

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2017

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 12/31/2017

	Month	Twelve Months
OPERATING REVENUES		
Natural Gas Sales	33,084,924	201,859,941
Transportation Revenue	2,105,860	23,274,239
Other Operating Revenue	67,965	1,039,898
	<u>35,258,749</u>	<u>226,174,078</u>
Less: Natural Gas & Production Costs	19,637,637	113,381,089
Revenue Taxes	2,713,488	19,643,139
OPERATING MARGIN	<u>12,907,624</u>	<u>93,149,850</u>
OPERATING EXPENSES		
Production	18,830	294,447
Distribution	1,667,386	18,788,790
Customer Accounts	564,451	6,197,704
Customer Service & Informational	57,859	370,308
Sales	-	3,263
Administrative & General	1,863,453	17,491,298
Depreciation & Amortization	1,791,477	20,609,143
Property, Payroll & Misc. Taxes	367,084	4,242,029
Federal Income Taxes	3,007,777	6,857,365
Total Operating Expenses	<u>9,338,316</u>	<u>74,854,348</u>
NET OPERATING INCOME	<u>3,569,308</u>	<u>18,295,503</u>
RATE BASE	<u>318,199,605</u>	<u>291,217,545</u>
RATE OF RETURN	<u>1.12%</u>	<u>6.28%</u>

SCHEDULE OF RATE BASE

Utility Plant In Service	757,648,674	721,672,786
Accumulated Depreciation	(370,895,076)	(361,711,018)
Net Utility Plant	<u>386,753,598</u>	<u>359,961,769</u>
Other:		
Contributions in Aid of Construction	-	-
Customer Advances for Construction	(4,078,923)	(4,078,946)
Accumulated Deferred Income Taxes	(76,684,094)	(75,805,307)
Deferred Debits	-	-
Subtotal	<u>305,990,581</u>	<u>280,077,516</u>
Working Capital	<u>12,209,024</u>	<u>11,140,029</u>
TOTAL RATE BASE	<u>318,199,605</u>	<u>291,217,545</u>

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 12/31/17

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	\$ 201,859,941	\$ 1,455,767	0	\$ 203,315,709
2	Gas Transportation Revenue	23,274,239		0	23,274,239
3	Other Operating Revenue	1,039,898		0	1,039,898
4	Subtotal	\$ 226,174,078	\$ 1,455,767	0	\$ 227,629,845
5	LESS: Nat. Gas/Production Costs	113,381,089			113,381,089
6	Revenue Taxes	19,643,139			19,643,139
7	Operating Margin	93,149,850	\$ 1,455,767	0	\$ 94,605,618
	Operating Expenses				
8	Production	294,447			294,447
9	Distribution	18,788,790	0	0	18,788,790
10	Customer Accounts	6,197,704	6,071	0	6,203,775
11	Customer Service & Information	370,308	0	0	370,308
12	Sales	3,263	0	(3,263)	0
13	Administrative & General	17,491,298	0	0	17,491,298
14	Depreciation & Amortization	20,609,143	0	0	20,609,143
15	Prop./Payroll/Misc. Taxes	4,242,029	58,988	0	4,301,016
16	Federal Income Taxes	6,857,365	486,748	1,142	7,345,255
17	Total Operating Expenses	\$ 74,854,348	\$ 551,806	(2,121)	\$ 75,404,033
18	Net Operating Income	\$ 18,295,503	\$ 903,961	2,121	\$ 19,201,585
	Rate Base				
18	Plant In Service	\$ 721,672,786	\$		\$ 721,672,786
19	Accumulated Depreciation	(361,711,018)			(361,711,018)
20	Contributions In Aid	0			0
21	Cust. Adv. For Constr.	(4,078,946)			(4,078,946)
22	Accum. Deferred Income Taxes	(75,805,307)			(75,805,307)
23	Deferred Debits	0			0
24	Working Capital Allowance	3,698,641			3,698,641
25	Total	\$ 283,776,156	\$ 0	0	\$ 283,776,156
26	Rate Of Return	6.45%			6.77%

WEATHER ANALYSIS

**Cascade Natural Gas Corporation
Weather Normalization Adjustment
For Twelve Months Ended 12/31/2017
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		123,825,348	
2	Weather Normalized Margin	\$ 0.29484		\$ 36,508,666
3	Authorize Margin			\$ (35,322,772)
4	Difference			\$ 1,185,894
<u>Commercial</u>				
5	Rate Schedule No. 504 Therm Adjustment		84,109,882	
6	Weather Normalized Margin	\$ 0.24608		\$ 20,697,760
7	Authorize Margin			\$ (20,427,886)
7	Difference			\$ 269,874
5	Total Margin Adj.			\$ 1,455,767

ADJUSTMENTS

Accounting Adjustments
Twelve Months Ended 12/31/17

The following accounting adjustments are necessary to restate recorded utility operating results for the 12 months ended December 31, 2017.

1. **Advertising Adjustment** – Reduce Sales Expense by \$3,263 to account for below-the-line advertising.

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
 State of Washington

Line No.	Description	CY 2017	Amount
	(a)	(b)	(c)
	Promotional Advertising (WA Only)		
1	Twelve Months Ending 12/31/17	\$ 3,263	
2	Removal		<u>\$ (3,263)</u>