 158	1,255,781	228.3/182.	186,120		1,069,661
10	Pension Contribution	14,111,497	various	2,280,455	355,670	12,186,712
11						
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44						
45	<b>Total</b>	21,159,604		55,053,189	52,558,523	18,664,938

**Accumulated Deferred Income Taxes-Other Property (Account 282)**

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions  (a)	Balance at Beginning of Year (b)	Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric			
3	Gas	( 96,815,260)	( 2,357,696)	
4	Other (Define) (footnote details)			
5	Total (Enter Total of lines 2 thru 4)	( 96,815,260)	( 2,357,696)	
6	Other (Specify) (footnote details)			
7	TOTAL Account 282 (Enter Total of lines 5 thr	( 96,815,260)	( 2,357,696)	
8	Classification of TOTAL			
9	Federal Income Tax	( 93,348,935)	( 2,161,856)	
10	State Income Tax	( 3,466,325)	( 195,840)	
11	Local Income Tax			



**Accumulated Deferred Income Taxes-Other Property (Account 282) (continued)**

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2							
3			182.3&254	1,053,769	182.3&254	1,948,159	( 100,067,346)
4							
5				1,053,769		1,948,159	( 100,067,346)
6							
7				1,053,769		1,948,159	( 100,067,346)
8							
9			254	904,732	254	1,045,581	( 95,651,640)
10			182.3	149,037	182.3	902,578	( 4,415,706)
11							

**Accumulated Deferred Income Taxes-Other (Account 283)**

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions  (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	Gas	( 36,786,388)	840,619	
4	Other (Define) (footnote details)			
5	Total (Total of lines 2 thru 4)	( 36,786,388)	840,619	
6	Other (Specify) (footnote details)			
7	TOTAL Account 283 (Total of lines 5 thru 6)	( 36,786,388)	840,619	
8	Classification of TOTAL			
9	Federal Income Tax	( 34,906,934)	816,534	
10	State Income Tax	( 1,879,454)	24,085	
11	Local Income Tax			

**Accumulated Deferred Income Taxes-Other (Account 283) (continued)**

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2							
3			see	144,991	see	356,318	( 36,157,096)
4			footnote		footnote		
5				144,991		356,318	( 36,157,096)
6							
7				144,991		356,318	( 36,157,096)
8							
9				103,771		61,426	( 34,048,055)
10				41,220		294,892	( 2,109,041)
11							

Name of Respondent Cascade Natural Gas Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report End of <u>2016/Q4</u>
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**Other Regulatory Liabilities (Account 254)**

1. Report below the details called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$250,000, whichever is less) may be grouped by classes.
4. Provide in a footnote, for each line item, the regulatory citation where the respondent was directed to refund the regulatory liability (e.g. Commission Order, state commission order, court decision).

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Current Quarter/Year (b)	Written off during Quarter/Period Account Credited (c)	Written off During Period Amount Refunded (d)	Written off During Period Amount Deemed Non-Refundable (e)	Credits (f)	Balance at End of Current Quarter/Year (g)
1	SFAS 109 Regulatory Liability	2,737,402	282	286,759		138,120	2,588,763
2	Oregon Tax RAte Change	( 49,445)	282			3,296	( 46,149)
3	Regulatory Liability - Post Ret FAS 158	847,148	186			390,919	1,238,067
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44							
45	<b>Total</b>	3,535,105		286,759	0	532,335	3,780,681

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**Gas Operating Revenues**

1. Report below natural gas operating revenues for each prescribed account total. The amounts must be consistent with the detailed data on succeeding pages.
2. Revenues in columns (b) and (c) include transition costs from upstream pipelines.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e). Include in columns (f) and (g) revenues for Accounts 480-495.

Line No.	Title of Account (a)	Revenues for Transition Costs and Take-or-Pay	Revenues for Transition Costs and Take-or-Pay	Revenues for GRI and ACA	Revenues for GRI and ACA
		Amount for Current Year (b)	Amount for Previous Year (c)	Amount for Current Year (d)	Amount for Previous Year (e)
1	480 Residential Sales				
2	481 Commercial and Industrial Sales				
3	482 Other Sales to Public Authorities				
4	483 Sales for Resale				
5	484 Interdepartmental Sales				
6	485 Intracompany Transfers				
7	487 Forfeited Discounts				
8	488 Miscellaneous Service Revenues				
9	489.1 Revenues from Transportation of Gas of Others Through Gathering Facilities				
10	489.2 Revenues from Transportation of Gas of Others Through Transmission Facilities				
11	489.3 Revenues from Transportation of Gas of Others Through Distribution Facilities				
12	489.4 Revenues from Storing Gas of Others				
13	490 Sales of Prod. Ext. from Natural Gas				
14	491 Revenues from Natural Gas Proc. by Others				
15	492 Incidental Gasoline and Oil Sales				
16	493 Rent from Gas Property				
17	494 Interdepartmental Rents				
18	495 Other Gas Revenues				
19	Subtotal:				
20	496 (Less) Provision for Rate Refunds				
21	TOTAL:				

**Gas Operating Revenues**

4. If increases or decreases from previous year are not derived from previously reported figures, explain any inconsistencies in a footnote.  
5. On Page 108, include information on major changes during the year, new service, and important rate increases or decreases.  
6. Report the revenue from transportation services that are bundled with storage services as transportation service revenue.

Line No.	Other Revenues	Other Revenues	Total Operating Revenues	Total Operating Revenues	Dekatherm of Natural Gas	Dekatherm of Natural Gas
	Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)
1	148,255,469	155,857,090	148,255,469	155,857,090	15,149,586	13,868,795
2	94,221,079	102,005,833	94,221,079	102,005,833	13,777,345	12,847,173
3						
4						
5						
6						
7						
8	988,098	862,217	988,098	862,217		
9						
10						
11	25,261,174	24,419,536	25,261,174	24,419,536	93,425,359	100,460,563
12						
13						
14						
15						
16	133,624	114,760	133,624	114,760		
17						
18	152,621	285,468	152,621	285,468		
19	269,012,065	283,544,904	269,012,065	283,544,904		
20						
21	269,012,065	283,544,904	269,012,065	283,544,904		

**Revenues from Transportation of Gas of Others Through Gathering Facilities (Account 489.1)**

1. Report revenues and Dth of gas delivered through gathering facilities by zone of receipt (i.e. state in which gas enters respondent's system).
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.

Line No.	Rate Schedule and Zone of Receipt  (a)	Revenues for Transition Costs and Take-or-Pay	Revenues for Transaction Costs and Take-or-Pay	Revenues for GRI and ACA	Revenues for GRI and ACA
		Amount for Current Year (b)	Amount for Previous Year (c)	Amount for Current Year (d)	Amount for Current Year (d)
1	N/A				
2					
3					
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**Revenues from Transportation of Gas of Others Through Gathering Facilities (Account 489.1)**

3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e).  
 4. Delivered Dth of gas must not be adjusted for discounting.

