

**Exh. KMH-2  
Docket UG-170929  
Witness: Kristen M. Hillstead**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADE NATURAL GAS  
CORPORATION,**

**Respondent.**

**DOCKET UG-170929**

**EXHIBIT TO  
TESTIMONY OF**

**Kristen M. Hillstead**

**ON BEHALF OF STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Revenue Requirement*

**February 15, 2018**

Cascade Natural Gas  
Results of Operations Summary Sheet  
Twelve Months Ended December 31, 2016

	12/31/2016 Results Per Company Filing	Summary of Restating Adjustments	Summary of Pro Forma Adjustments	Test Year Adjusted Total	Staff Proposed Revenue Impact	Adjusted Results After Proposed Revenues and Before Tax Adjustment	Staff Estimated Tax Adjustment	Adjusted Results After Proposed Revenues and After Tax Adjustment	Overall Impact of Staff's Adj. and Tax Impact
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<b>SUMMARY SHEET</b>									
<b>Operating Revenues</b>									
1	Natural Gas Sales	6,986,321	5,181,808	195,070,962	(4,524,476)	190,546,486	(3,482,648)	187,063,838	(8,007,124)
2	Gas Transportation Revenue	(346,009)	2,133,461	23,003,907	1,200,000	24,203,907		24,203,907	1,200,000
3	Other Operating Revenues	0	87,366	1,098,741		1,098,741		1,098,741	0
4	<b>REVENUES</b>	6,640,312	7,402,635	219,173,609	(3,324,476)	215,849,133	(3,482,648)	212,366,485	(6,807,124)
<b>Operating Expenses</b>									
5	Nat. Gas/Production Costs	4,981,076	0	108,574,941		108,574,941		108,574,941	
6	Revenue Taxes	269,065	299,955	17,515,361	(134,708)	17,380,653	(141,117)	17,239,536	(275,825)
7	Production	0	7,924	526,913		526,913		526,913	
8	Distribution	67,687	914,845	17,308,809		17,308,809		17,308,809	
9	Customer Accounts	28,990	68,969	6,481,068	(12,610)	6,468,458	(13,210)	6,455,248	(25,820)
10	Customer Service	(533,333)	0	290,762		290,762		290,762	
11	Sales	(4,917)	0	0		0		0	
12	Administrative and General	(1,805,094)	402,629	15,057,493		15,057,493		15,057,493	
13	Depreciation & Amortization	0	230,314	19,448,756		19,448,756		19,448,756	
14	Regulatory Debits	0	0	0		0		0	
15	Taxes Other Than Income	5,474	135,948	4,237,056		4,237,056		4,237,056	
16	State & Federal Income Taxes	1,270,978	2,222,706	7,648,058	(1,112,005)	6,536,052	(3,328,321)	3,207,731	(4,440,326)
17	<b>Total Operating Expenses</b>	4,279,926	4,283,290	197,089,216	(1,259,323)	195,829,893	(3,482,648)	192,347,245	(4,741,971)
18	<b>Net Operating Income</b>	2,360,386	3,119,345	22,084,393	(2,065,153)	20,019,240	0	20,019,240	(2,065,153)
<b>Rate Base</b>									
19	Total Plant in Service	677,314,165	10,548,581	687,862,746		687,862,746		687,862,746	
20	Total Accumulated Depreciation	(345,424,355)	(115,157)	(345,539,512)		(345,539,512)		(345,539,512)	
21	Customer Adv. For Construction	(3,771,590)	0	(3,771,590)		(3,771,590)		(3,771,590)	
22	Deferred Accumulated Income Taxes	(73,667,038)	(28,920)	(73,695,958)		(73,695,958)		(73,695,958)	
23	Working Capital Allowance	25,610,870	0	12,688,191		12,688,191		12,688,191	
24	<b>TOTAL RATE BASE</b>	280,062,051	10,404,504	277,543,877	0	277,543,877	0	277,543,877	0
25	<b>Rate of Return</b>	5.93%		7.96%		7.21%		7.21%	

