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April 24, 2015

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, 2014.

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, 2014

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 12/31/2014

	Month	Twelve Months
OPERATING REVENUES		
Natural Gas Sales	31,812,598	216,831,029
Transportation Revenue	1,748,857	19,865,944
Other Operating Revenue	133,661	1,243,014
	<u>33,695,115</u>	<u>237,939,987</u>
Less: Natural Gas & Production Costs	20,757,722	136,501,138
Revenue Taxes	2,883,598	19,850,355
OPERATING MARGIN	<u>10,053,796</u>	<u>81,588,493</u>
OPERATING EXPENSES		
Production	27,795	312,167
Distribution	1,570,194	16,389,141
Customer Accounts	479,696	5,153,766
Customer Service & Informational	74,318	1,058,071
Sales	1,431	9,412
Administrative & General	1,704,461	17,016,010
Depreciation & Amortization	1,442,591	16,906,574
Property, Payroll & Misc. Taxes	383,378	4,520,396
Federal Income Taxes	1,329,729	4,653,263
Total Operating Expenses	<u>7,013,593</u>	<u>66,018,800</u>
NET OPERATING INCOME	<u>3,040,203</u>	<u>15,569,693</u>
RATE BASE	<u>271,223,551</u>	<u>265,941,284</u>
RATE OF RETURN	<u>1.12%</u>	<u>5.85%</u>

SCHEDULE OF RATE BASE

Utility Plant In Service	618,843,608	607,126,362
Accumulated Depreciation	(318,839,739)	(311,903,076)
Net Utility Plant	<u>300,003,870</u>	<u>295,223,286</u>
Other:		
Contributions in Aid of Construction	-	-
Customer Advances for Construction	(2,712,051)	(3,243,768)
Accumulated Deferred Income Taxes	(66,632,573)	(66,632,573)
Deferred Debits	-	-
Subtotal	<u>230,659,246</u>	<u>225,346,945</u>
Working Capital	40,564,305	40,594,339
TOTAL RATE BASE	<u>271,223,551</u>	<u>265,941,284</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 12/31/14

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)
	Operating Revenue						
1	Natural Gas Sales	\$ 216,831,029	\$ 9,513,370	\$ 0	\$ 0	\$ 0	\$ 226,344,399
2	Gas Transportation Revenue	19,865,944		0	0	0	19,865,944
3	Other Operating Revenue	1,243,014		0	0	0	1,243,014
4	Subtotal	\$ 237,939,987	\$ 9,513,370	\$ 0	\$ 0	\$ 0	\$ 247,453,357
5	LESS: Nat. Gas/Production Costs	136,501,138	6,894,944				143,396,083
6	Revenue Taxes	19,850,355					19,850,355
7	Operating Margin	81,588,493	\$ 2,618,426	\$ 0	\$ 0	\$ 0	\$ 84,206,919
	Operating Expenses						
8	Production	312,167					312,167
9	Distribution	16,389,141	0	0	0	0	16,389,141
10	Customer Accounts	5,153,766	8,943	0	0	0	5,162,709
11	Customer Service & Information	1,058,071	0	0	0	0	1,058,071
12	Sales	9,412	0	0	(9,412)	0	0
13	Administrative & General	17,016,010	0	47,674	0	(87,462)	16,976,223
14	Depreciation & Amortization	16,906,574	0	0	0	0	16,906,574
15	Prop./Payroll/Misc. Taxes	4,520,396	403,557	0	0	0	4,923,953
16	Federal Income Taxes	4,653,263	772,074	(16,686)	3,294	30,612	5,442,557
17	Total Operating Expenses	\$ 66,018,800	\$ 1,184,574	30,988	(6,118)	(56,850)	\$ 67,171,395
18	Net Operating Income	\$ 15,569,693	\$ 1,433,852	(30,988)	6,118	56,850	\$ 17,035,525
	Rate Base						
18	Plant In Service	\$ 607,126,362	\$				\$ 607,126,362
19	Accumulated Depreciation	(311,903,076)					(311,903,076)
20	Contributions In Aid	0					0
21	Cust. Adv. For Constr.	(3,243,768)					(3,243,768)
22	Accum. Deferred Income Taxes	(66,632,573)					(66,632,573)
23	Deferred Debits	0					0
24	Working Capital Allowance	40,594,339					40,594,339
25	Total	\$ 265,941,284	\$ 0	\$ 0	\$ 0	\$ 0	\$ 265,941,284
26	Rate Of Return	5.85%					6.41%