Line No.	Other Revenues	Other Revenues	Total Operating Revenues	Total Operating Revenues	Dekatherm of Natural Gas	Dekatherm of Natural Gas
	Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)
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**Revenues from Transportation of Gas of Others Through Transmission Facilities (Account 489.2)**

1. Report revenues and Dth of gas delivered by Zone of Delivery by Rate Schedule. Total by Zone of Delivery and for all zones. If respondent does not have separate zones, provide totals by rate schedule.
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges for transportation and hub services, less revenues reflected in columns (b) through (e).

Line No.	Zone of Delivery, Rate Schedule  (a)	Revenues for Transition Costs and Take-or-Pay	Revenues for Transition Costs and Take-or-Pay	Revenues for GRI and ACA	Revenues for GRI and ACA
		Amount for Current Year (b)	Amount for Previous Year (c)	Amount for Current Year (d)	Amount for Previous Year (e)
1	N/A				
2					
3					
4					
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**Revenues from Transportation of Gas of Others Through Transmission Facilities (Account 489.2)**

- 4. Delivered Dth of gas must not be adjusted for discounting.
- 5. Each incremental rate schedule and each individually certificated rate schedule must be separately reported.
- 6. Where transportation services are bundled with storage services, report total revenues but only transportation Dth.

Line No.	Other Revenues	Other Revenues	Total Operating Revenues	Total Operating Revenues	Dekatherm of Natural Gas	Dekatherm of Natural Gas
	Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)
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**Revenues from Storing Gas of Others (Account 489.4)**

1. Report revenues and Dth of gas withdrawn from storage by Rate Schedule and in total.
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.
3. Other revenues in columns (f) and (g) include reservation charges, deliverability charges, injection and withdrawal charges, less revenues reflected in columns (b) through (e).

Line No.	Rate Schedule  (a)	Revenues for Transition Costs and Take-or-Pay	Revenues for Transaction Costs and Take-or-Pay	Revenues for GRI and ACA	Revenues for GRI and ACA
		Amount for Current Year (b)	Amount for Previous Year (c)	Amount for Current Year (d)	Amount for Previous Year (e)
1	N/A				
2					
3					
4					
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**Revenues from Storing Gas of Others (Account 489.4)**

4. Dth of gas withdrawn from storage must not be adjusted for discounting.  
 5. Where transportation services are bundled with storage services, report only Dth withdrawn from storage.

Line No.	Other Revenues	Other Revenues	Total Operating Revenues	Total Operating Revenues	Dekatherm of Natural Gas	Dekatherm of Natural Gas
	Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)
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**Other Gas Revenues (Account 495)**

Report below transactions of \$250,000 or more included in Account 495, Other Gas Revenues. Group all transactions below \$250,000 in one amount and provide the number of items.

Line No.	Description of Transaction (a)	Amount (in dollars) (b)
1	Commissions on Sale or Distribution of Gas of Others	
2	Compensation for Minor or Incidental Services Provided for Others	
3	Profit or Loss on Sale of Material and Supplies not Ordinarily Purchased for Resale	
4	Sales of Stream, Water, or Electricity, including Sales or Transfers to Other Departments	
5	Miscellaneous Royalties	
6	Revenues from Dehydration and Other Processing of Gas of Others except as provided for in the Instructions to Account 495	
7	Revenues for Right and/or Benefits Received from Others which are Realized Through Research, Development, and Demonstration Ventures	
8	Gains on Settlements of Imbalance Receivables and Payables	
9	Revenues from Penalties earned Pursuant to Tariff Provisions, including Penalties Associated with Cash-out Settlements	
10	Revenues from Shipper Supplied Gas	
11	Other revenues (Specify):	
12	Miscellaneous Sales	152,621
13		
14		
15		
16		
17		
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19		
20		
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39		
	<b>Total</b>	<b>152,621</b>

**Discounted Rate Services and Negotiated Rate Services**

1. In column b, report the revenues from discounted rate services.
2. In column c, report the volumes of discounted rate services.
3. In column d, report the revenues from negotiated rate services.
4. In column e, report the volumes of negotiated rate services.

Line No.	Account  (a)	Discounted Rate Services	Discounted Rate Services	Negotiated Rate Services	Negotiated Rate Services
		Revenue (b)	Volumes (c)	Revenue (d)	Volumes (e)
1	Account 489.1, Revenues from transportation of gas of others through gathering facilities.				
2	Account 489.2, Revenues from transportation of gas of others through transmission facilities.				
3	Account 489.4, Revenues from storing gas of others.				
4	Account 495, Other gas revenues.				
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39					
	<b>Total</b>				





**Gas Operation and Maintenance Expenses(continued)**

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering	0	0
34	771 Operation Labor	0	0
35	772 Gas Shrinkage	0	0
36	773 Fuel	0	0
37	774 Power	0	0
38	775 Materials	0	0
39	776 Operation Supplies and Expenses	0	0
40	777 Gas Processed by Others	0	0
41	778 Royalties on Products Extracted	0	0
42	779 Marketing Expenses	0	0
43	780 Products Purchased for Resale	0	0
44	781 Variation in Products Inventory	0	0
45	(Less) 782 Extracted Products Used by the Utility-Credit	0	0
46	783 Rents	0	0
47	TOTAL Operation (Total of lines 33 thru 46)	0	0
48	Maintenance		
49	784 Maintenance Supervision and Engineering	0	0
50	785 Maintenance of Structures and Improvements	0	0
51	786 Maintenance of Extraction and Refining Equipment	0	0
52	787 Maintenance of Pipe Lines	0	0
53	788 Maintenance of Extracted Products Storage Equipment	0	0
54	789 Maintenance of Compressor Equipment	0	0
55	790 Maintenance of Gas Measuring and Regulating Equipment	0	0
56	791 Maintenance of Other Equipment	0	0
57	TOTAL Maintenance (Total of lines 49 thru 56)	0	0
58	TOTAL Products Extraction (Total of lines 47 and 57)	0	0

**Gas Operation and Maintenance Expenses(continued)**

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals	0	0
62	796 Nonproductive Well Drilling	0	0
63	797 Abandoned Leases	0	0
64	798 Other Exploration	0	0
65	TOTAL Exploration and Development (Total of lines 61 thru 64)	0	0
66	D. Other Gas Supply Expenses		
67	Operation		
68	800 Natural Gas Well Head Purchases	0	0
69	800.1 Natural Gas Well Head Purchases, Intracompany Transfers	0	0
70	801 Natural Gas Field Line Purchases	0	0
71	802 Natural Gas Gasoline Plant Outlet Purchases	0	0
72	803 Natural Gas Transmission Line Purchases	0	0
73	804 Natural Gas City Gate Purchases	139,769,802	144,386,647
74	804.1 Liquefied Natural Gas Purchases	0	0
75	805 Other Gas Purchases	0	0
76	(Less) 805.1 Purchases Gas Cost Adjustments	5,106,494	( 10,352,083)
77	TOTAL Purchased Gas (Total of lines 68 thru 76)	134,663,308	154,738,730
78	806 Exchange Gas	0	0
79	Purchased Gas Expenses		
80	807.1 Well Expense-Purchased Gas	0	0
81	807.2 Operation of Purchased Gas Measuring Stations	0	0
82	807.3 Maintenance of Purchased Gas Measuring Stations	0	0
83	807.4 Purchased Gas Calculations Expenses	0	0
84	807.5 Other Purchased Gas Expenses	0	0
85	TOTAL Purchased Gas Expenses (Total of lines 80 thru 84)	0	0



