

**CONTESTED ISSUES**

| ISSUE   | CASCADE NATURAL GAS  | COMPANY<br>Rebuttal Filing | COMMISSION<br>STAFF | PUBLIC<br>COUNSEL | PARTY | PARTY |
|---|--|----------------------------|---------------------|-------------------|-------|-------|
| <i>Overall Revenue /<br/>Rate Increase</i>            | \$5,884,984<br>2.71%   |                            |                     |                   |       |       |
| <i>Capital Structure<br/>and Cost of Capital</i>      | <p><b>Capital Structure</b><br/>Long-term Debt: 50%<br/>Preferred Stock: 0%<br/>Common Equity: 50%</p> <p><b>Cost of Capital:</b><br/>Long-term Debt: 5.295%<br/>Preferred Stock: 0%<br/>Common equity: 9.90%</p> <p><b>Overall Rate of Return:<br/>7.598%</b><br/>Capital structure, cost of long-term debt, and cost of preferred stock are addressed in Exhibit No.__(TJN-1T) and Exhibit No.__(JSG-1T)</p> |                            |                     |                   |       |       |
| <i>Per Books Results</i>                              | <p>The actual Washington booked figures for the test year, which is the twelve months ended December 31, 2016.<br/>Exhibit No.__(MPP-2)</p>  |                            |                     |                   |       |       |
| <i>R-1<br/>Weather Normalization<br/>Adjustment</i>   | <p>An adjustment to the test period results to reflect customer usage given normal weather. The result is an increase in net income of \$3,077,609.<br/>Exhibit No.__(MPP-5)</p>   |                            |                     |                   |       |       |
| <i>R-2<br/>Promotional Advertising<br/>Adjustment</i> | <p>Removes advertising costs more aimed at promoting the company brand or image rather than conservation or safety. The result is an increase in net income of \$35,566.<br/>Exhibit No.__(MPP-5)</p>  |                            |                     |                   |       |       |

**CASCADE NATURAL GAS GENERAL RATE CASE DOCKET UG-170929  
ISSUES MATRIX—December 22, 2017**

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| <p><b>R-3</b><br/><b>Restate Revenue</b></p>                  | <p>Removes from revenue amounts that are out of period or will not be realized in the rate year. Examples are bill corrections, net unbilled revenues, deferral revenues, etc. The result of this adjustment is a decrease in net income of \$1,501,021.<br/>Exhibit No.__(MPP-5)</p>                   |  |  |  |  |  |
| <p><b>R-4</b><br/><b>Low-Income Bill Assistance</b></p>       | <p>Removes from the test period the booked expense prior to the implementation of the tracker tariff rate on September 1, 2016, as established in the last general rate case, UG-152286.<br/><br/>The result of this adjustment is an increase in net income of \$346,667.<br/>Exhibit No.__(MPP-5)</p> |  |  |  |  |  |
| <p><b>P-1</b><br/><b>Interest Coordination Adjustment</b></p> | <p>Adjusts federal income taxes for the effect of the average debt rate used to calculate the rate of return applied to the proposed rate base shown in Exhibit No MPP-2, column (3), line 24. The result is a decrease in net income of \$274,827.<br/>Exhibit No.__(MPP-5)</p>                        |  |  |  |  |  |