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 12/31/2014
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		6,506,006	
2	Revenue at Restating Rate	\$ 0.92438		\$ 6,014,022
<u>Commercial</u>				
	Rate Schedule No. 504			
3	Therm Adjustment		3,929,115	
4	Revenue at Restating Rate	\$ 0.89062		\$ 3,499,348
5	Totals		<u>10,435,121</u>	<u>\$ 9,513,370</u>
<u>Gas Cost</u>				
6	Change in Gas Cost - Residential (WACOG x Adjustment)	\$ 0.66190	6,506,006	\$ 4,306,325
7	Change in Gas Cost - Commercial (WACOG x Adjustment)	\$ 0.65883	<u>3,929,115</u>	<u>\$ 2,588,619</u>
8	Totals		<u>10,435,121</u>	<u>\$ 6,894,944</u>

ADJUSTMENTS

Accounting Adjustments
Twelve Months Ended 12/31/14

The following accounting adjustments are necessary to restate recorded utility operating results for the 12 months ended December 31, 2014.

1. **Restated Wages and Related Costs Adjustment** - Increases Administrative & General Expense by \$47,674. Test period operating expenses are adjusted to reflect the effect of the general wage increase for hourly employees on April 1, 2014 as if they had been in effect for the entire test period. The general wage increase for salaried employees' wages occurred on January 1, 2014 so no adjustment was necessary.
2. **Advertising Adjustment** – Reduce Sales Expense by \$9,412 to account for below-the-line advertising.
3. **Removal of Retiree Medical Credits** – Decrease Administrative & General Expense by \$87,462 to adjust for the retiree medical credits that were received during CY14.

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
 State of Washington

Line No.	Description	CY 2014	Amount
(a)	(b)	(c)	(c)
	Promotional Advertising (WA Only)		
1	Twelve Months Ending 12/31/14	\$ 9,412	
2	Removal		<u>\$ (9,412)</u>

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

Line No.	Description	CY 2014	Amount
(a)	(b)	(c)	(d)
	Retiree Medical Credits		
1	Twelve Months Ending 12/31/14	\$ 87,462	
2	Removal		\$ (87,462)

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

Line No.	Description	CY 14 Amount
	(a)	(b)
1	2006 A&G Benchmark (per UG-061721)	\$ 21,642,845
2	CPI Increase (2006 to 2014)	17.44%
3	2014 A&G Benchmark	\$ 25,417,357
4	Cascade Actual CY14 A&G Expense	\$ 21,096,889
5	Commission Basis Adjustments	\$ (39,787)
6	Cascade Adjusted CY14 A&G Expense	\$ 21,057,102
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 2014**

	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 CY14 Salaries/Wages
January	\$ 644,180						
February	649,683						
March	<u>656,238</u>						
CY14 Hourly	\$ 1,950,101	3.00%	\$ 58,503	\$ 3,627	\$ 848	\$ 4,475	\$ 62,978
WA 3-Factor Total Capitalized							\$ 47,674
Adjustment to Restate CY14 Wages for Annual Increase			<u>\$ 58,503</u>			<u>\$ 4,475</u>	<u>\$ 47,674</u>

Note: Salaried increase effective 1/1/14
Hourly increase effective 4/1/14

Retiree Medical Credits Workpaper

Retire Medical Credits as per Mercer Actuarial Report	\$	115,537
Washington 3-Factor		<u>0.757</u>
Washington Allocation	\$	87,462

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	HALFI
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
2014	233.916	234.781	236.293	237.072	237.9	238.343	238.25	237.852	238.031	237.433	236.151	234.812	236.736	236.384
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										
CY14 Average				236.74										
CPI % Increase (2006 to 2014)				17.44%										