**Gas Operation and Maintenance Expenses(continued)**

Line No.	Account  (a)	Amount for Current Year (b)	Amount for Previous Year (c)
115	Maintenance		
116	830 Maintenance Supervision and Engineering	0	0
117	831 Maintenance of Structures and Improvements	0	0
118	832 Maintenance of Reservoirs and Wells	0	0
119	833 Maintenance of Lines	0	0
120	834 Maintenance of Compressor Station Equipment	0	0
121	835 Maintenance of Measuring and Regulating Station Equipment	0	0
122	836 Maintenance of Purification Equipment	0	0
123	837 Maintenance of Other Equipment	0	0
124	TOTAL Maintenance (Total of lines 116 thru 123)	0	0
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	0	0
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering	0	0
129	841 Operation Labor and Expenses	0	0
130	842 Rents	0	0
131	842.1 Fuel	0	0
132	842.2 Power	0	0
133	842.3 Gas Losses	0	0
134	TOTAL Operation (Total of lines 128 thru 133)	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering	0	0
137	843.2 Maintenance of Structures	0	0
138	843.3 Maintenance of Gas Holders	0	0
139	843.4 Maintenance of Purification Equipment	0	0
140	843.5 Maintenance of Liquefaction Equipment	0	0
141	843.6 Maintenance of Vaporizing Equipment	0	0
142	843.7 Maintenance of Compressor Equipment	0	0
143	843.8 Maintenance of Measuring and Regulating Equipment	0	0
144	843.9 Maintenance of Other Equipment	0	0
145	TOTAL Maintenance (Total of lines 136 thru 144)	0	0
146	TOTAL Other Storage Expenses (Total of lines 134 and 145)	0	0

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**Gas Operation and Maintenance Expenses(continued)**

Line No.	Account  (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering	0	0
150	844.2 LNG Processing Terminal Labor and Expenses	0	0
151	844.3 Liquefaction Processing Labor and Expenses	0	0
152	844.4 Liquefaction Transportation Labor and Expenses	0	0
153	844.5 Measuring and Regulating Labor and Expenses	0	0
154	844.6 Compressor Station Labor and Expenses	0	0
155	844.7 Communication System Expenses	0	0
156	844.8 System Control and Load Dispatching	0	0
157	845.1 Fuel	0	0
158	845.2 Power	0	0
159	845.3 Rents	0	0
160	845.4 Demurrage Charges	0	0
161	(less) 845.5 Wharfage Receipts-Credit	0	0
162	845.6 Processing Liquefied or Vaporized Gas by Others	0	0
163	846.1 Gas Losses	0	0
164	846.2 Other Expenses	0	0
165	TOTAL Operation (Total of lines 149 thru 164)	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering	0	0
168	847.2 Maintenance of Structures and Improvements	0	0
169	847.3 Maintenance of LNG Processing Terminal Equipment	0	0
170	847.4 Maintenance of LNG Transportation Equipment	0	0
171	847.5 Maintenance of Measuring and Regulating Equipment	0	0
172	847.6 Maintenance of Compressor Station Equipment	0	0
173	847.7 Maintenance of Communication Equipment	0	0
174	847.8 Maintenance of Other Equipment	0	0
175	TOTAL Maintenance (Total of lines 167 thru 174)	0	0
176	TOTAL Liquefied Nat Gas Terminaling and Proc Exp (Total of lines 165 and 175)	0	0
177	TOTAL Natural Gas Storage (Total of lines 125, 146, and 176)	0	0





**Gas Operation and Maintenance Expenses(continued)**

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
235	904 Uncollectible Accounts	985,349	812,273
236	905 Miscellaneous Customer Accounts Expenses	1,058	1,561
237	TOTAL Customer Accounts Expenses (Total of lines 232 thru 236)	8,328,739	7,371,177
238	<b>6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES</b>		
239	Operation		
240	907 Supervision	0	0
241	908 Customer Assistance Expenses	880,645	1,695,038
242	909 Informational and Instructional Expenses	49,989	42,579
243	910 Miscellaneous Customer Service and Informational Expenses	0	0
244	TOTAL Customer Service and Information Expenses (Total of lines 240 thru 243)	930,634	1,737,617
245	<b>7. SALES EXPENSES</b>		
246	Operation		
247	911 Supervision	0	0
248	912 Demonstrating and Selling Expenses	0	0
249	913 Advertising Expenses	6,975	14,938
250	916 Miscellaneous Sales Expenses	0	0
251	TOTAL Sales Expenses (Total of lines 247 thru 250)	6,975	14,938
252	<b>8. ADMINISTRATIVE AND GENERAL EXPENSES</b>		
253	Operation		
254	920 Administrative and General Salaries	7,532,035	6,636,013
255	921 Office Supplies and Expenses	3,273,649	3,548,681
256	(Less) 922 Administrative Expenses Transferred-Credit	382,790	498,601
257	923 Outside Services Employed	1,564,701	1,613,208
258	924 Property Insurance	80,228	81,931
259	925 Injuries and Damages	1,492,958	1,306,947
260	926 Employee Pensions and Benefits	6,031,552	6,293,369
261	927 Franchise Requirements	0	0
262	928 Regulatory Commission Expenses	0	4,210
263	(Less) 929 Duplicate Charges-Credit	0	0
264	930.1 General Advertising Expenses	63,766	39,528
265	930.2 Miscellaneous General Expenses	1,039,042	756,261
266	931 Rents	1,661,945	1,238,832
267	TOTAL Operation (Total of lines 254 thru 266)	22,357,086	21,020,379
268	Maintenance		
269	932 Maintenance of General Plant	43,941	53,068
270	TOTAL Administrative and General Expenses (Total of lines 267 and 269)	22,401,027	21,073,447
271	TOTAL Gas O&M Expenses (Total of lines 97,177,201,229,237,244,251, and 270)	189,550,896	208,596,115



**Exchange and Imbalance Transactions**

1. Report below details by zone and rate schedule concerning the gas quantities and related dollar amount of imbalances associated with system balancing and no-notice service. Also, report certificated natural gas exchange transactions during the year. Provide subtotals for imbalance and no-notice quantities for exchanges. If respondent does not have separate zones, provide totals by rate schedule. Minor exchange transactions (less than 100,000 Dth) may be grouped.