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| <p><b>P-2<br/>Pro Forma Wage<br/>Adjustment</b></p> | <p>Four components: The first component is the annualization of the 2016 increase effective April 1, 2016 for union employees. The second component layers on the 2017 actual wage increases for non-union and union employees. The third component adds in the 2018 estimated increases for the union and non-union employees. The non-union increase is estimated to be 4 percent, the same level granted in 2017. However, the increase won't be known until sometime in December, 2017. The Company will update the calculation to reflect the actual non-union increase awarded at a later date. The 2018 union increase is estimated to be 3.1 percent, the same as 2017. The fourth component is a reflection of the 2017 and 2018 wage increase associated with employees that are allocated to Cascade rather than directly assigned. In general, all non-union employees receive the same level of increases as approved by the Board of Directors. The result is a decrease in net income of \$934,593. Exhibit No. ____ (MPP-5)</p> |  |  |  |  |  |
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|--|---|--|--|--|--|--|
| <p><i>P-3</i><br/><i>Pro Forma Plant Additions</i></p> | <p>Reflects the Company's budgeted level of capital additions expected to go into service by December 31, 2017, well before the anticipated effective date of the current filing, June 1, 2018. The proposed projects are limited to only those projects that are non-revenue producing and will not be included in the 2017 annual Cost Recovery Mechanism (CRM). Exhibit No. ____ (MPP-6) identifies each project, the proposed in service date, most current proposed budget amount, and most importantly an explanation on the investment. These are non-revenue producing upgrades and have no material offsetting factors except for one project. As the cost and timing of these projects is budgeted and estimated at this point, Cascade will update the actual costs and standing of each project as the case proceeds. The intent is adding into rate base only those projects that will be used and useful by the time rates from the current proceeding go into effect. The net income effect of the rate base additions, for depreciation expense, property taxes, and an offsetting revenue increase is a decrease of \$280,075. The rate base impact is an increase of \$17,820,193. Exhibit No. ____ (MPP-5)</p> |  |  |  |  |  |
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| <p><b>P-4</b><br/><b>Rate Case Costs</b></p>                 | <p>Reflects the impacts of incremental costs associated with filing this general rate case over what was booked in 2016 for the last general rate case, Docket No. UG-152286. These costs will be updated later in the case as they become known and better estimated. The net income impact is a decrease in net income of \$194,033.<br/>Exhibit No.__(MPP-5)</p>  |  |  |  |  |  |
| <p><b>P-5</b><br/><b>Pro Forma Compliance Department</b></p> | <p>Addition of a new department at the Company that will be tasked with ensuring that Cascade is in full compliance with all state and federal pipeline safety regulations and other relevant requirements. The department—which is named System Integrity/System Management—has the responsibility of assuring the Cascade is in compliance with all state and federal pipeline safety matters. The new department consists of a director and two engineers. The Company expects that the addition of this department will help avoid future instances such as those that resulted the complaint filed in Docket No. PG-150120. The net income impact of this adjustment is a decrease of \$181,736.<br/>Exhibit No.__(MPP-5)</p> |  |  |  |  |  |

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| <p><b>P-6</b><br/><i>MAOP Deferral Amortization</i></p>   | <p>Ten year amortization of the anticipated deferred balance associated with the approval in Docket No. UG-160787 of Cascade’s request for deferred accounting treatment of incremental costs to implement the Maximum Allowable Operating Pressure (“MAOP”) Determination and Validation Plan submitted to the Commission on April 29, 2016, under Docket No. PG-150120. Amortization would begin as of the effective date of this general rate increase. The deferred balance is anticipated to be \$9,590,868. The net income effect is a reduction of \$623,406<br/>Exhibit No.__(MPP-5)<br/>Exhibit No.__(EM-1T)</p> |  |  |  |  |  |
| <p><b>P-7</b><br/><i>Miscellaneous Charge Changes</i></p> | <p>Proposed changes to certain miscellaneous fees in Schedule 200. Cascade witness Ms. Jennifer G. Gross describes the proposed changes in greater detail in Exhibit No. __ (JGG-1T). This adjustment reduces net income by \$63,142.<br/>Exhibit No.__(MPP-5)</p>  |  |  |  |  |  |

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| <p><b>P-8</b><br/><i>CRM Adjustment</i></p>    | <p>Adjusts from the average of monthly average test year investment for approved Cost Recovery Mechanism (“CRM”) investments to the same level included in the most recent annual CRM filing (Docket No. UG-160788). The adjustment recognizes a full year impact of the investment as included in Docket No. UG-160788. The pro forma adjustment in column P-9 recognizes a full year of the revenue from the same CRM filing. This adjustment, along with the revenue adjustment in column P-9, fully matches the revenue with the investment. This adjustment decreases net income by \$50,707 and increases rate base by \$2,978,481.<br/>Exhibit No.__(MPP-5)</p> |  |  |  |  |  |
| <p><b>P-6</b><br/><i>Pro Forma Revenue</i></p> | <p>Adjusts weather normalized volumes to the most current rates. Included in this adjustment is the annualization effect of the most current CRM rates, the most current special contract rates, and the most recent general rate case. This adjustment is further described in the testimony of Ms. Rosales. This adjustment increases net income by \$3,242,702.<br/>Exhibit No.__(MPP-5)</p>  |  |  |  |  |  |
| <p><i>Cost of Service</i></p>                  | <p>Cost of Service Study<br/><br/>Exhibit No.__(RJA-1T)</p>  |  |  |  |  |  |
| <p><i>Rate Spread/Rate Design</i></p>          | <p>Exhibit No.__(RJA-1T)</p>   |  |  |  |  |  |