Cascade Natural Gas
UG-061721 A&G Benchmark Development
CY 2014 Actual Washington Expenses

	Washington-2013	Washington-2014	\$ Change	% Change
CUSTOMER ACCOUNTS EXPENSES				
901 Supervision	\$ 18,523	\$ 19	\$ (18,504)	-99.90%
902 Meter Reading Exp.	\$ 482,615	\$ 498,344	\$ 15,729	3.26%
903 Cust. Records & Collection Exp.	\$ 3,449,046	\$ 3,544,044	\$ 94,998	2.75%
904 Uncollectible Accounts	\$ 778,477	\$ 1,107,085	\$ 328,608	42.21%
905 Misc. Exp.	\$ 6,954	\$ 4,275	\$ (2,679)	-38.53%
TOTAL CUSTOMER ACCOUNTS EXP.	\$ 4,735,615	\$ 5,153,766	\$ 418,151	8.83%
CUSTOMER SERVICE AND INFORMATIONAL EXPENSES				
907 Supervision	\$ -	\$ -	\$ -	
908 Cust. Assistance Exp.	\$ 1,076,400	\$ 1,033,286	\$ (43,114)	-4.01%
909 Info. & Instr. Advertising Exp.	\$ 22,294	\$ 24,516	\$ 2,222	9.97%
910 Misc. Cust. Serv. & Info. Exp.	\$ -	\$ 269	\$ 269	
TOTAL CUST. SRVC. & INFO. EXPENSES	\$ 1,098,694	\$ 1,058,071	\$ (40,623)	-3.70%
SALES EXPENSES				
911 Supervision	\$ -	\$ -	\$ -	
912 Demonstrating & Selling	\$ -	\$ -	\$ -	
913 Advertising	\$ 6,948	\$ 9,412	\$ 2,464	35.47%
916 Misc. Sales Exp.	\$ -	\$ -	\$ -	
TOTAL SALES EXPENSES	\$ 6,948	\$ 9,412	\$ 2,464	35.47%
ADMINISTRATIVE AND GENERAL EXPENSES				
920 Admin. & General Salaries	\$ 4,753,695	\$ 5,181,959	\$ 428,264	9.01%
921 Office Supplies & Exp.	\$ 3,805,828	\$ 4,206,289	\$ 400,461	10.52%
923 Outside Services Employed	\$ 583,328	\$ 878,005	\$ 294,677	50.52%
924 Property Insurance	\$ 59,037	\$ 52,142	\$ (6,895)	-11.68%
925 Injuries & Damages	\$ 909,876	\$ 1,016,647	\$ 106,771	11.73%
926 Employee Pensions & Benefits	\$ 3,788,516	\$ 4,673,857	\$ 885,341	23.37%
928 Regulatory Commission Exp.	\$ -	\$ -	\$ -	
930.1 General Advertising Exp.	\$ 80,189	\$ 42,783	\$ (37,406)	-46.65%
930.2 Misc. General Exp.	\$ 520,115	\$ 421,150	\$ (98,965)	-19.03%
931 Rents	\$ 933,704	\$ 925,407	\$ (8,297)	-0.89%
935 Maintenance of General Plant	\$ 80,452	\$ 19,213	\$ (61,239)	-76.12%
	\$ 15,514,740	\$ 17,417,454	\$ 1,902,714	12.26%
922 Capitalized Exp.	\$ (398,075)	\$ (401,444)	\$ (3,369)	-0.85%
TOTAL ADMIN & GENERAL EXPENSES	\$ 15,116,665	\$ 17,016,010	\$ 1,899,345	12.56%
TOTAL	\$ 20,957,922	\$ 23,237,259	\$ 2,279,337	10.88%
REMOVE				
904 Uncollectible Accounts	\$ 778,477	\$ 1,107,085	\$ 328,608	42.21%
908 Cust. Assistance Exp.	\$ 1,076,400	\$ 1,033,286	\$ (43,114)	-4.01%
TOTAL A&G EXPENSES	\$ 19,103,045	\$ 21,096,889	\$ 1,993,844	10.44%