Line No.	Zone/Rate Schedule  (a)	Gas Received from Others	Gas Received from Others	Gas Delivered to Others	Gas Delivered to Others
		Amount (b)	Dth (c)	Amount (d)	Dth (e)
1	None				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
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20					
21					
22					
23					
24					
<b>25</b>	<b>Total</b>	0	0	0	0

**Gas Used in Utility Operations**

1. Report below details of credits during the year to Accounts 810, 811, and 812.
2. If any natural gas was used by the respondent for which a charge was not made to the appropriate operating expense or other account, list separately in column (c) the Dth of gas used, omitting entries in column (d).

Line No.	Purpose for Which Gas Was Used  (a)	Account Charged  (b)	Natural Gas	Natural Gas	Natural Gas	Natural Gas
			Gas Used Dth (c)	Amount of Credit (in dollars) (d)	Amount of Credit (in dollars) (d)	Amount of Credit (in dollars) (d)
1	810 Gas Used for Compressor Station Fuel - Credit					
2	811 Gas Used for Products Extraction - Credit					
3	Gas Shrinkage and Other Usage in Respondent's Own Processing					
4	Gas Shrinkage, etc. for Respondent's Gas Processed by Others					
5	812 Gas Used for Other Utility Operations - Credit (Report separately for each principal use. Group minor uses.)	812	12,040	38,254		
6						
7						
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12						
13						
14						
15						
16						
17						
18						
19						
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21						
22						
23						
24						
<b>25</b>	<b>Total</b>		12,040	38,254		

**Transmission and Compression of Gas by Others (Account 858)**

1. Report below details concerning gas transported or compressed for respondent by others equalling more than 1,000,000 Dth and amounts of payments for such services during the year. Minor items (less than 1,000,000) Dth may be grouped. Also, include in column (c) amounts paid as transition costs to an upstream pipeline.
2. In column (a) give name of companies, points of delivery and receipt of gas. Designate points of delivery and receipt so that they can be identified readily on a map of respondent's pipeline system.
3. Designate associated companies with an asterisk in column (b).

Line No.	Name of Company and Description of Service Performed  (a)	*  (b)	Amount of Payment (in dollars) (c)	Dth of Gas Delivered  (d)
1	None			
2				
3				
4				
5				
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12				
13				
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19				
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23				
24				
<b>25</b>	<b>Total</b>			

**Other Gas Supply Expenses (Account 813)**

1. Report other gas supply expenses by descriptive titles that clearly indicate the nature of such expenses. Show maintenance expenses, revaluation of monthly encroachments recorded in Account 117.4, and losses on settlements of imbalances and gas losses not associated with storage separately. Indicate the functional classification and purpose of property to which any expenses relate. List separately items of \$250,000 or more.

Line No.	Description  (a)	Amount (in dollars) (b)
1	Labor Expenses and applicable overhead charges	533,404
2	Training materials	137,867
3	Lodging	30,060
4	Office Supplies	28,238
5	Commercial Air service	26,335
6	Meals & Entertainment	20,994
7	Software Maintenance	17,555
8	Cell Phone	632
9	Vehicle Mileage	211
10		
11		
12		
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18		
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21		
22		
23		
24		
<b>25</b>	<b>Total</b>	<b>795,296</b>

**Miscellaneous General Expenses (Account 930.2)**

1. Provide the information requested below on miscellaneous general expenses.
2. For Other Expenses, show the (a) purpose, (b) recipient and (c) amount of such items. List separately amounts of \$250,000 or more however, amounts less than \$250,000 may be grouped if the number of items of so grouped is shown.

Line No.	Description (a)	Amount (in dollars) (b)
1	Industry association dues.	284,133
2	Experimental and general research expenses.	
	a. Gas Research Institute (GRI)	
	b. Other	
3	Publishing and distributing information and reports to stockholders, trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the respondent	
4	Other expenses	
5	Bank and Other Finance Fees (paid to Bank of New York, and MDU for CNGC's share of	
6	corporate banking fees)	344,459
7	Director's Fees (paid to MDU for CNGC's share of director's expenses)	407,203
8	Miscellaneous under \$250,000 (2 items)	3,247
9		
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11		
12		
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22		
23		
24		
<b>25</b>	<b>Total</b>	1,039,042

**Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments)**

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.
2. Report in Section B, column (b) all depreciable or amortizable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate in a footnote the manner in which column (b) balances are

**Section A. Summary of Depreciation, Depletion, and Amortization Charges**

Line No.	Functional Classification  (a)	Depreciation Expense (Account 403)  (b)	Amortization Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (d)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (e)
1	Intangible plant				2,736,728
2	Production plant, manufactured gas				
3	Production and gathering plant, natural gas				
4	Products extraction plant				
5	Underground gas storage plant				
6	Other storage plant				
7	Base load LNG terminaling and processing plant				
8	Transmission plant	414,825			
9	Distribution plant	20,836,355			
10	General plant	1,250,551			
11	Common plant-gas				
12	TOTAL	22,501,731			2,736,728

**Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)**

obtained. If average balances are used, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show in a footnote any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state in a footnote the amounts and nature of the provisions and the plant items to which related.

**Section A. Summary of Depreciation, Depletion, and Amortization Charges**

Line No.	Amortization of Other Limited-term Gas Plant (Account 404.3)  (f)	Amortization of Other Gas Plant (Account 405)  (g)	Total (b to g)  (h)	Functional Classification  (a)
1			2,736,728	Intangible plant
2				Production plant, manufactured gas
3				Production and gathering plant, natural gas
4				Products extraction plant
5				Underground gas storage plant
6				Other storage plant
7				Base load LNG terminaling and processing plant
8			414,825	Transmission plant
9			20,836,355	Distribution plant
10			1,250,551	General plant
11				Common plant-gas
12			25,238,459	TOTAL

**Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)**

4. Add rows as necessary to completely report all data. Number the additional rows in sequence as 2.01, 2.02, 3.01, 3.02, etc.

**Section B. Factors Used in Estimating Depreciation Charges**

Line No.	Functional Classification  (a)	Plant Bases (in thousands)  (b)	Applied Depreciation or Amortization Rates (percent)  (c)
1	Production and Gathering Plant		
2	Offshore (footnote details)		
3	Onshore (footnote details)		
4	Underground Gas Storage Plant (footnote details)		
5	Transmission Plant		
6	Offshore (footnote details)		
7	Onshore (footnote details)		
8	General Plant (footnote details)		
9	see footnote		
10			
11			
12			
13			
14			
15			



**Particulars Concerning Certain Income Deductions and Interest Charges Accounts**

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts.

- (a) Miscellaneous Amortization (Account 425)-Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.
- (b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$250,000 may be grouped by classes within the above accounts.
- (c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.
- (d) Other Interest Expense (Account 431) - Report details including the amount and interest rate for other interest charges incurred during the year.

