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April 24, 2014

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: WAC 480-90-257 Annual Financial Reporting

Dear Mr. King:

In compliance with WAC 480-90-257, please find enclosed Cascade Natural Gas Corporation's Statement of Operations and Annual Commission Basis Report for the 12-month period ending December 31, 2013.

The attached summary sheets and supporting workpapers detail the procedures used to develop reporting adjustments consistent with WAC "Commission Basis" requirements.

If there are any questions regarding this filing please contact me at (509) 734-4593.

Sincerely,

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

Michael Parvinen
Director, Regulatory Affairs

CASCADE NATURAL GAS CORPORATION

Adjusted Statement of Operations and Rate of Return

Twelve Months Ended December 31, 2013

State of Washington Operations

STATEMENT
OF
OPERATIONS

Cascade Natural Gas Corporation
State of Washington
Statement of Operations and Rate of Return
Month and Twelve Months Ended 12/31/2013

	Month	Twelve Months
OPERATING REVENUES		
Natural Gas Sales	36,033,779	192,522,085
Transportation Revenue	1,860,975	19,477,932
Other Operating Revenue	192,374	1,341,392
	<u>38,087,129</u>	<u>213,341,409</u>
Less: Natural Gas & Production Costs	23,381,059	113,783,401
Revenue Taxes	3,048,633	17,525,272
OPERATING MARGIN	<u>11,657,437</u>	<u>82,032,736</u>
OPERATING EXPENSES		
Production	24,590	282,213
Distribution	1,670,746	15,903,070
Customer Accounts	508,256	4,735,615
Customer Service & Informational	116,045	1,098,693
Sales	-	6,948
Administrative & General	1,039,592	15,116,664
Depreciation & Amortization	1,365,566	16,071,752
Property, Payroll & Misc. Taxes	346,997	4,405,487
Federal Income Taxes	2,039,502	5,923,070
Total Operating Expenses	<u>7,111,293</u>	<u>63,543,512</u>
NET OPERATING INCOME	<u>4,546,144</u>	<u>18,489,224</u>
RATE BASE	<u>232,721,949</u>	<u>226,399,179</u>
RATE OF RETURN	<u>1.95%</u>	<u>8.17%</u>

SCHEDULE OF RATE BASE

Utility Plant In Service	595,771,139	584,984,563
Accumulated Depreciation	(304,875,167)	(300,210,870)
Net Utility Plant	<u>290,895,972</u>	<u>284,773,693</u>
Other:		
Contributions in Aid of Construction	-	-
Customer Advances for Construction	(3,381,517)	(3,398,726)
Accumulated Deferred Income Taxes	(65,123,972)	(65,123,972)
Deferred Debits	-	-
Subtotal	<u>222,390,484</u>	<u>216,250,995</u>
Working Capital	<u>10,331,465</u>	<u>10,148,184</u>
TOTAL RATE BASE	<u>232,721,949</u>	<u>226,399,179</u>

All rate base items except accumulated deferred income taxes represent **monthly average and** average of monthly average balances. Accumulated deferred income taxes represent the end-of-period balance.

This report is derived directly from the amounts recorded on the books of the Corporation for the period covered, as adjusted for the depreciation adjustment prescribed in WUTC Order No. 991923. It reflects no ratemaking or other normalized adjustments.

**RATE
OF
RETURN**

Cascade Natural Gas Corporation
SUMMARY OF OPERATIONS & ADJUSTMENTS
FOR THE 12 MONTH PERIOD ENDED 12/31/13