**Cascade Natural Gas  
Proposed Adjustments to Test Year Results  
Twelve Months Ended December 31, 2016**

	Weather Normalization Adjustment (R-1) (JL)	Promotional Advertising Adjustment (R-2) (k10)	Restate Revenue Adjustment (R-3) (JL)	Low-Income Bill Assistance (R-4) (JL)	Staff Proposed Remove Incentive Pay Expense (UTC-1)	Staff Proposed Remove SISP/SERP Expense (UTC-2)	Staff Proposed decrease ISWC per books (UTC-3)	Staff Proposed Remove 2014 Arbitration Expense (UTC-5)	Restate Wage Adj (UTC-6)	Interest Coordination Adjustment (P-1) (k10)	Pro Forma Wage Adjustment (P-2) (k10)	Pro Forma Plant Additions (P-3) (CW)	Rate Case Costs (P-4) (DP)	Pro Forma Compliance Department (P-5) (DP)	MAOP Deferral Amortization (P-6) (AW)	Miscellaneous Charge Changes (P-7) (DP)	CRM Adjustment (P-8) (AW)	Pro Forma Revenue (P-9) (JL)	Total Adjustments	
<b>Operating Revenues</b>																				
1 Natural Gas Sales	\$12,463,455		(\$5,477,135)										\$0			\$0		\$5,181,808	12,168,129	
2 Gas Transportation Revenue			(346,009)									199,944	0	0		(101,645)		1,933,517	1,787,452	
3 Other Operating Revenues													0					189,011	87,366	
4 <b>REVENUE</b>	<b>\$12,463,455</b>	<b>\$0</b>	<b>(\$5,823,143)</b>							<b>\$0</b>	<b>\$0</b>	<b>\$199,944</b>	<b>\$0</b>			<b>(\$101,645)</b>		<b>\$7,304,336</b>	<b>\$14,042,947</b>	
5 <b>Operating Expenses</b>																				
6 Nat. Gas/Production Costs	8,150,003		(3,168,926)																	\$4,981,076
7 Revenue Taxes	505,019		(235,954)								7,924	8,102				(4,119)		295,972	\$569,020	
8 Production																			\$7,924	
9 Distribution									67,687		360,633			130,503	423,708				\$982,532	
10 Customer Accounts	\$47,274		(\$22,087)						\$3,804		40,890	\$758					\$0	\$27,706	\$97,959	
11 Customer Service				(533,333)															(\$533,333)	
12 Sales		(4,917)																	(\$4,917)	
13 Administrative and General		(49,800)			(1,417,093)	(127,508)		(210,756)	63		220,903		123,000	58,727			78,011		(\$1,402,465)	
14 Depreciation & Amortization												152,303							\$230,314	
15 Regulatory Debits																			\$0	
16 Taxes Other Than Income									5,474		38,061	87,904		9,984					\$141,422	
17 State & Federal Income Taxes	1,316,406	19,151	(838,662)	186,667	495,983	44,628	0	73,765	(26,960)	352,988	(233,944)	(17,193)	(43,050)	(69,725)	(148,298)	(33,999)	(27,304)	2,443,230	\$3,493,684	
18 <b>Total Operating Expenses</b>	<b>10,018,702</b>	<b>(35,566)</b>	<b>(4,265,629)</b>	<b>(346,667)</b>	<b>(921,110)</b>	<b>(82,880)</b>	<b>0</b>	<b>(136,991)</b>	<b>50,068</b>	<b>352,988</b>	<b>434,468</b>	<b>231,874</b>	<b>79,950</b>	<b>129,489</b>	<b>275,410</b>	<b>(38,503)</b>	<b>50,707</b>	<b>2,766,908</b>	<b>\$8,563,216</b>	
19 <b>Net Operating Income</b>	<b>\$2,444,754</b>	<b>\$35,566</b>	<b>(\$1,357,514)</b>	<b>\$346,667</b>	<b>\$921,110</b>	<b>\$82,880</b>	<b>\$0</b>	<b>\$136,991</b>	<b>(\$50,068)</b>	<b>(\$352,988)</b>	<b>(\$434,468)</b>	<b>(\$31,930)</b>	<b>(\$79,950)</b>	<b>(\$129,489)</b>	<b>(\$275,410)</b>	<b>(\$63,142)</b>	<b>(\$50,707)</b>	<b>\$4,537,428</b>	<b>\$5,479,731</b>	
20 <b>Rate Base</b>																				
21 Total Plant in Service												7,524,903					3,023,678		\$10,548,581	
22 Total Accumulated Depreciation												(76,151)					(39,005)		(\$115,157)	
23 Customer Adv. For Construction																			\$0	
24 Deferred Accumulated Income Taxes												(22,729)					(6,191)		(\$28,920)	
25 Working Capital Allowance	\$0	\$0	\$0	\$0	\$0	\$0	(12,922,679)	\$0	\$0	\$0	\$0	\$7,426,023	\$0	\$0	\$0	\$0	\$2,978,481	\$0	(\$12,922,679)	
26 <b>TOTAL RATE BASE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$12,922,679)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,426,023</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,978,481</b>	<b>\$0</b>	<b>(\$2,518,175)</b>	
27 <b>Revenue Requirement Effect</b>	<b>(\$3,935,556)</b>	<b>(\$57,253)</b>	<b>\$2,507,281</b>	<b>(\$558,063)</b>	<b>(\$1,482,800)</b>	<b>(\$133,420)</b>	<b>(\$1,500,512)</b>	<b>(\$220,528)</b>	<b>\$80,599</b>	<b>\$568,239</b>	<b>\$699,404</b>	<b>\$913,670</b>	<b>\$128,703</b>	<b>\$208,451</b>	<b>\$443,354</b>	<b>\$101,645</b>	<b>\$427,473</b>	<b>(\$7,304,336)</b>	<b>(\$9,113,648)</b>	