Line No.	Item (a)	Amount (b)
1	(a) Miscellaneous Amortization (Account 425)	
2		
3	(b) Miscellaneous Income Deductions (Account 426)	
4	Donations (Account 426.1)	232,468
5	Life Insurance (Account 426.2)	
6	Penalties (Account 426.3)	
7	Various Tax Authorities (late payment penalties)	1,184
8	WA Utilities & Trade Commission (Improper documentation of MAOP	
9	for high-pressure pipelines)	1,000,000
10	Expenditures for Certain Civic, Political and Related Activities	
11	(Account 426.4)	128,203
12	Other Deductions (Account 426.5)	1,437
13	Total Miscellaneous Income Deductions (Account 426)	1,363,292
14		
15	(c) Interest on Debt to Associated Companies (Account 430)	
16		
17	(d) Other Interest Expense (Account 431)	
18	Description                      Interest Rate	
19	Customer Deposits-OR              Various	744
20	Customer Deposits-WA              Various	3,359
21	Deferral Accounts-OR              ***	361,237
22	Deferral Accounts-WA              FERC Interest Rate	224,984
23	Interest on Short-Term Debt              Various	63,542
24	Other                                  Various	
25	Total Other Interest Expense (Account 431)	653,866
26		
27	***Accounts not amortizing-7.468% (Overall rate of return granted in the last	
28	Oregon general rate filing; Accounts amortizing-2.20%	
29		
30		
31		
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**Regulatory Commission Expenses (Account 928)**

1. Report below details of regulatory commission expenses incurred during the current year (or in previous years, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.  
 2. In column (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description (Furnish name of regulatory commission or body, the docket number, and a description of the case.)  (a)	Assessed by Regulatory Commission  (b)	Expenses of Utility  (c)	Total Expenses to Date  (d)	Deferred in Account 182.3 at Beginning of Year  (e)
1	None				
2					
3					
4					
5					
6					
7					
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24					
<b>25</b>	<b>Total</b>				

**Regulatory Commission Expenses (Account 928)**

3. Show in column (k) any expenses incurred in prior years that are being amortized. List in column (a) the period of amortization.
4. Identify separately all annual charge adjustments (ACA).
5. List in column (f), (g), and (h) expenses incurred during year which were charges currently to income, plant, or other accounts.
6. Minor items (less than \$250,000) may be grouped.

Line No.	Expenses Incurred During Year Charged Currently To Department (f)	Expenses Incurred During Year Charged Currently To Account No. (g)	Expenses Incurred During Year Charged Currently To Amount (h)	Expenses Incurred During Year Deferred to Account 182.3 (i)	Amortized During Year Contra Account (j)	Amortized During Year Amount (k)	Deferred in Account 182.3 End of Year (l)
1							
2							
3							
4							
5							
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**Employee Pensions and Benefits (Account 926)**

1. Report below the items contained in Account 926, Employee Pensions and Benefits.

Line No.	Expense (a)	Amount (b)
1	Pensions - defined benefit plans	( 70,403)
2	Pensions - other	2,408,416
3	Post-retirement benefits other than pensions (PBOP)	275,548
4	Post-employment benefit plans	169,401
5	Other (Specify)	
6	Medical/Dental	3,061,756
7	Various	186,834
8		
9		
10		
11		
12		
13		
14		
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39		
	<b>Total</b>	<b>6,031,552</b>

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**Distribution of Salaries and Wages**

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals and Other Accounts, and enter such amounts in the appropriate lines and columns provided. Salaries and wages billed to the Respondent by an affiliated company must be assigned to the particular operating function(s) relating to the expenses.

In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used. When reporting detail of other accounts, enter as many rows as necessary numbered sequentially starting with 75.01, 75.02, etc.

Line No.	Classification  (a)	Direct Payroll Distribution  (b)	Payroll Billed by Affiliated Companies  (c)	Allocation of Payroll Charged for Clearing Accounts  (d)	Total  (e)
1	Electric				
2	Operation				
3	Production				
4	Transmission				
5	Distribution				
6	Customer Accounts				
7	Customer Service and Informational				
8	Sales				
9	Administrative and General				
10	TOTAL Operation (Total of lines 3 thru 9)				
11	Maintenance				
12	Production				
13	Transmission				
14	Distribution				
15	Administrative and General				
16	TOTAL Maintenance (Total of lines 12 thru 15)				
17	Total Operation and Maintenance				
18	Production (Total of lines 3 and 12)				
19	Transmission (Total of lines 4 and 13)				
20	Distribution (Total of lines 5 and 14)				
21	Customer Accounts (line 6)				
22	Customer Service and Informational (line 7)				
23	Sales (line 8)				
24	Administrative and General (Total of lines 9 and 15)				
25	TOTAL Operation and Maintenance (Total of lines 18 thru 24)				
26	Gas				
27	Operation				
28	Production - Manufactured Gas				
29	Production - Natural Gas(Including Exploration and Development)				
30	Other Gas Supply				
31	Storage, LNG Terminaling and Processing				
32	Transmission				
33	Distribution	11,235,485			11,235,485
34	Customer Accounts	4,357,209			4,357,209
35	Customer Service and Informational	987			987
36	Sales				
37	Administrative and General	5,833,185			5,833,185
38	TOTAL Operation (Total of lines 28 thru 37)	21,426,866			21,426,866
39	Maintenance				
40	Production - Manufactured Gas				
41	Production - Natural Gas(Including Exploration and Development)				
42	Other Gas Supply				
43	Storage, LNG Terminaling and Processing				
44	Transmission				
45	Distribution	3,813,051			3,813,051

**Distribution of Salaries and Wages (continued)**

Line No.	Classification  (a)	Direct Payroll Distribution  (b)	Payroll Billed by Affiliated Companies  (c)	Allocation of Payroll Charged for Clearing Accounts  (d)	Total  (e)
46	Administrative and General				
47	TOTAL Maintenance (Total of lines 40 thru 46)	3,813,051			3,813,051
48	Gas (Continued)				
49	Total Operation and Maintenance				
50	Production - Manufactured Gas (Total of lines 28 and 40)				
51	Production - Natural Gas (Including Expl. and Dev.)(ll. 29 and 41)				
52	Other Gas Supply (Total of lines 30 and 42)				
53	Storage, LNG Terminaling and Processing (Total of ll. 31 and 43)				
54	Transmission (Total of lines 32 and 44)				
55	Distribution (Total of lines 33 and 45)	15,048,536			15,048,536
56	Customer Accounts (Total of line 34)	4,357,209			4,357,209
57	Customer Service and Informational (Total of line 35)	987			987
58	Sales (Total of line 36)				
59	Administrative and General (Total of lines 37 and 46)	5,833,185			5,833,185
60	Total Operation and Maintenance (Total of lines 50 thru 59)	25,239,917			25,239,917
61	Other Utility Departments				
62	Operation and Maintenance				
63	TOTAL ALL Utility Dept. (Total of lines 25, 60, and 62)	25,239,917			25,239,917
64	Utility Plant				
65	Construction (By Utility Departments)				
66	Electric Plant				
67	Gas Plant	7,294,046			7,294,046
68	Other				
69	TOTAL Construction (Total of lines 66 thru 68)	7,294,046			7,294,046
70	Plant Removal (By Utility Departments)				
71	Electric Plant				
72	Gas Plant	489,532			489,532
73	Other				
74	TOTAL Plant Removal (Total of lines 71 thru 73)	489,532			489,532
75	Other Accounts (Specify) (footnote details)	1,212,813			1,212,813
76	TOTAL Other Accounts	1,212,813			1,212,813
77	TOTAL SALARIES AND WAGES	34,236,308			34,236,308

**Charges for Outside Professional and Other Consultative Services**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$250,000, including payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.