Line No.	Description (a)	Statement of Operations Per Books (b)	Weather Normalization Adjustment (c)	Restated Wages And Related Costs (d)	Advertising Adjustment (e)	Removal of Retiree Medical Credits (f)	Commission Basis Restated Total (g)
1	Operating Revenue						
2	Natural Gas Sales	\$ 192,522,085	\$ (3,040,719)	\$ 0	\$ 0	\$ 0	\$ 189,481,366
3	Gas Transportation Revenue	19,477,932	0	0	0	0	19,477,932
4	Other Operating Revenue	1,341,392	0	0	0	0	1,341,392
5	Subtotal	\$ 213,341,409	\$ (3,040,719)	\$ 0	\$ 0	\$ 0	\$ 210,300,690
6	LESS: Nat. Gas/Production Costs	113,783,401	(2,167,886)				111,615,515
7	Revenue Taxes	17,525,272					17,525,272
8	Operating Margin	\$ 82,032,736	\$ (872,833)	\$ 0	\$ 0	\$ 0	\$ 81,159,903
9	Operating Expenses						
10	Production	282,213	0	0	0	0	282,213
11	Distribution	15,903,070	0	0	0	0	15,903,070
12	Customer Accounts	4,735,615	(2,858)	0	0	0	4,732,757
13	Customer Service & Information	1,098,693	0	0	0	0	1,098,693
14	Sales	6,948	0	0	(6,948)	0	0
15	Administrative & General	15,116,664	0	49,268	0	(497,014)	14,668,918
16	Depreciation & Amortization	16,071,752	0	0	0	0	16,071,752
17	Prop./Payroll/Misc. Taxes	4,405,487	(128,987)	0	0	0	4,276,500
18	Federal Income Taxes	5,923,070	(266,755)	(17,737)	2,501	178,925	5,820,004
19	Total Operating Expenses	\$ 63,543,512	\$ (398,601)	\$ 31,532	\$ (4,447)	\$ (318,089)	\$ 62,853,907
20	Net Operating Income	\$ 18,489,224	\$ (474,232)	\$ (31,532)	\$ 4,447	\$ 318,089	\$ 18,305,996
21	Rate Base						
22	Plant In Service	\$ 584,984,563	\$ 0	\$ 0	\$ 0	\$ 0	\$ 584,984,563
23	Accumulated Depreciation	(300,210,870)	0	0	0	0	(300,210,870)
24	Contributions In Aid	0	0	0	0	0	0
25	Cust. Adv. For Constr.	(3,398,726)	0	0	0	0	(3,398,726)
26	Accum. Deferred Income Taxes	(65,123,972)	0	0	0	0	(65,123,972)
27	Deferred Debits	0	0	0	0	0	0
28	Working Capital Allowance	10,148,184	0	0	0	0	10,148,184
29	Total	\$ 226,399,179	\$ 0	\$ 0	\$ 0	\$ 0	\$ 226,399,179
30	Rate Of Return	8.17%					8.09%

Note: This report does not include all ratemaking adjustments that would be included in the context of a general rate case

**WEATHER
ANALYSIS**

**Cascade Natural Gas Corporation
Weather Normalization Adjustment
For Twelve Months Ended 12/31/2013
State of Washington**

<u>Line No.</u>	<u>Description</u>		<u>Therms</u>	<u>Revenues</u>
<u>Residential</u>				
1	Rate Schedule No. 503 Therm Adjustment		(2,421,893)	
2	Revenue at Restating Rate	\$ 0.89254		\$ (2,161,636)
<u>Commercial</u>				
3	Rate Schedule No. 504 Therm Adjustment		(1,023,057)	
4	Revenue at Restating Rate	\$ 0.85927		\$ (879,082)
5	Totals		<u>(3,444,950)</u>	<u>\$ (3,040,719)</u>
<u>Gas Cost</u>				
6	Change in Gas Cost - Residential (WACOG x Adjustment)	\$ 0.63006	(2,421,893)	\$ (1,525,938)
7	Change in Gas Cost - Commercial (WACOG x Adjustment)	\$ 0.62748	<u>(1,023,057)</u>	<u>\$ (641,948)</u>
8	Totals		<u>(3,444,950)</u>	<u>\$ (2,167,886)</u>

ADJUSTMENTS

Accounting Adjustments
Twelve Months Ended 12/31/13

The following accounting adjustments are necessary to restate recorded utility operating results for the 12 months ended December 31, 2013.

1. **Restated Wages and Related Costs Adjustment** - Increases Administrative & General Expense by \$49,268. Test period operating expenses are adjusted to reflect the effect of the general wage increase for hourly employees on April 1, 2013 as if they had been in effect for the entire test period. The general wage increase for salaried employees' wages occurred on January 1, 2013 so no adjustment was necessary.
2. **Advertising Adjustment** – Reduce Sales Expense by \$6,948 to account for below-the-line advertising.
3. **Removal of Retiree Medical Credits** – Decrease Administrative & General Expense by \$497,014 to adjust for the retiree medical credits that were received during CY13.

