

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2015

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 12/31/2015

	Month	Twelve Months
OPERATING REVENUES		
Natural Gas Sales	29,899,875	194,465,890
Transportation Revenue	1,783,665	20,426,804
Other Operating Revenue	75,981	1,001,985
	<u>31,759,522</u>	<u>215,894,678</u>
Less: Natural Gas & Production Costs	18,123,476	119,769,690
Revenue Taxes	2,500,080	18,050,997
OPERATING MARGIN	<u>11,135,965</u>	<u>78,073,991</u>
OPERATING EXPENSES		
Production	30,990	337,722
Distribution	1,596,056	16,008,083
Customer Accounts	543,856	5,661,703
Customer Service & Informational	103,279	1,124,813
Sales	523	12,625
Administrative & General	1,759,206	15,622,373
Depreciation & Amortization	5,338,281	21,571,820
Property, Payroll & Misc. Taxes	362,443	3,984,398
Federal Income Taxes	116,022	1,744,805
Total Operating Expenses	<u>9,850,657</u>	<u>66,068,342</u>
NET OPERATING INCOME	<u>1,285,308</u>	<u>12,005,649</u>
RATE BASE	<u>274,890,137</u>	<u>261,601,210</u>
RATE OF RETURN	<u>0.47%</u>	<u>4.59%</u>

SCHEDULE OF RATE BASE

Utility Plant In Service	654,541,120	632,616,854
Accumulated Depreciation	(335,114,607)	(326,886,721)
Net Utility Plant	<u>319,426,513</u>	<u>305,730,133</u>
Other:		
Contributions in Aid of Construction	-	-
Customer Advances for Construction	(3,582,578)	(3,175,125)
Accumulated Deferred Income Taxes	(73,572,374)	(73,572,374)
Deferred Debits	-	-
Subtotal	<u>242,271,561</u>	<u>228,982,634</u>
Working Capital	<u>32,618,576</u>	<u>32,618,576</u>
TOTAL RATE BASE	<u>274,890,137</u>	<u>261,601,210</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.

RATE OF RETURN

Cascade Natural Gas Corporation
SUMMARY OF OPERATIONS & ADJUSTMENTS
FOR THE 12 MONTH PERIOD ENDED 12/31/15

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	\$ 194,465,890	\$ 17,047,911	0	\$ 211,513,800
2	Gas Transportation Revenue	20,426,804		0	20,426,804
3	Other Operating Revenue	1,001,985		0	1,001,985
4	Subtotal	\$ 215,894,678	\$ 17,047,911	0	\$ 232,942,589
5	LESS: Nat. Gas/Production Costs	119,769,690	11,721,050		131,490,741
6	Revenue Taxes	18,050,997			18,050,997
7	Operating Margin	78,073,991	\$ 5,326,860	0	\$ 83,400,852
	Operating Expenses				
8	Production	337,722			337,722
9	Distribution	16,008,083	0	0	16,008,083
10	Customer Accounts	5,661,703	16,025	0	5,677,728
11	Customer Service & Information	1,124,813	0	0	1,124,813
12	Sales	12,625	0	(12,625)	0
13	Administrative & General	15,622,373	0	0	15,622,373
14	Depreciation & Amortization	21,571,820	0	0	21,571,820
15	Prop./Payroll/Misc. Taxes	3,984,398	723,172	0	4,707,570
16	Federal Income Taxes	1,744,805	1,605,682	4,419	3,354,906
17	Total Operating Expenses	\$ 66,068,342	\$ 2,344,879	(8,206)	\$ 68,405,015
18	Net Operating Income	\$ 12,005,649	\$ 2,981,981	8,206	\$ 14,995,836
	Rate Base				
18	Plant In Service	\$ 632,616,854	\$		\$ 632,616,854
19	Accumulated Depreciation	(326,886,721)			(326,886,721)
20	Contributions In Aid	0			0
21	Cust. Adv. For Constr.	(3,175,125)			(3,175,125)
22	Accum. Deferred Income Taxes	(73,572,374)			(73,572,374)
23	Deferred Debits	0			0
24	Working Capital Allowance	32,618,576			32,618,576
25	Total	\$ 261,601,210	\$ 0	0	\$ 261,601,210
26	Rate Of Return	4.59%			5.73%

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 12/31/2015
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		13,072,327	
2	Revenue at Restating Rate	\$ 0.81516		\$ 10,656,038
<u>Commercial</u>				
	Rate Schedule No. 504			
3	Therm Adjustment		8,178,247	
4	Revenue at Restating Rate	\$ 0.78157		\$ 6,391,873
5	Totals		<u>21,250,574</u>	<u>\$ 17,047,911</u>
<u>Gas Cost</u>				
6	Change in Gas Cost - Residential (WACOG x Adjustment)	\$ 0.55268	13,072,327	\$ 7,224,814
7	Change in Gas Cost - Commercial (WACOG x Adjustment)	\$ 0.54978	<u>8,178,247</u>	<u>\$ 4,496,237</u>
8	Totals		<u>21,250,574</u>	<u>\$ 11,721,050</u>

ADJUSTMENTS

Accounting Adjustments
Twelve Months Ended 12/31/15

The following accounting adjustments are necessary to restate recorded utility operating results for the 12 months ended December 31, 2015.

1. **Advertising Adjustment** – Reduce Sales Expense by \$12,625 to account for below-the-line advertising.

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
 State of Washington

Line No.	Description	CY 2015	Amount
	(a)	(b)	(c)
	Promotional Advertising (WA Only)		
1	Twelve Months Ending 12/31/15	\$ 12,625	
2	Removal		<u>\$ (12,625)</u>