(a) Name of person or organization rendering services.  
(b) Total charges for the year.

2. Sum under a description "Other", all of the aforementioned services amounting to \$250,000 or less.

3. Total under a description "Total", the total of all of the aforementioned services.

4. Charges for outside professional and other consultative services provided by associated (affiliated) companies should be excluded from this schedule and be reported on Page 358, according to the instructions for that schedule.

Line No.	Description (a)	Amount (in dollars) (b)
1	Infrasource Services, LLC	5,835,941
2	Northwest Metal Fab & Pipe, Inc.	5,306,112
3	Snelson Companies, Inc.	5,129,714
4	Michels Corporation	4,951,164
5	Brothers Pipeline Corp.	3,670,065
6	Prosource Technologies, LLC	1,895,405
7	Gas Transmission NW Corp.	1,816,000
8	Coffman Engineers	1,403,330
9	Das-Co of Idaho	747,567
10	Q3 Contracting	677,429
11	ABI Services, LLC	636,660
12	Parametrix, Inc.	632,032
13	Northwest Pipeline, LLC	364,853
14	Deloitte & Touche	352,250
15	McKenzie Cascade Heavy Excavation	346,268
16	Vessey & Sons, Inc.	345,936
17	Snyder Gas Consulting, LLC	334,000
18	Northwest Pipeline	330,000
19	Mesa Products, Inc.	294,579
20	Northwest Inspection, Inc.	285,464
21	Other	5,031,552
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23		
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**Transactions with Associated (Affiliated) Companies**

1. Report below the information called for concerning all goods or services received from or provided to associated (affiliated) companies amounting to more than \$250,000.
2. Sum under a description "Other", all of the aforementioned goods and services amounting to \$250,000 or less.
3. Total under a description "Total", the total of all of the aforementioned goods and services.
4. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote the basis of the allocation.

Line No.	Description of the Good or Service  (a)	Name of Associated/Affiliated Company  (b)	Account(s) Charged or Credited (c)	Amount Charged or Credited (d)
1	Goods or Services Provided by Affiliated Company			
2		IGC/MDU/MDU RESOURCES	107	1,092,389
3			426.1	12,385
4			426.4	24,026
5			426.5	632
6			813	204,115
7			875	117,980
8			880	589,845
9			902	148,055
10			903	6,429,386
11			909	20,037
12			913	41
13				
14				
15				
16				
17				
18				
19				
20	Goods or Services Provided for Affiliated Company			
21			920	4,596,118
22			921	2,206,639
23			922	( 172,133)
24			923	339,016
25			925	52
26			926	( 94,212)
27			930.1	20,804
28			930.2	427,432
29			931	1,604,465
30			Various	675,701
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				

**Compressor Stations**

1. Report below details concerning compressor stations. Use the following subheadings: field compressor stations, products extraction compressor stations, underground storage compressor stations, transmission compressor stations, distribution compressor stations, and other compressor stations.  
2. For column (a), indicate the production areas where such stations are used. Group relatively small field compressor stations by production areas. Show the number of stations grouped. Identify any station held under a title other than full ownership. State in a footnote the name of owner or co-owner, the nature of respondent's title, and percent of ownership if jointly owned.

Line No.	Name of Station and Location  (a)	Number of Units at Station  (b)	Certificated Horsepower for Each Station  (c)	Plant Cost  (d)
1	Compressor Station at Burlington, WA	1	1,350	2,000,731
2	Placed in Service: August 2001			
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
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18				
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25				

**Compressor Stations**

Designate any station that was not operated during the past year. State in a footnote whether the book cost of such station has been retired in the books of account, or what disposition of the station and its book cost are contemplated. Designate any compressor units in transmission compressor stations installed and put into operation during the year and show in a footnote each unit's size and the date the unit was placed in operation.

3. For column (e), include the type of fuel or power, if other than natural gas. If two types of fuel or power are used, show separate entries for natural gas and the other fuel or power.

Line No.	Expenses (except depreciation and taxes)	Expenses (except depreciation and taxes)	Expenses (except depreciation and taxes)	Gas for Compressor Fuel in Dth (h)	Electricity for Compressor Station in kWh (i)	Operational Data Total Compressor Hours of Operation During Year (j)	Operational Data Number of Compressors Operated at Time of Station Peak (k)	Date of Station Peak (l)
	Fuel (e)	Power (f)	Other (g)					
1	7,045		176,273				1	
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
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**Gas Storage Projects**

1. Report injections and withdrawals of gas for all storage projects used by respondent.

Line No.	Item  (a)	Gas Belonging to Respondent (Dth) (b)	Gas Belonging to Others (Dth) (c)	Total Amount (Dth) (d)
	STORAGE OPERATIONS (in Dth)			
1	Gas Delivered to Storage			
2	January			
3	February			
4	March			
5	April			
6	May			
7	June			
8	July			
9	August			
10	September			
11	October			
12	November			
13	December			
14	TOTAL (Total of lines 2 thru 13)			
15	Gas Withdrawn from Storage			
16	January			
17	February			
18	March			
19	April			
20	May			
21	June			
22	July			
23	August			
24	September			
25	October			
26	November			
27	December			
28	TOTAL (Total of lines 16 thru 27)			

**Gas Storage Projects**

1. On line 4, enter the total storage capacity certificated by FERC.
2. Report total amount in Dth or other unit, as applicable on lines 2, 3, 4, 7. If quantity is converted from Mcf to Dth, provide conversion factor in a footnote.