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
 State of Washington

Line No.	Description	CY 2013	Amount
	(a)	(b)	(c)
	Promotional Advertising (WA Only)		
1	Twelve Months Ending 12/31/13	\$ 6,948	
2	Removal		<u>\$ (6,948)</u>

Cascade Natural Gas Corporation
REMOVAL OF RETIREE MEDICAL CREDITS
 State of Washington

Line No.	Description	CY 2013	Amount
	(a)	(b)	(c)
	Retiree Medical Credits		
1	Twelve Months Ending 12/31/13	\$ 497,014	
2	Removal		\$ (497,014)

Cascade Natural Gas Corporation
UG-061721 A&G EXPENSE ADJUSTMENT
 State of Washington

Line No.	Description	CY 13 Amount
	(a)	(b)
1	2006 A&G Benchmark (per UG-061721)	\$ 21,642,845
2	CPI Increase (2006 to 2013)	15.56%
3	2013 A&G Benchmark	\$ 25,010,472
4	Cascade Actual CY13 A&G Expense	\$ 19,103,043
5	Commission Basis Adjustments	\$ (447,746)
6	Cascade Adjusted CY13 A&G Expense	\$ 18,655,297
7	Below Threshold (Yes/No)	Yes
8	A&G Adjustment (if line 7 is Yes then no adjustment)	\$ -

**SUPPORTING
WORKPAPERS**

**Cascade Natural Gas Corporation
Washington Wage Adjustment
Adjustment to Restate CY 2013**

	Gross Salaries/Wages	% Salary/Wage Increase	Salary/Wage Adjustment Before Taxes	Social Security Tax @ 6.2%	Medicare Tax @ 1.45%	Total Taxes	Adjustment to Restate CY13 Salaries/Wages
January	\$ 718,830						
February	628,910						
March	674,208						
CY13 Hourly	\$ 2,021,948	3.00%	\$ 60,658	\$ 3,761	\$ 880	\$ 4,641	\$ 65,299
WA 3-Factor Total Capitalized							\$ 49,268
Adjustment to Restate CY13 Wages for Annual Increase			\$ 60,658			\$ 4,641	\$ 49,268

Note: Salaried increase effective 1/1/13
Hourly increase effective 4/1/13

Retiree Medical Credits Workpaper

Retire Medical Credits as per Mercer Actuarial Report	\$	658,733
Washington 3-Factor		<u>0.7545</u>
Washington Allocation	\$	497,014

Cascade Natural Gas
 UG-061721 A&G Benchmark Development
 CPI Increase % Calculation

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0
 Not Seasonally Adjusted
 Area: U.S. city average
 Item: All items
 Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1
2000	168.80	169.80	171.20	171.30	171.50	172.40	172.80	172.80	173.70	174.00	174.10	174.00	172.20	170.80
2001	175.10	175.80	176.20	176.90	177.70	178.00	177.50	177.50	178.30	177.70	177.40	176.70	177.10	176.60
2002	177.10	177.80	178.80	179.80	179.80	179.90	180.10	180.70	181.00	181.30	181.30	180.90	179.90	178.90
2003	181.70	183.10	184.20	183.80	183.50	183.70	183.90	184.60	185.20	185.00	184.50	184.30	184.00	183.30
2004	185.20	186.20	187.40	188.00	189.10	189.70	189.40	189.50	189.90	190.90	191.00	190.30	188.90	187.60
2005	190.70	191.80	193.30	194.60	194.40	194.50	195.40	196.40	198.80	199.20	197.60	196.80	195.30	193.20
2006	198.30	198.70	199.80	201.50	202.50	202.90	203.50	203.90	202.90	201.80	201.50	201.80	201.60	200.60
2007	202.42	203.50	205.35	206.69	207.95	208.35	208.30	207.92	208.49	208.94	210.18	210.04	207.34	205.71
2008	211.08	211.69	213.53	214.82	216.63	218.82	219.96	219.09	218.78	216.57	212.43	210.23	215.30	214.43
2009	211.14	212.19	212.71	213.24	213.86	215.69	215.35	215.83	215.97	216.18	216.33	215.95	214.54	213.14
2010	216.69	216.74	217.63	218.01	218.18	217.97	218.01	218.31	218.44	218.71	218.80	219.18	218.06	217.50
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.23	225.672	224.939	223.598
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594	228.850
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957	232.366
CY06 Average					201.59									
CY07 Average					207.34									
CY08 Average					215.30									
CY09 Average					214.54									
CY10 Average					218.06									
CY11 Average					224.94									
CY12 Average					229.59									
CY13 Average					232.96									
CPI % Increase (2006 to 2013)					15.56%									

