

**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
<b>OPERATING REVENUES</b>		
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
<b>OPERATING MARGIN</b>	<u>10,053,796</u>	<u>81,588,493</u>
<b>OPERATING EXPENSES</b>		
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>
<b>NET OPERATING INCOME</b>	<u>3,040,203</u>	<u>15,569,693</u>
<b>RATE BASE</b>	<u>264,799,481</u>	<u>259,487,180</u>
<b>RATE OF RETURN</b>	<u>1.15%</u>	<u>6.00%</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	<u>34,140,235</u>	<u>34,140,235</u>
<b>TOTAL RATE BASE</b>	<u>264,799,481</u>	<u>259,487,180</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)
	<b>Operating Revenue</b>						
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
	<b>Operating Expenses</b>						
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	0	0	0	17,016,010
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	0	3,294	0	5,428,631
17	Total Operating Expenses	\$ 66,018,800	\$ 1,184,574	0	(6,118)	0	\$ 67,197,256
18	Net Operating Income	\$ 15,569,693	\$ 1,433,852	0	6,118	0	\$ 17,009,663
	<b>Rate Base</b>						
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	34,140,235					34,140,235
25	Total	\$ 259,487,180	\$ 0	\$ 0	\$ 0	0	\$ 259,487,180
26	Rate Of Return	6.00%					6.56%

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>
<b><u>Residential</u></b>				
	Rate Schedule No. 503			
1	Therm Adjustment		6,506,006	
2	Revenue at Restating Rate	\$ 0.92438		\$ 6,014,022
<b><u>Commercial</u></b>				
	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>
<b><u>Gas Cost</u></b>				
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**



Cascade Natural Gas Corporation  
**PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT**  
 State of Washington

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

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	\$ -
6	Cascade Adjusted CY14 A&G Expense	\$ 21,096,889
7	Below Threshold (Yes/No)	Yes
8	A&G Adjustment (if line 7 is Yes then no adjustment)	\$ -

**SUPPORTING  
WORKPAPERS**

**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	HALF1
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
<b>CPI % Increase (2006 to 2014)</b>	<b>17.44%</b>

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

CUSTOMER ACCOUNTS EXPENSES		Washington-2013	Washington-2014	\$ Change	% Change
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%