Line No.	Item (a)	Total Amount (b)
	STORAGE OPERATIONS	
1	Top or Working Gas End of Year	
2	Cushion Gas (Including Native Gas)	
3	Total Gas in Reservoir (Total of line 1 and 2)	
4	Certificated Storage Capacity	
5	Number of Injection - Withdrawal Wells	
6	Number of Observation Wells	
7	Maximum Days' Withdrawal from Storage	
8	Date of Maximum Days' Withdrawal	
9	LNG Terminal Companies (in Dth)	
10	Number of Tanks	
11	Capacity of Tanks	
12	LNG Volume	
13	Received at "Ship Rail"	
14	Transferred to Tanks	
15	Withdrawn from Tanks	
16	"Boil Off" Vaporization Loss	

**Transmission Lines**

1. Report below, by state, the total miles of transmission lines of each transmission system operated by respondent at end of year.
2. Report separately any lines held under a title other than full ownership. Designate such lines with an asterisk, in column (b) and in a footnote state the name of owner, or co-owner, nature of respondent's title, and percent ownership if jointly owned.
3. Report separately any line that was not operated during the past year. Enter in a footnote the details and state whether the book cost of such a line, or any portion thereof, has been retired in the books of account, or what disposition of the line and its book costs are contemplated.
4. Report the number of miles of pipe to one decimal point.

Line No.	Designation (Identification) of Line or Group of Lines (a)	* (b)	Total Miles of Pipe (c)
1	None		
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
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16			
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**Transmission System Peak Deliveries**

1. Report below the total transmission system deliveries of gas (in Dth), excluding deliveries to storage, for the period of system peak deliveries indicated below, during the 12 months embracing the heating season overlapping the year's end for which this report is submitted. The season's peak normally will be reached before the due date of this report, April 30, which permits inclusion of the peak information required on this page. Add rows as necessary to report all data. Number additional rows 6.01, 6.02, etc.

Line No.	Description	Dth of Gas Delivered to Interstate Pipelines (b)	Dth of Gas Delivered to Others (c)	Total (b) + (c) (d)
	<b>SECTION A: SINGLE DAY PEAK DELIVERIES</b>			
1	Date:			
2	Volumes of Gas Transported			
3	No-Notice Transportation			
4	Other Firm Transportation			
5	Interruptible Transportation			
6	Other (Describe) (footnote details)			
7	TOTAL			
8	Volumes of gas Withdrawn form Storage under Storage Contract			
9	No-Notice Storage			
10	Other Firm Storage			
11	Interruptible Storage			
12	Other (Describe) (footnote details)			
13	TOTAL			
14	Other Operational Activities			
15	Gas Withdrawn from Storage for System Operations			
16	Reduction in Line Pack			
17	Other (Describe) (footnote details)			
18	TOTAL			
19	<b>SECTION B: CONSECUTIVE THREE-DAY PEAK DELIVERIES</b>			
20	Dates:			
21	Volumes of Gas Transported			
22	No-Notice Transportation			
23	Other Firm Transportation			
24	Interruptible Transportation			
25	Other (Describe) (footnote details)			
26	TOTAL			
27	Volumes of Gas Withdrawn from Storage under Storage Contract			
28	No-Notice Storage			
29	Other Firm Storage			
30	Interruptible Storage			
31	Other (Describe) (footnote details)			
32	TOTAL			
33	Other Operational Activities			
34	Gas Withdrawn from Storage for System Operations			
35	Reduction in Line Pack			
36	Other (Describe) (footnote details)			
37	TOTAL			

**Auxiliary Peaking Facilities**

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plants, oil gas sets, etc.
2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.
3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility Dth (c)	Cost of Facility (in dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery?
1	None				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
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15					
16					
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23					
24					
25					
26					
27					
28					
29					
30					



**Gas Account - Natural Gas**

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.  
 2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.  
 3. Enter in column (c) the year to date Dth as reported in the schedules indicated for the items of receipts and deliveries.  
 4. Enter in column (d) the respective quarter's Dth as reported in the schedules indicated for the items of receipts and deliveries.  
 5. Indicate in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.  
 6. If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose.  
 7. Indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities that the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.  
 8. Indicate in a footnote the specific gas purchase expense account(s) and related to which the aggregate volumes reported on line No. 3 relate.  
 9. Indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales, transportation and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.  
 10. Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional information as necessary to the footnotes.

Line No.	Item (a)	Ref. Page No. of (FERC Form Nos. 2/2-A) (b)	Total Amount of Dth Year to Date (c)	Current Three Months Ended Amount of Dth Quarterly Only (d)
----------	-------------	--	---	--

<b>01 Name of System:</b>				
2	GAS RECEIVED			
3	Gas Purchases (Accounts 800-805)		29,287,134	
4	Gas of Others Received for Gathering (Account 489.1)	303		
5	Gas of Others Received for Transmission (Account 489.2)	305		
6	Gas of Others Received for Distribution (Account 489.3)	301		
7	Gas of Others Received for Contract Storage (Account 489.4)	307		
8	Gas of Others Received for Production/Extraction/Processing (Account 490 and 491)			
9	Exchanged Gas Received from Others (Account 806)	328		
10	Gas Received as Imbalances (Account 806)	328		
11	Receipts of Respondent's Gas Transported by Others (Account 858)	332		
12	Other Gas Withdrawn from Storage (Explain)		1,570,269	
13	Gas Received from Shippers as Compressor Station Fuel			
14	Gas Received from Shippers as Lost and Unaccounted for			
15	Other Receipts (Specify) (footnote details)		93,425,359	
16	Total Receipts (Total of lines 3 thru 15)		124,282,762	
17	GAS DELIVERED			
18	Gas Sales (Accounts 480-484)		28,926,930	
19	Deliveries of Gas Gathered for Others (Account 489.1)	303		
20	Deliveries of Gas Transported for Others (Account 489.2)	305	93,425,359	
21	Deliveries of Gas Distributed for Others (Account 489.3)	301		
22	Deliveries of Contract Storage Gas (Account 489.4)	307		
23	Gas of Others Delivered for Production/Extraction/Processing (Account 490 and 491)			
24	Exchange Gas Delivered to Others (Account 806)	328		
25	Gas Delivered as Imbalances (Account 806)	328		
26	Deliveries of Gas to Others for Transportation (Account 858)	332		
27	Other Gas Delivered to Storage (Explain)		1,688,915	
28	Gas Used for Compressor Station Fuel	509		
29	Other Deliveries and Gas Used for Other Operations		12,040	
30	Total Deliveries (Total of lines 18 thru 29)		124,053,244	
31	GAS LOSSES AND GAS UNACCOUNTED FOR			
32	Gas Losses and Gas Unaccounted For		229,518	
33	TOTALS			
34	Total Deliveries, Gas Losses & Unaccounted For (Total of lines 30 and 32)		124,282,762	

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
Cascade Natural Gas Corporation			
System Maps			

1. Furnish five copies of a system map (one with each filed copy of this report) of the facilities operated by the respondent for the production, gathering, transportation, and sale of natural gas. New maps need not be furnished if no important change has occurred in the facilities operated by the respondent since the date of the maps furnished with a previous year's annual report. If, however, maps are not furnished for this reason, reference should be made in the space below to the year's annual report with which the maps were furnished.
2. Indicate the following information on the maps:
  - (a) Transmission lines.
  - (b) Incremental facilities.
  - (c) Location of gathering areas.
  - (d) Location of zones and rate areas.
  - (e) Location of storage fields.
  - (f) Location of natural gas fields.
  - (g) Location of compressor stations.
  - (h) Normal direction of gas flow (indicated by arrows).
  - (i) Size of pipe.
  - (j) Location of products extraction plants, stabilization plants, purification plants, recycling areas, etc.
  - (k) Principal communities receiving service through the respondent's pipeline.
3. In addition, show on each map: graphic scale of the map; date of the facts the map purports to show; a legend giving all symbols and abbreviations used; designations of facilities leased to or from another company, giving name of such other company.
4. Maps not larger than 24 inches square are desired. If necessary, however, submit larger maps to show essential information. Fold the maps to a size not larger than this report. Bind the maps to the report.