**Cascade Natural Gas
UG-061721 A&G Benchmark Development
CY 2013 Actual Washington Expenses**

	Washington-2012	Washington-2013	\$ Change	% Change
CUSTOMER ACCOUNTS EXPENSES				
901 Supervision	\$ 41,583	\$ 18,523	\$ (23,060)	-55.45%
902 Meter Reading Exp.	\$ 480,919	\$ 482,615	\$ 1,696	0.35%
903 Cust. Records & Collection Exp.	\$ 3,437,297	\$ 3,449,046	\$ 11,749	0.34%
904 Uncollectible Accounts	\$ 1,787,104	\$ 778,477	\$ (1,008,627)	-56.44%
905 Misc. Exp.	\$ 107,027	\$ 6,954	\$ (100,073)	-93.50%
TOTAL CUSTOMER ACCOUNTS EXP.	\$ 5,853,930	\$ 4,735,615	\$ (1,118,315)	-19.10%
CUSTOMER SERVICE AND INFORMATIONAL EXPENSES				
907 Supervision	\$ -	\$ -	\$ -	
908 Cust. Assistance Exp.	\$ 825,849	\$ 1,076,400	\$ 250,551	30.34%
909 Info. & Instr. Advertising Exp.	\$ 79,791	\$ 22,294	\$ (57,497)	-72.06%
910 Misc. Cust. Serv. & Info. Exp.	\$ -	\$ -	\$ -	
TOTAL CUST. SRVC. & INFO. EXPENSES	\$ 905,640	\$ 1,098,693	\$ 193,053	21.32%
SALES EXPENSES				
911 Supervision	\$ -	\$ -	\$ -	
912 Demonstrating & Selling	\$ -	\$ -	\$ -	
913 Advertising	\$ 7,719	\$ 6,948	\$ (771)	-9.99%
916 Misc. Sales Exp.	\$ -	\$ -	\$ -	
TOTAL SALES EXPENSES	\$ 7,719	\$ 6,948	\$ (771)	-9.99%
ADMINISTRATIVE AND GENERAL EXPENSES				
920 Admin. & General Salaries	\$ 4,787,806	\$ 4,753,695	\$ (34,111)	-0.71%
921 Office Supplies & Exp.	\$ 3,885,605	\$ 3,805,828	\$ (79,777)	-2.05%
923 Outside Services Employed	\$ 644,199	\$ 583,328	\$ (60,871)	-9.45%
924 Property Insurance	\$ 55,078	\$ 59,037	\$ 3,959	7.19%
925 Injuries & Damages	\$ 702,397	\$ 909,876	\$ 207,479	29.54%
926 Employee Pensions & Benefits	\$ 3,260,539	\$ 3,788,516	\$ 527,977	16.19%
928 Regulatory Commission Exp.	\$ -	\$ -	\$ -	
930.1 General Advertising Exp.	\$ 51,804	\$ 80,189	\$ 28,385	54.79%
930.2 Misc. General Exp.	\$ 482,588	\$ 520,115	\$ 37,527	7.78%
931 Rents	\$ 971,840	\$ 933,704	\$ (38,136)	-3.92%
935 Maintenance of General Plant	\$ 21,877	\$ 80,452	\$ 58,575	267.75%
	\$ 14,863,734	\$ 15,514,739	\$ 651,006	4.38%
922 Capitalized Exp.	\$ (386,769)	\$ (398,075)	\$ (11,306)	2.92%
TOTAL ADMIN & GENERAL EXPENSES	\$ 14,476,965	\$ 15,116,664	\$ 639,700	4.42%
TOTAL	\$ 21,244,254	\$ 20,957,920	\$ (286,333)	-1.35%
REMOVE				
904 Uncollectible Accounts	\$ 1,787,104	\$ 778,477	\$ (1,008,627)	-56.44%
908 Cust. Assistance Exp.	\$ 825,849	\$ 1,076,400	\$ 250,551	30.34%
TOTAL A&G EXPENSES	\$ 18,631,301	\$ 19,103,043	\$ 471,743	2.53%