

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2016

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 12/31/2016

	Month	Twelve Months
OPERATING REVENUES		
Natural Gas Sales	32,327,788	182,902,833
Transportation Revenue	2,089,816	21,216,454
Other Operating Revenue	92,630	1,011,375
	34,510,234	205,130,662
Less: Natural Gas & Production Costs	19,273,131	103,593,865
Revenue Taxes	2,583,858	16,946,341
OPERATING MARGIN	12,653,245	84,590,456
OPERATING EXPENSES		
Production	40,010	518,989
Distribution	1,473,300	16,326,277
Customer Accounts	687,228	6,383,108
Customer Service & Informational	6,730	824,096
Sales	-	4,917
Administrative & General	1,788,619	16,459,958
Depreciation & Amortization	1,643,523	19,218,442
Property, Payroll & Misc. Taxes	350,044	4,095,634
Federal Income Taxes	2,226,648	4,154,374
Total Operating Expenses	8,216,102	67,985,795
NET OPERATING INCOME	4,437,143	16,604,661
 RATE BASE	 285,655,577	 270,103,180
 RATE OF RETURN	 1.55%	 6.15%

SCHEDULE OF RATE BASE

Utility Plant In Service	702,891,542	677,494,189
Accumulated Depreciation	(352,977,560)	(344,952,444)
Net Utility Plant	349,913,982	332,541,745
Other:		
Contributions in Aid of Construction	-	-
Customer Advances for Construction	(3,953,104)	(3,771,590)
Accumulated Deferred Income Taxes	(75,305,364)	(73,667,038)
Deferred Debits	-	-
Subtotal	270,655,514	255,103,117
Working Capital	15,000,063	15,000,063
TOTAL RATE BASE	285,655,577	270,103,180

All rate base items represent average of monthly average balances.

RATE OF RETURN

Cascade Natural Gas Corporation
SUMMARY OF OPERATIONS & ADJUSTMENTS
FOR THE 12 MONTH PERIOD ENDED 12/31/16

Line No.	Description (a)	Statement of Operations Per Books (b)	Weather Normalization Adjustment (c)	Advertising Adjustment (d)	Commission Basis Restated Total (e)
	Operating Revenue				
1	Natural Gas Sales	\$ 182,902,833	\$ 10,544,101	0	\$ 193,446,934
2	Gas Transportation Revenue	21,216,454		0	21,216,454
3	Other Operating Revenue	1,011,375		0	1,011,375
4	Subtotal	\$ 205,130,662	\$ 10,544,101	0	\$ 215,674,763
5	LESS: Nat. Gas/Production Costs	103,593,865	7,239,018		110,832,883
6	Revenue Taxes	16,946,341			16,946,341
7	Operating Margin	84,590,456	\$ 3,305,083	0	\$ 87,895,539
	Operating Expenses				
8	Production	518,989			518,989
9	Distribution	16,326,277	0	0	16,326,277
10	Customer Accounts	6,383,108	9,911	0	6,393,019
11	Customer Service & Information	824,096	0	0	824,096
12	Sales	4,917	0	(4,917)	0
13	Administrative & General	16,459,958	0	0	16,459,958
14	Depreciation & Amortization	19,218,442	0	0	19,218,442
15	Prop./Payroll/Misc. Taxes	4,095,634	447,281	0	4,542,915
16	Federal Income Taxes	4,154,374	996,762	1,721	5,152,857
17	Total Operating Expenses	\$ 67,985,795	\$ 1,453,954	(3,196)	\$ 69,436,553
18	Net Operating Income	\$ 16,604,661	\$ 1,851,129	3,196	\$ 18,458,986
	Rate Base				
18	Plant In Service	\$ 677,494,189	\$		\$ 677,494,189
19	Accumulated Depreciation	(344,952,444)			(344,952,444)
20	Contributions In Aid	0			0
21	Cust. Adv. For Constr.	(3,771,590)			(3,771,590)
22	Accum. Deferred Income Taxes	(73,667,038)			(73,667,038)
23	Deferred Debits	0			0
24	Working Capital Allowance	15,000,063			15,000,063
25	Total	\$ 270,103,180	\$ 0	0	\$ 270,103,180
26	Rate Of Return	6.15%			6.83%

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 08/31/2016
State of Washington**

<u>Line No.</u>	<u>Description</u>		<u>Therms</u>	<u>Revenues</u>
<u>Residential</u>				
	Rate Schedule No. 503			
1	Therm Adjustment		8,588,364	
2	Revenue at Restating Rate	\$ 0.81516		\$ 7,000,891
<u>Commercial</u>				
	Rate Schedule No. 504			
3	Therm Adjustment		4,533,452	
4	Revenue at Restating Rate	\$ 0.78157		\$ 3,543,210
5	Totals		13,121,816	\$ 10,544,101
<u>Gas Cost</u>				
6	Change in Gas Cost - Residential (WACOG x Adjustment)	\$ 0.55268	8,588,364	\$ 4,746,617
7	Change in Gas Cost - Commercial (WACOG x Adjustment)	\$ 0.54978	4,533,452	\$ 2,492,401
8	Totals		13,121,816	\$ 7,239,018

ADJUSTMENTS

Accounting Adjustments
Twelve Months Ended 12/31/16

The following accounting adjustments are necessary to restate recorded utility operating results
for the 12 months ended December 31, 2016.

1. **Advertising Adjustment** – Reduce Sales Expense by \$4,917 to account for below-the-line advertising.

<p style="text-align: center;">Cascade Natural Gas Corporation</p> <p style="text-align: center;">PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT</p> <p style="text-align: center;">State of Washington</p>				
Line No.	Description		CY 2016	Amount
	(a)		(b)	(c)
	Promotional Advertising (WA Only)			
1	Twelve Months Ending 12/31/16		\$ 4,917	
2	Removal			<u>\$ (4,917)</u>