See attached map



PACIFIC OCEAN

CANADA  
UNITED STATES

WASHINGTON

OREGON

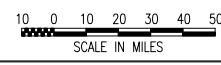
District Offices •  
Communities Served •

State Boundary



**CASCADE  
NATURAL GAS**  
CORPORATION

A Subsidiary of MCO Resources Group, Inc.



DATE: JAN 7, 2013

Name of Respondent Cascade Natural Gas Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

**Schedule Page: 234 Line No.: 4 Column: g**

Regulatory accounts related to FAS158 and OR rate change adjustments

**Schedule Page: 234 Line No.: 4 Column: i**

Regulatory accounts related to FAS158 and OR rate change adjustments

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Cascade Natural Gas Corporation	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12/31/2016	2016/Q4
FOOTNOTE DATA			

**Schedule Page: 260 Line No.: 8 Column: a**

The loss associated with each reacquisition consists of a reacquisition premium, other reacquisition expenses, and remaining unamortized issuance costs (Account 181) at the time of reacquisition.

(1) 7.5% Notes were reacquired in March 2007 and refunded by 5.79% Senior Notes for \$40,000,000 due 3/08/2037. The remaining unamortized debt expense of \$1,229,120 was reclassified to unamortized loss on reacquired debt.

Name of Respondent Cascade Natural Gas Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

**Schedule Page: 261 Line No.: 5 Column: a**

CIAC	4,990,647
Customer Advances - 2520.000 to 2520.2991	608,407
Tax Gain (loss) on disposal of assets:	
Pre-1981 assets	(570,372)
Post-1980 assets	(1,205,997)
<b>Total</b>	<b>3,822,685</b>

**Schedule Page: 261 Line No.: 10 Column: a**

Tax Expense	5,895,500
Vacation Accrual - current year	1,746,437
Retiree Medical Accrual	427,529
Amort of loss on reacquired debt (4281)	40,971
SFAS No. 87 pension plan accrual	(176,629)
SFAS No. 87 accrual-SERP/SISP expense	750,207
Incentive accrual	1,212,601
Bad Debt Expense	985,349
Charitable Contributions (5981,4261)	216,468
Legal Reserve	280,000
Depreciation provision:	
Pre-1981	544,605
Post-1980	25,750,544
Permanent Diff's:	
50% of business meals & entertainment	152,305
Penalties (5984)	1,001,099
Lobbying (5912,4264)	128,096
<b>Total</b>	<b>38,955,082</b>

**Schedule Page: 261 Line No.: 20 Column: a**

Vacation accrual-prior year	(1,605,812)
Depreciation & ammortization of plant:	
Post-1980	(24,499,290)
Repairs Deduction	(3,637,386)
Section 174 costs	(2,880,285)
Bad debts written off	(975,637)
SERP-benefit payments out of plan	(603,443)
SERP/SISP-perm difference piece	(472,308)
Retiree Medical payments	(359,489)
Deferred Gas Costs	(318,120)
Prepaid Expenses	(209,142)
401K Dividends (MDUR)	(184,446)
Bremerton & Eugene MGP expenses	(182,016)
263A Adjustment-UNICAP	(9,296)
Oregon State Income Tax	(295,759)
<b>Total</b>	<b>(36,232,429)</b>

**Schedule Page: 261 Line No.: 33 Column: a**

Allocated to:	<u>409.1</u>	<u>409.2</u>	<u>Total</u>
Washington	3,159,843	(142,375)	3,017,468
Oregon	<u>1,123,528</u>	<u>(46,778)</u>	<u>1,076,750</u>

Name of Respondent Cascade Natural Gas Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

<b>Total</b>	<b>4,283,371</b>	<b>(189,153)</b>	<b>4,094,218</b>
<b>Schedule Page: 261 Line No.: 34 Column: a</b>			
Taxable Income for Federal Tax			16,540,853
Oregon adjustments to Federal Taxable Income:			
Oregon State Income Tax expense deducted from Federal Return			295,759
Bonus Depreciation adjustment			<u>(475,273)</u>
Taxable Income for Oregon Tax			16,361,339
Oregon Apportionment Factor			<u>23.7851%</u>
Oregon Taxable Income			3,891,561
Oregon Tax Rate			<u>7.60%</u>
Estimated Tax Return Oregon Income Tax			295,759
Adjustments:			
Difference between 12/31/15 accrual and tax return			<u>(15,081)</u>
Provision for Current Oregon Income Tax			<b>280,678</b>
Allocated to:	<u>409.1</u>	<u>409.2</u>	<u>Total</u>
<b>Total</b>	<b>293,645</b>	<b>(12,967)</b>	<b>280,678</b>

Name of Respondent Cascade Natural Gas Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

**Schedule Page: 276 Line No.: 4 Column: g**

Regulatory accounts related to FAS158 and deferred tax effect of OR State Tax Rate increase

**Schedule Page: 276 Line No.: 4 Column: i**

Regulatory accounts related to FAS158 and deferred tax effect of OR State Tax Rate increase



Name of Respondent Cascade Natural Gas Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

**Schedule Page: 338 Line No.: 9 Column: a**

Depreciation is accrued monthly on the average balance in each plant account using a rate specific to the account. The average balance is the simple average of the balance at the beginning of the month and at the end of the month. The amounts shown below represent the year-end balances of depreciable plant and the weighted average composite rates based on year-end balances in each category.

Description (a)	<u>Washington</u>		<u>Oregon</u>	
	Depreciable Plant Base (Thousands) (b)	Composite Rate (Percent) (c)	Depreciable Plant Base (Thousands) (d)	Composite Rate (Percent) (e)
Intangible plant	25,749		8,186	
Manufactured gas production	0		0	
Transmission plant	17,214	1.75%	5,863	1.93%
Distribution plant	612,514	2.60%	171,748	2.86%
General plant	47,260	3.59%	16,134	3.75%
Total -	<u>702,737</u>	2.84%	<u>201,931</u>	3.12%

Name of Respondent Cascade Natural Gas Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2016	Year/Period of Report 2016/Q4
FOOTNOTE DATA			

**Schedule Page: 354 Line No.: 75 Column: a**

PTO/Incentive/Severance Pay Liabilities	1,212,601
Miscellaneous Services	<u>212</u>
	<b>1,212,813</b>

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